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challenging limits

Kapsch TrafficCom

# Report on the first half of 2018/19.

# Selected key data.

2018/19 and 2017/18: refers to the respective fiscal year (April 1 – March 31)
H1: first half of the fiscal year (April 1 – September 30)
Q2: second quarter of the fiscal year (July 1 – September 30)
All figures presented in EUR million unless otherwise stated

| **Earnings Data** | **2017/18** | **Q2 2017/18** | **Q2 2018/19** | **+/-** | **H1 2017/18** | **H1 2018/19** | **+/-** |
|---|---|---|---|---|---|---|---|
| Revenues | 693.3 | 175.6 | 177.6 | 1.2% | 339.8 | 335.8 | -1.2% |
| Share of ETC segment | 75.2% | 78.2% | 80.3% | 2.0%p | 76.7% | 78.1% | 1.3%p |
| Share of IMS segment | 24.8% | 21.8% | 19.7% | -2.0%p | 23.3% | 21.9% | -1.3%p |
| EBITDA | 64.9 | 17.1 | 14.2 | -16.6% | 32.8 | 24.8 | -24.4% |
| EBITDA margin | 9.4% | 9.7% | 8.0% | -1.7%p | 9.7% | 7.4% | -2.3%p |
| EBIT | 50.1 | 13.5 | 10.7 | -21.1% | 25.3 | 17.8 | -29.5% |
| EBIT margin | 7.2% | 7.7% | 6.0% | -1.7%p | 7.4% | 5.3% | -2.1%p |
| Result before taxes | 44.2 | 9.5 | 8.4 | -11.9% | 18.8 | 12.0 | -36.3% |
| Result for the period | 28.0 | 7.5 | 5.9 | -21.0% | 14.1 | 8.4 | -40.4% |
| Result for the period attributable to equity holders | 28.7 | 7.5 | 6.4 | -15.7% | 14.3 | 9.0 | -36.8% |
| Earnings per share in EUR | 2.21 | 0.58 | 0.49 | -15.7% | 1.10 | 0.70 | -36.8% |
| **Business segments** | **2017/18** | **Q2 2017/18** | **Q2 2018/19** | **+/-** | **H1 2017/18** | **H1 2018/19** | **+/-** |
| Electronic Toll Collection (ETC) | | | | | | | |
| Revenues | 521.6 | 137.4 | 142.6 | 3.8% | 260.7 | 262.1 | 0.5% |
| EBIT | 53.5 | 17.4 | 17.8 | 2.2% | 32.1 | 24.8 | -22.7% |
| EBIT margin | 10.3% | 12.7% | 12.5% | -0.2%p | 12.3% | 9.5% | -2.8%p |
| Intelligent Mobility Solutions (IMS) | | | | | | | |
| Revenues | 171.6 | 38.2 | 35.0 | -8.2% | 79.1 | 73.7 | -6.8% |
| EBIT | -3.4 | -3.9 | -7.1 | -83.0% | -6.8 | -7.0 | -2.8% |
| EBIT margin | -2.0% | -10.2% | -20.4% | -10.2%p | -8.6% | -9.5% | -0.9%p |
| **Revenues by region** | **2017/18** | **Q2 2017/18** | **Q2 2018/19** | **+/-** | **H1 2017/18** | **H1 2018/19** | **+/-** |
| EMEA | 63.7% | 66.8% | 58.8% | -8.1%p | 65.9% | 61.5% | -4.4%p |
| Americas | 30.2% | 28.3% | 34.4% | 6.1%p | 28.9% | 32.0% | 3.1%p |
| APAC | 6.1% | 4.8% | 6.8% | 2.0%p | 5.2% | 6.5% | 1.4%p |
| **Balance sheet data** | **March 31, 2018** | | | | | **Sept. 30, 2018** | **+/-** |
| Total assets | 621.1 | | | | | 614.6 | -1.1% |
| Total equity [1] | 229.9 | | | | | 220.9 | -3.9% |
| Equity ratio [1] | 37.0% | | | | | 35.9% | -1.0%p |
| Net cash (+)/debt (-) [2] | 16.2 | | | | | -31.7 | — |
| Gearing [3] | — | | | | | 14.4% | — |
| Capital employed [4] | 398.4 | | | | | 388.8 | -2.4% |
| Net working capital [5] | 239.2 | | | | | 239.8 | 0.2% |
| **Cash flow** | **2017/18** | **Q2 2017/18** | **Q2 2018/19** | **+/-** | **H1 2017/18** | **H1 2018/19** | **+/-** |
| Net CAPEX [6] | 8.8 | 1.1 | 1.3 | 16.0% | 2.4 | 2.8 | 13.2% |
| Free cash flow [7] | 33.1 | 3.3 | -4.7 | — | -1.0 | -16.9 | -1,639.6% |
| **Other information** | **2017/18** | | | | **H1 2017/18** | **H1 2018/19** | **+/-** |
| Employees, end of period | 5,259 | | | | 5,199 | 5,407 | 4.0% |
| On-board units, in million units | 12.65 | | | | 5.85 | 6.77 | 15.6% |

1) Incl. non-controlling interests
2) Cash and cash equivalents + other current financial assets - financial liabilities
3) Net debt/equity
4) Total equity + financial liabilities
5) Inventories + current tax receivables + trade receivables + current contract assets - trade payables - current tax payables - current contract liabilities
6) Investments for purchase and payments from the disposal of property, plant and equipment and intangible assets
7) Net cash flow from operating activities - net CAPEX

# Highlights H1 2018/19.

**Revenues H1**

**EUR 335.8 million**
**-1.2%**

**EBIT H1**

**EUR 17.8 million**
**-29.5%**

**Earnings/share H1**

**EUR 0.70**
**-36.8%**

### Second quarter 2018/19 sequentially better, but weaker year-on-year.

> Revenues: +1.2% compared to Q2 2017/18, +12.3% compared to Q1 2018/19.
> EBIT: -21.1% compared to Q2 2017/18, +50.3% compared to Q1 2018/19.

### Select new business in H1 2018/19.

> Spain: Projects in León (IMS), Irún (ETC) and Bilbao (IMS). Kapsch TrafficCom offers solutions in more than 20 cities all over the country.
> Switzerland: Modernization of the truck toll system and maintenance until 2020, renewably annually until the end of 2024.
> Latin America: Three contracts for urban traffic management in Buenos Aires (Argentina), Lima (Peru) and Panama City (Panama).
> Texas, USA: Upgrade of the Traveller Information System in Dallas-Fort Worth.

### Major projects after the quarterly closing date.

> Germany: Contract for the automatic enforcement of the passenger car toll.
> Poland: Support of the further operation of the nation-wide toll system throughout a transition phase of up to 27 months.

### Other significant events.

> Czech Republic: Minister of Transport signed contract with competitor. Kapsch TrafficCom took legal action.
> EETS: Partnership with oil company OMV regarding the payment of tolls in the context of the European Electronic Toll Service.
> EETS: Joint Venture with Axxès to build and operate a sustainable technology platform.

### Outlook will be maintained.

> Revenues and EBIT at previous year's level.

### Resolutions of the Annual General Meeting.

> Dividend of EUR 1.50 per share (i.e. in total EUR 19.5 million).
> Sabine Kauper again elected to the Supervisory Board. Term up to the end of the Annual General Meeting deciding on the formal approval for the fiscal year 2021/22.
> Actions of the members of the Management Board and the members of the Supervisory Board formally approved for the fiscal year 2017/18.

# Letter from the CEO.

**First half of 2018/19:**
- > Revenues -1.2%
- > EBIT -29.5%

**Solid balance sheet:**
- > Gearing: 14.4%
- > Equity ratio: 35.9%

**Strategy is being advanced:**
- > Secure the core business
- > Grow the core business
- > Building up IMS

## Dear Shareholders,

Like the first quarter as a whole, the beginning of the second quarter was still influenced by deferments within existing implementation projects (ETC segment). After a traditionally calm August, a good September helped us achieve quarterly revenues 12.3% above the figure for the first three months of the fiscal year and at the level of the comparable quarter of the previous year. The result from operating activities (EBIT) rose sequentially by 50.3%, but was EUR 2.9 million lower than in the second quarter 2017/18. For the first half of the year, this meant revenues of EUR 335.8 million (-1.2%) and EBIT of EUR 17.8 million (-29.5%). The EBIT margin fell from 7.4% to 5.3%.

In the ETC segment, we succeeded in increasing revenues in the second quarter by 19.2% compared with the first three months to EUR 142.6 million. The EBIT margin reached 12.5%. In the first half of the year, ETC revenues rose by 0.5% to EUR 262.1 million, but EBIT of EUR 24.8 million was 22.7% lower than in the previous year. Revenues in the IMS segment fell to EUR 35.0 million in the second quarter (-9.3% compared to the first three months). Hence, the segment's revenues for the first half of 2018/19 amounted to EUR 73.7 million (-6.8%). After a slightly positive EBIT in the first quarter (EUR 0.1 million), we had to accept an operating loss in the second quarter. IMS-EBIT in the first half of 2018/19 therefore amounted to EUR -7.0 million (previous year: EUR -6.8 million). The main reasons for this were the lower profit contribution from the project in Zambia due to currency effects, further operating losses in the Smart Urban Mobility business, as well as an adjustment of the profit margin for some existing projects.

The financial result in the first half of 2018/19 remained stable compared with the same period of the previous year. Tax expenses fell to EUR 3.6 million (previous year: EUR 4.7 million) due to the lower pre-tax earnings. In the first half of 2018/19, the result for the period amounted to EUR 8.4 million (previous year: EUR 14.1 million), which corresponds to earnings per share of EUR 0.70 (previous year: EUR 1.10).

The free cash flow of EUR -16.9 million (previous year: EUR -1.0 million) reflected the weaker operating results and the more than double increase in working capital. As a consequence of this and due to the dividend distribution of EUR 19.5 million, net debt rose to EUR 31.7 million (March 31, 2018: net cash of EUR 16.2 million). This corresponds to a gearing ratio of 14.4%. The equity ratio remained strong at 35.9% (March 31, 2018: 37.0%).

**Highlights.**

In the first six months of the current fiscal year, we succeeded in acquiring numerous new customer orders around the globe. These were a large number of small and medium-sized projects which are important to us in order to reduce our dependence on major clients sustainably.

While the first half of the year appeared mixed in operational terms since many of our efforts were only visible internally, some of the fruits of our actions were harvested after the quarterly reporting date:

- > In Germany, we received an order for automatic control of the infrastructure charge (passenger car toll). The contract has a basic term of twelve years from the start of toll collection and can be extended to a maximum of 15 years. Depending on the number of optional services being utilized, a total order volume of less than EUR 100 million up to EUR 120 million is possible.
- > In Poland, our contract for the operation of the toll system expired on November 2, 2018, but Kapsch TrafficCom will support the continued operation of the system during a transition period of 27 months (starting November 3, 2018). The customer has the right to terminate the contract early, six months prior to the end of the period, i.e. after a term of 21 months. Kapsch TrafficCom will receive a monthly fee of approximately EUR 2.4 million for the support provided.

- We have established a joint venture with Axxès, France, to operate a sustainable technology platform for the European Electronic Toll Service (EETS) activities of both companies—read more below. We are also cooperating with the mineral oil company OMV, which offers its customers a solution for paying tolls under the EETS.

In the Czech Republic, where we operate the current toll system, the situation is more difficult. The Minister of Transport signed a contract with a competitor for the construction and operation of a new nation-wide toll system. From our point of view, this signing, as well as the preliminary tender process, was extremely problematic, which is why we took legal action.

**Mergers & acquisitions.**

**Active acquisition policy:**
- Strengthen portfolio
- Open up geographical markets
- Increase market share
- Sell holdings, if necessary

Kapsch TrafficCom's strategy continues to be to acquire companies and divisions in order to strengthen its own portfolio, open up geographical markets or increase market share. The aim is to achieve a leading position in all major regional markets. We aim to secure access to innovative technologies and solutions through strategic investments. At the same time, it is important to question existing holdings with regard to these objectives and to divest holdings and companies that no longer meet these objectives when the opportunity presents itself. For example, we no longer consider the 15.4% stake in Q-Free ASA, Norway, and the 13.2% stake in ParkJockey Global Inc., USA, to be strategic.

At the beginning of November, we reached an agreement with the French company Axxès to set up a joint venture with the aim of establishing and operating a sustainable technology platform to serve the EETS activities of both companies. When it comes to end customers, however, Kapsch TrafficCom and Axxès remain competitors. As the joint venture also carries development costs, I expect a one-time positive special effect on Kapsch TrafficCom's EBIT 2018/19 in the lower single-digit million range.

**Annual General Meeting.**

**Annual General Meeting:**
- Dividend of EUR 1.50/share
- Sabine Kauper again elected to the Supervisory Board
- Actions of the members of the Management Board and Supervisory Board formally approved

The ordinary Annual General Meeting passed the resolution to again distribute a dividend of EUR 1.50 per share (in total EUR 19.5 million). Ms Sabine Kauper was again elected as member of the Supervisory Board with a term up to the end of the Annual General Meeting deciding on the formal approval for the fiscal year 2021/22. Furthermore, the Annual General Meeting formally approved the actions of the members of the Management Board and the members of the Supervisory Board for the fiscal year 2017/18.

**The share in the first half of 2018/19.**

In my opinion, the development of the share price in the first half of 2018/19 was disappointing. While the ATX Prime benchmark index lost approximately 2%, the Kapsch TrafficCom share lost approximately 10%. The fact that we are not the cheapest bidder in the Czech Republic and the weak results in the first quarter certainly had an impact on the share price. The discount for the dividend of EUR 1.50 per share must also be taken into account. Unfortunately, positive reports about new projects (e.g. Maryland, Switzerland) did not provide the necessary impetus for a turnaround.

The following financial institutions published reports on the share: Erste Group Bank, Kepler Cheuvreux, ODDO BHF, Raiffeisen Centrobank. Matelan Research informed us last summer that it will discontinue its analysis of Kapsch TrafficCom.

**Outlook.**

Despite already winning numerous and in some cases substantial projects in the current financial year, we continue to work intensively on exciting opportunities.

**Outlook 2018/19:**
Revenues and EBIT at previous year's level

With regard to the financial figures, I expect revenues and EBIT for the current fiscal year to reach the previous year's level. Naturally, any currency and special effects are not taken into account. The departure of the United Kingdom from the EU (Brexit) in spring 2019 should not have a significant impact on Kapsch TrafficCom's results. Our local revenues there are in the single-digit million range.

Sincerely,

Georg Kapsch
Chief Executive Officer

# Management Report H1 2018/19.

## Economic conditions impacting the Group.

**Kapsch TrafficCom addresses the market for Intelligent Transportation Systems (ITS).**

Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). ITS refers to systems in which information and communication technologies are employed to support and optimize transportation, including infrastructure, vehicles, users and industry.

**Kapsch TrafficCom divides the ITS market according to customer segments and the key users.**

### Customer segments in the ITS market.

Kapsch TrafficCom has developed its own understanding and its own view of the ITS market in order to define and develop its own market positioning. From this perspective, the ITS market was divided into four customer segments and the corresponding primary addressees were identified:

**Operator/infrastructure-related ITS** include electronic toll collection and advanced traffic management systems as well as urban access and parking management applications. The addressees are governments and their authorities, road and toll operators as well as concessionaires that develop transportation policies using ITS to ensure the availability and quality of the infrastructure in a way that improves safety, performance, security and environmental protection.

**Vehicle-related ITS** aim at in-car telematics such as remote diagnostics or driver assistance systems. They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles, as well as traffic safety and security. This field also includes systems for real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X, which Kapsch TrafficCom believes will be based on 5.9 GHz technology. The addressees are vehicle manufacturers and their suppliers.

**User-related ITS** are focused mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation during the journey, thereby increasing traffic safety. Example applications for advanced vehicle information systems include transmitting traffic-related vehicle information to travelers before or during the trip as well as navigation services. Addressees are information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices as well as end users, in the latter case primarily with respect to future solutions.

**Industry-related ITS** encompass commercial applications designed to reduce the costs or maximize the yield of vehicle fleet operators, including public transportation companies. These are essentially systems for fleet management and providing information about the logistics behind a vehicle conglomerate. Among the addressees are insurance companies, who see pay-as-you-drive car insurance as a promising way to attract new customers by offering fair insurance rates and ITS-based value-added mobility services.

### Market positioning.

The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related ITS segment. Vehicle- and user-oriented ITS continue to gain in importance. Kapsch TrafficCom also continuously monitors developments in industry-oriented ITS.

**Intelligent, integrated mobility solutions will be the future.**

In recent years, there has been a convergence of the ITS market, that is, an increasing merging of the individual market segments. Kapsch TrafficCom believes that the future will belong to intelligent, integrated mobility solutions and strives to play a leading role in this.

### Market trends and drivers.

Kapsch TrafficCom believes that the following factors are the main trends and drivers of the market which it currently addresses:

- Mobility.
- Urbanization.
- Climate protection.
- Expansion and financing of transportation networks.

**Transport industry in a radical change.**

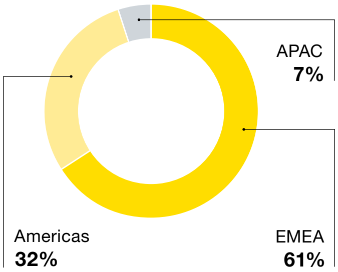
### Technology and concepts.

The transport industry is undergoing radical change with new technologies and concepts such as electric mobility, mobility as a service (MaaS), connected vehicles, big data-based applications, etc. This is increasingly leading to a convergence of ITS market segments, which calls for intelligent, holistic mobility solutions.

## Financial performance indicators.

### Revenues and earnings.

**Revenues by region.**




In the first half of the current fiscal year, Kapsch TrafficCom's revenues reached EUR 335.8 million and were thus 1.2% below the previous year's level (previous year: EUR 339.8 million). The transition to the new accounting standard IFRS 15 did not result in any changes in revenue recognition.

The operating result (EBIT) of EUR 17.8 million was 29.5% below the previous year's figure of EUR 25.3 million. The EBIT margin fell to 5.3% (previous year: 7.4%). Deferments within existing projects were mainly responsible for this decrease. Currency effects from operating activities (net) had a positive effect of EUR 0.7 million in the first half of the current fiscal year, while they were negative with EUR -5.9 million in the same period of the previous year.

The financial result remained stable in the first half of 2018/19 compared to the previous year. The effects from the higher valuation of the investment Q-Free ASA, Norway (EUR 0.9 million) and lower interest expenses (EUR 0.8 million) were largely offset by negative currency effects (EUR -1.5 million). Higher currency losses and lower currency gains resulted mainly from exchange rate fluctuations of the South African rand in respect to the Euro.

In the first half of 2018/19, a tax rate of 30% was applied to the Group's pre-tax result (previous year: 25%). This gives rise to a tax expense of EUR -3.6 million (previous year: EUR -4.7 million).

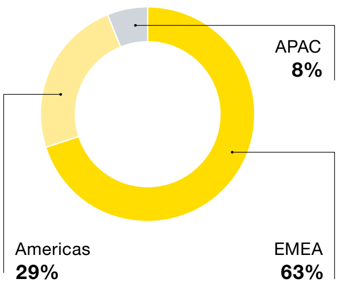
The profit for the period for the first half of 2018/19 therefore decreased by 40.4% to EUR 8.4 million (previous year: EUR 14.1 million).

The segments developed as follows in the first half of 2018/19:

**ETC revenues:
EUR 262.1 million (+0.5%).**

**Electronic Toll Collection (ETC).**
**Revenues.** Revenues in the ETC segment increased by 0.5% to EUR 262.1 million (previous year: EUR 260.7 million) and thus contributed 78.1% to total revenues (previous year: 76.7%).

**ETC revenues by region.**




With EUR 165.1 million, the largest contribution to revenues continued to be generated in the EMEA region with the nation-wide toll projects in the Czech Republic, Poland, Belarus and Austria as well as projects in South Africa (previous year: EUR 181.5 million). The volume of implementation projects decreased compared to the same period of the previous year (-24.2%).

Revenues in the Americas region rose to EUR 76.2 million in the first half of the year (previous year: EUR 64.8 million). In particular, the volume of implementation projects increased in comparison with the same period of the previous year (+49.5%).

In the APAC region, a rise in revenues compared to the same period of the previous year was recorded as well (EUR +6.4 million to EUR 20.8 million), especially for implementation projects in Australia.

In the first half of the fiscal year 2018/19, 6.77 million on-board units were sold (previous year: 5.85 million units). Increases were recorded primarily in the USA and Spain, while sales, particularly in France, declined compared to the same period in the previous year.

Revenues in this segment are broken down by business type as follows:

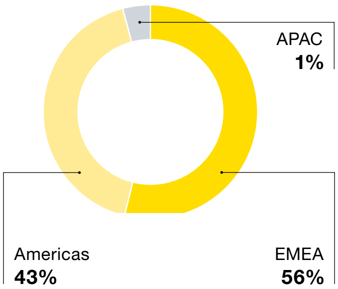
| in EUR million | H1 2017/18 | H1 2018/19 | +/- |
|---|---|---|---|
| **Revenues** | **260.7** | **262.1** | **0.5%** |
| Implementation | 68.2 | 73.6 | 7.9% |
| Operations | 140.3 | 133.4 | -4.9% |
| Components | 52.2 | 55.1 | 5.5% |
| **EBIT** | **32.1** | **24.8** | **-22.7%** |

**ETC EBIT:
EUR 24.8 million (-22.7%).**

**EBIT.** The operating result in the ETC segment amounted to EUR 24.8 million. This constitutes a decrease of 22.7% compared to the first half of 2017/18. The main reason was that cost of materials and other production services, as well as staff costs increased faster than revenues. In addition, IT expenses (EUR +0.9 million) as well as marketing and advertising expenses (EUR +1.0 million) also rose. On the other hand, the currency result from operating activities improved by EUR 7.2 million to EUR 1.8 million (foreign currency gains increased by EUR 2.8 million and foreign currency losses decreased by EUR 4.4 million). Maintenance costs fell by EUR 1.6 million, while legal and consulting fees decreased by EUR 1.3 million.

**IMS revenues:**
**EUR 73.7 million (-6.8%).**

**IMS revenues by region.**




**IMS EBIT:**
**EUR -7.0 million (-2.8%).**

**Intelligent Mobility Solutions (IMS).**
**Revenues.** Revenues in the IMS segment fell by 6.8% to EUR 73.7 million (previous year: EUR 79.1 million), thus contributing 21.9% to total revenues (previous year: 23.3%).

Decreases in revenues were recorded in all regions: EMEA -2.5%, Americas -6.8% and APAC -65.7%. In particular, revenues for implementation projects fell.

Revenues in this segment are broken down by business type as follows:

| in EUR million | H1 2017/18 | H1 2018/19 | +/- |
|---|---|---|---|
| **Revenues** | **79.1** | **73.7** | **-6.8%** |
| Implementation | 35.6 | 30.3 | -14.9% |
| Operations | 38.2 | 38.4 | 0.4% |
| Components | 5.3 | 5.0 | -4.3% |
| **EBIT** | **-6.8** | **-7.0** | **-2.8%** |

**EBIT**. The operating result in the IMS segment amounted to EUR -7.0 million in the first half of the year and was at the previous year's level (EUR -6.8 million). Cost of materials and other production services decreased sharply, staff costs remained on the previous year's level and other operating expenses increased slightly. The investment in Intelligent Mobility Solutions Ltd. in Zambia, which is fully consolidated from September 2018, had a negative impact on EBIT, primarily due to currency losses. In addition, operating losses in the business area Smart Urban Mobility as well as adjustments to profit margins on several existing projects contributed to the result.

**Financial situation.**

The balance sheet total of Kapsch TrafficCom as at September 30, 2018 amounted to EUR 614.6 million (March 31, 2018: EUR 621.1 million).

**Assets.**
"Intangible assets" increased by EUR 9.3 million in the first half of 2018/19. This increase was primarily due to the full consolidation of Intelligent Mobility Solutions Ltd., Zambia (EUR 12.7 million). As a result, "interests in associates and joint ventures" decreased by EUR 7.5 million as at September 30, 2018.

Loans to investments as well as the revaluation of investments in connection with the first-time adoption of IFRS 9 led to an increase in "other non-current financial assets and investments".

Previously, amounts due from customers for contract work as well as for service and maintenance contracts (March 31, 2018: EUR 83.9 million) were included in "trade receivables and other current assets". In accordance with IFRS 15, the receivables now referred to as "contract assets" are presented separately for the first time in the fiscal year 2018/19 (non-current: EUR 5.3 million; current: EUR 119.6 million). As a result of this separate presentation, "trade receivables and other current assets" fell compared to March 31, 2018. The decline of EUR 94.3 million in total, also resulted from lower trade receivables in South Africa and Spain and higher receivables in the USA.

"Cash and cash equivalents" decreased by EUR 48.3 million compared to the level as of March 31, 2018. This was mainly due to the dividend payment (EUR 19.5 million), the negative free cash flow in the first half of 2018/19 and payments from the acquisition of shares.

**Liabilities and equity.**
"Contract liabilities" are presented separately for the first time in the fiscal year 2018/19, in accordance with IFRS 15 (non-current: EUR 7.9 million; current: EUR 32.1 million). Previously, amounts due to customers for contract work (March 31, 2018: EUR 31.5 million) were included in the balance sheet item "other liabilities and deferred income", which consequently fell significantly compared to March 31, 2018. The decrease also resulted from the payment of earn-out liabilities in connection with the acquisition of Kapsch Telematic Services GmbH, Vienna, in the amount of EUR 3.5 million in the first quarter of 2018/19.

"Equity" decreased by EUR 9.0 million to EUR 220.9 million compared to March 31, 2018. This was mainly due to the dividend payment in the amount of EUR 19.5 million and the increase in minority interests due to the full consolidation of Intelligent Mobility Solutions Ltd., Zambia, in the amount of EUR 3.4 million. The first-time adoption of the new standards IFRS 15 and IFRS 9 had a negative impact of EUR 0.5 million. Furthermore, "total comprehensive income for the period" amounting to EUR 7.3 million was below the previous year's level. The equity ratio as at September 30, 2018 was at 35.9% (March 31, 2018: 37.0%).

**Cash flow.**

Net cash flow from operating activities amounted to EUR -14.1 million in the first half of the fiscal year 2018/19 (previous year: EUR 1.5 million). The decline is due to the lower operating result in the reporting period (EUR -7.5 million), an increase in the amount of EUR 31.1 million in “trade receivables and other current assets” including “contract assets” (previous year: EUR 13.7 million) and an increase in the amount of EUR 7.2 million in inventory (previous year: decrease of EUR 1.0 million).

Net cash flow from investing activities amounted to EUR -5.8 million in the first half of 2018/19, which is less negative than the figure in the first half of 2017/18 (EUR -12.0 million). EUR 0.9 million were paid in the first half of the year for the acquisition of additional shares in Intelligent Mobility Solutions Ltd., Zambia. The net CAPEX for property, plant and equipment and intangible assets were roughly at the previous year’s level. Furthermore, loans of EUR 2.2 million were given to investments.

Net cash flow from financing activities was also negative at EUR -26.1 million in the first half of the year (previous year: EUR -20.7 million). Thereof EUR -19.5 million resulted from the divided payment and EUR -5.0 million from the settlement of earn-out liabilities in connection with previous acquisitions.

Free cash flow (net cash flow from operating activities minus net CAPEX) of EUR -16.9 million was significantly below the previous year’s figure of EUR -1.0 million, reflecting the weaker operating result and the increase in net working capital to EUR 32.9 million (previous year: EUR 15.0 million).

Cash and cash equivalents as of September 30, 2018 amounted to EUR 133.5 million (March 31, 2018: EUR 181.8 million).

**Key figures.**

While “amounts due from customers for contract work” being part of the position “trade receivables and other current assets” have already been included in the calculation of net working capital, “amounts due to customers for contract work” being part of the position “other liabilities and deferred income” were not previously included. The separate presentation of “current contract liabilities” which is required in accordance with IFRS 15 prompted Kapsch TrafficCom to consider this position in the calculation of net working capital as of the current fiscal year. Net working capital amounted to EUR 239.8 million as at September 30, 2018 (March 31, 2018: EUR 239.2 million).

As at September 30, 2018, Kapsch TrafficCom reported net debt in the amount of EUR 31.7 million (March 31, 2018: net cash of EUR 16.2 million). This corresponds to a gearing ratio of 14.4% (March 31, 2018: n/a).

## Information on major transactions with related parties.

Apart from the transactions mentioned in the Annual Report 2017/18 and the information contained in note 13, no other related party transactions were entered into during the first half of the year that had a material effect on the financial position or operating results.

## Acquisitions and legal changes.

In the first quarter of 2018/19 another one percent share was acquired in Intelligent Mobility Solutions Ltd., Zambia. Kapsch TrafficCom now holds 51% in the company. The amendment of the partnership agreement and the representation rights in the committees that direct the relevant activities was signed on August 21, 2018. Based on the amendment of the partnership agreement the entity is fully consolidated starting from September 2018.

Kapsch TrafficCom Peru S.A.C., Lima, Peru, was founded on April 1, 2018 and MTS Maut & Telematik Services GmbH, Berlin, Germany, on June 1, 2018. Both entities are wholly-owned subsidiaries of Kapsch TrafficCom.

Furthermore, the company autoTicket GmbH, Berlin, Germany was acquired as a shell company together with a partner in the first half of 2018/19. Kapsch TrafficCom holds 50% in the entity, which is accounted for as a joint venture.

The shell company Athomstart Invest 253 AS, Norway, which was fully acquired in the fiscal year 2017/18, was renamed to Kapsch TrafficCom Norway AS, Norway, on April 4, 2018.

Kapsch TrafficCom do Brasil LTDA, Sao Paulo, Brazil, was liquidated in the first quarter of 2018/19.

## Risk reporting.

The Group has initiated a number of processes with a view to increasing the effectiveness of its risk management activities and upholding best practice standards. Risk management has been designated a discrete function within the finance department of Kapsch TrafficCom AG, which is concerned with group-wide risk management (Enterprise Risk Management, ERM). Key areas of ERM are project risk management and risk management during the bidding process. In the context of ERM significant risks are identified and aggregated in a risk report.

The material risks of Kapsch TrafficCom are as follows:

- Industry-specific risks: volatility of new orders, risks of project execution, risks due to non-negotiable, disadvantageous terms and conditions of long-term contracts with public agencies.
- Strategic risks: ability to innovate, acquisition and integration of companies as part of the Group's growth, country risk.
- Financial risks: foreign exchange risk, liquidity risk, credit risk.
- Personnel risk.
- Legal risks.
- IT risks.

An internal control system (ICS) has been established within the Group to document the existing internal control processes implemented in the accounting context. Responsibility for the implementation, design and monitoring of the ICS with a view to ensuring compliance with group-wide guidelines and regulations is incumbent upon the competent local management bodies in each case. To support the Management of the subsidiaries, an ICS officer has been appointed at Kapsch TrafficCom AG.

No risks which could pose a threat to the continued operation of Kapsch TrafficCom can be identified at the present time. Ever greater geographical diversification and the continuous expansion of its portfolio of products and solutions to include selected new IMS solutions have enabled Kapsch TrafficCom to broaden the scope of its business model while keeping its focus on its core business, thereby reducing the concentration of risks within individual regions or individual major projects.

The major risks faced by the Group are addressed in Section 3.3 of the Group Management Report 2017/18. No material changes were observed in this connection in the first half of 2018/19, nor are any significant new risks or uncertainties expected to emerge over the remainder of the fiscal year 2018/19.

## Outlook for the second half of the current fiscal year.

Despite already winning numerous and in some cases substantial projects in the current fiscal year, Kapsch TrafficCom continues to work intensively on exciting opportunities.

**Outlook 2018/19:**

- Revenues and EBIT at previous year's level

Management expects revenues and EBIT for the current fiscal year to reach the previous year's level, not taking into account any currency and one-off effects. The departure of the United Kingdom from the EU (Brexit) in spring 2019 should not have a significant impact on Kapsch TrafficCom's results. The revenues in this region are in the single-digit million range.

Vienna, November 20, 2018

The Executive Board

| | | |
|---|---|---|
| Georg Kapsch<br>Chief Executive Officer | André Laux<br>Executive Board member | Alexander Lewald<br>Executive Board member |

# *Statement of all Members of the Executive Board.*

**Pursuant to § 125 subsection 1 Stock Exchange Act 2018.**

We declare to the best of our knowledge that the condensed consolidated interim statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced by the Group.

Vienna, November 20, 2018

The Executive Board

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

# Condensed Consolidated Interim Financial Information

*as of September 30, 2018.*)*

## Kapsch TrafficCom – Consolidated statement of comprehensive income.

| All amounts in TEUR | Note | Q2 2017/18 | Q2 2018/19 | H1 2017/18 | H1 2018/19 |
|---|---|---|---|---|---|
| Revenues | (3) | 175,572 | 177,621 | 339,832 | 335,839 |
| Other operating income | (4) | 1,402 | 2,798 | 2,695 | 5,507 |
| Changes in finished and unfinished goods and work in progress | | 1,295 | 3,935 | 1,621 | 3,885 |
| Other own work capitalized | | -36 | 0 | 105 | 0 |
| Cost of materials and other production services | | -72,146 | -81,308 | -130,610 | -140,528 |
| Staff costs | | -55,342 | -58,163 | -115,264 | -120,157 |
| Amortization and depreciation | | -3,515 | -3,549 | -7,540 | -7,009 |
| Other operating expenses | (5) | -33,686 | -30,837 | -65,579 | -60,008 |
| Proportional operating result of joint ventures [2] | (8) | — | 190 | — | 268 |
| **Operating result** | | **13,544** | **10,687** | **25,261** | **17,797** |
| Finance income | | 1,067 | 859 | 2,110 | 1,972 |
| Finance costs | | -4,527 | -3,157 | -7,904 | -7,810 |
| **Financial result** | | **-3,460** | **-2,298** | **-5,794** | **-5,838** |
| Results from associates and joint ventures [3] | (8) | -563 | 0 | -687 | 0 |
| **Result before income taxes** | | **9,521** | **8,389** | **18,779** | **11,960** |
| Income taxes | (6) | -2,058 | -2,493 | -4,701 | -3,568 |
| **Result for the period** | | **7,463** | **5,896** | **14,078** | **8,392** |
| **Result attributable to:** | | | | | |
| Equity holders of the company adjusted [1] | | 7,548 | 6,365 | 14,304 | 9,047 |
| Non-controlling interests adjusted [1] | | -85 | -468 | -226 | -655 |
| | | **7,463** | **5,896** | **14,078** | **8,392** |
| **Earnings per share from the result for the period attributable to the equity holders of the company (in EUR)** | | | | | |
| diluted and undiluted [1] | | 0.58 | 0.49 | 1.10 | 0.70 |
| **Other comprehensive income for the period** | | | | | |
| **Items subsequently to be reclassified to the result for the period:** | | | | | |
| Currency translation differences | | 2,014 | -661 | 2,812 | -3,208 |
| Currency translation differences from net investments in foreign operations | | -1,421 | 319 | -4,254 | 2,685 |
| Fair value gains/losses on financial assets: | | | | | |
| Fair value gains/losses recognized in other comprehensive income | | 769 | 0 | 750 | 0 |
| Fair value adjustments of cash flow hedges | | -13 | 12 | 37 | 61 |
| Income tax relating to items subsequently to be reclassified to the result for the period | | 358 | -80 | 1,072 | -671 |
| **Total items subsequently to be reclassified to the result for the period** | | **1,708** | **-409** | **417** | **-1,134** |
| **Total items subsequently not to be reclassified to the result for the period** | | **0** | **0** | **0** | **0** |
| **Other comprehensive income for the period net of tax** | | **1,708** | **-409** | **417** | **-1,134** |
| **Total comprehensive income for the period** | | **9,171** | **5,487** | **14,495** | **7,258** |
| Total comprehensive income attributable to: | | | | | |
| Equity holders of the company adjusted [1] | | 9,238 | 6,443 | 14,669 | 8,442 |
| Non-controlling interests adjusted [1] | | -66 | -955 | -174 | -1,184 |
| | | **9,171** | **5,487** | **14,495** | **7,258** |

Earnings per share relate to 13.0 million shares.

1) Non-controlling interests were adjusted for the first half of the fiscal year 2017/18. Details see note 8.
2) The proportional operating result of joint ventures also includes gains from the revaluation of investments in the amount of TEUR 79 in the fiscal year 2018/19.
3) Income from associates and joint ventures also includes losses from the revaluation of investments in the amount of TEUR -563 in the fiscal year 2017/18.

*) The condensed consolidated interim report has neither been audited nor been reviewed by an auditor.

## Kapsch TrafficCom – Consolidated balance sheet.

| All amounts in TEUR | Note | March 31, 2018 | Sept. 30, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | (7) | 21,409 | 19,625 |
| Intangible assets | (7) | 70,798 | 80,134 |
| Interests in associates and joint ventures | (8) | 7,502 | 15 |
| Other non-current financial assets and investments | (9) | 23,170 | 26,308 |
| Non-current contract assets | (9) | – | 5,294 |
| Other non-current assets | | 385 | 2,809 |
| Deferred tax assets | | 12,399 | 13,149 |
| | | **135,663** | **147,335** |
| **Current assets** | | | |
| Inventories | | 38,889 | 46,047 |
| Trade receivables and other current assets | (9) | 254,394 | 160,104 |
| Current contract assets | (9) | – | 119,625 |
| Current tax receivables | | 7,563 | 5,377 |
| Other current financial assets | (9) | 2,804 | 2,595 |
| Cash and cash equivalents | (9) | 181,835 | 133,529 |
| | | **485,484** | **467,277** |
| **Total assets** | | **621,147** | **614,612** |
| | | | |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Share capital | | 13,000 | 13,000 |
| Capital reserve | | 117,509 | 117,509 |
| Retained earnings and other reserves | | 100,466 | 88,904 |
| | | **230,975** | **219,413** |
| **Non-controlling interests** | | **-1,045** | **1,522** |
| **Total equity** | | **229,930** | **220,935** |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Non-current financial liabilities | (9, 10) | 141,759 | 140,938 |
| Liabilities from post-employment benefits to employees | | 23,706 | 24,023 |
| Non-current provisions | (11) | 8,911 | 8,005 |
| Non-current contract liabilities | (9) | – | 7,864 |
| Other non-current liabilities | (9) | 4,292 | 2,879 |
| Deferred tax liabilities | | 1,910 | 5,642 |
| | | **180,578** | **189,350** |
| **Current liabilities** | | | |
| Current financial liabilities | (9, 10) | 26,675 | 26,913 |
| Trade payables | (9) | 58,255 | 57,576 |
| Current contract liabilities | (9) | – | 32,135 |
| Current tax payables | | 3,354 | 1,652 |
| Current provisions | (11) | 9,600 | 10,765 |
| Other liabilities and deferred income | (9) | 112,758 | 75,286 |
| | | **210,640** | **204,326** |
| **Total liabilities** | | **391,218** | **393,676** |
| **Total equity and liabilities** | | **621,147** | **614,612** |

## Kapsch TrafficCom – Consolidated statement of changes in equity.

| All amounts in TEUR | Attributable to equity holders of the company | | | | Non-controlling interests [1] | Total equity |
|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other reserves | Retained earnings | | |
| **Carrying amount as of March 31, 2017** | **13,000** | **117,509** | **-40,486** | **138,335** | **-1,052** | **227,306** |
| Effects from decrease in shares of subsidiaries adjusted [1] | | | | 0 | 0 | 0 |
| Dividend | | | | -19,500 | 0 | -19,500 |
| Result for the period [1] | | | | 14,304 | -226 | 14,078 |
| Other comprehensive income for the period: | | | | | | |
| Currency translation differences [1] | | | -430 | | 52 | -378 |
| Fair value gains/losses on available-for-sale financial assets | | | 758 | | | 758 |
| Fair value adjustments of cash flow hedges | | | 37 | | | 37 |
| **Carrying amount as of September 30, 2017 adjusted [1]** | **13,000** | **117,509** | **-40,121** | **133,139** | **-1,226** | **222,301** |
| | | | | | | |
| **Carrying amount as of March 31, 2018** | **13,000** | **117,509** | **-47,050** | **147,515** | **-1,045** | **229,930** |
| Adjustments due to new IFRSs (see note 16) | | | | -650 | | -650 |
| Deferred taxes on adjustments | | | | 146 | | 146 |
| Reclassification from other reserves to retained earnings | | | -86 | 86 | | 0 |
| **Carrying amount as of April 1, 2018 adjusted** | **13,000** | **117,509** | **-47,136** | **147,097** | **-1,045** | **229,425** |
| Effects from acquisition of subsidiaries (see note 8) | | | | | 3,426 | 3,426 |
| Effects from capital contribution in a subsidiary | | | | 0 | 325 | 325 |
| Dividend | | | | -19,500 | 0 | -19,500 |
| Result for the period | | | | 9,047 | -655 | 8,392 |
| Other comprehensive income for the period: | | | | | | |
| Currency translation differences | | | -665 | | -529 | -1,194 |
| Fair value gains/losses on financial assets | | | 0 | | | 0 |
| Fair value adjustments of cash flow hedges | | | 61 | | | 61 |
| **Carrying amount as of September 30, 2018** | **13,000** | **117,509** | **-47,739** | **136,644** | **1,522** | **220,935** |

[1] Non-controlling interests and effects from decrease in shares of subsidiaries were adjusted for the first half of the fiscal year 2017/18. Details see note 8.

The registered share capital of the company amounts to EUR 13,000,000. The share capital is fully paid in. The total number of ordinary shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

## Kapsch TrafficCom – Consolidated cash flow statement.

| All amounts in TEUR | Note | Q2 2017/18 | Q2 2018/19 | H1 2017/18 | H1 2018/19 |
|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | |
| Operating result | | 13,544 | 10,687 | 25,261 | 17,797 |
| Adjustments for non-cash items and other reconciliations: | | | | | |
| Scheduled depreciation and amortization | | 3,515 | 3,549 | 7,540 | 7,009 |
| Increase/decrease in obligations for post-employment benefits | | -104 | 117 | -353 | 318 |
| Increase/decrease in other non-current liabilities and provisions [2] | | -580 | -784 | -1,649 | -1,750 |
| Increase/decrease in other non-current receivables and assets [1] | | -232 | 729 | -532 | 703 |
| Increase/decrease in trade receivables (non-current) | | 311 | 3 | 629 | 77 |
| Increase/decrease in trade payables (non-current) | | 143 | -112 | 43 | -127 |
| Other (net) | | -375 | 747 | -1,260 | -1,358 |
| | | **16,222** | **14,935** | **29,678** | **22,670** |
| Changes in net current assets: | | | | | |
| Increase/decrease in trade receivables and other assets [1] | | -9,806 | -22,646 | -13,726 | -31,091 |
| Increase/decrease in inventories | | 1,266 | -2,541 | 1,026 | -7,158 |
| Increase/decrease in trade payables and other current payables [2] | | 1,034 | 10,429 | 2,342 | 4,137 |
| Increase/decrease in current provisions | | -659 | -699 | -4,645 | 1,165 |
| | | **-8,164** | **-15,456** | **-15,002** | **-32,947** |
| **Cash flow from operations** | | **8,058** | **-521** | **14,676** | **-10,278** |
| Interest received | | 419 | 110 | 628 | 413 |
| Interest payments | | -1,470 | -854 | -3,047 | -1,638 |
| Net payments of income taxes | | -2,580 | -2,078 | -10,789 | -2,615 |
| **Net cash flow from operating activities** | | **4,428** | **-3,344** | **1,468** | **-14,118** |
| **Cash flow from investing activities** | | | | | |
| Purchase of property, plant and equipment | (7) | -1,100 | -1,432 | -2,202 | -2,474 |
| Purchase of intangible assets | (7) | -208 | -129 | -456 | -932 |
| Purchase of securities, investments and other non-current financial assets | | -4,520 | -140 | -4,559 | -2,172 |
| Payments for the acquisition of entities (less cash and cash equivalents of these entities) | (8) | -1,017 | 3 | -1,017 | 3 |
| Payments for the acquisition of shares in at-equity-consolidated entities | (8) | -4,039 | -14 | -4,039 | -952 |
| Proceeds from the disposal of property, plant and equipment and intangible assets | | 173 | 246 | 219 | 647 |
| Proceeds from the disposal of securities and other financial assets | | 70 | -4 | 70 | 69 |
| **Net cash flow from investing activities** | | **-10,641** | **-1,471** | **-11,984** | **-5,811** |
| **Cash flow from financing activities** | | | | | |
| Contributions from shareholders in a subsidiary | | 0 | 150 | 0 | 325 |
| Dividend paid to parent company's shareholders | | -19,500 | -19,500 | -19,500 | -19,500 |
| Payments for the acquisition of non-controlling interests | | -750 | -750 | -1,500 | -5,000 |
| Increase in non-current financial liabilities | (10) | 11 | 45 | 19 | 45 |
| Increase in current financial liabilities | (10) | 1,051 | 348 | 3,142 | 1,263 |
| Decrease in current financial liabilities | (10) | -1,945 | -1,994 | -2,907 | -3,251 |
| **Net cash flow from financing activities** | | **-21,134** | **-21,701** | **-20,746** | **-26,119** |
| **Net increase/decrease in cash and cash equivalents** | | **-27,347** | **-26,515** | **-31,262** | **-46,047** |
| **Change in cash and cash equivalents** | | | | | |
| Cash and cash equivalents at beginning of year | | 204,788 | 160,646 | 211,299 | 181,835 |
| Net increase/decrease in cash and cash equivalents | | -27,347 | -26,515 | -31,262 | -46,047 |
| Exchange gains/losses on cash and cash equivalents | | -1,765 | -602 | -4,360 | -2,258 |
| **Cash and cash equivalents at the end of the period** | | **175,676** | **133,529** | **175,676** | **133,529** |

1) Including "contract assets".
2) Including "contract liabilities".

# Selected notes to the condensed consolidated interim financial information.

## 1 General information.

Kapsch TrafficCom, headquartered in Vienna, Austria, is a global supplier of Intelligent Transportation Systems.

The Group operates in two segments:
> Electronic Toll Collection (ETC)
> Intelligent Mobility Solutions (IMS)

The ETC segment comprises activities relating to the installation and the technical and commercial operation of toll collection systems. Projects are generally awarded by public agencies or private concessionaires in the context of tender procedures. Toll collection systems may comprise both individual road sections and nation-wide road networks. The manufacture and procurement of components both for the expansion and adaptation of the systems installed by Kapsch TrafficCom and on behalf of third parties complete the portfolio of Kapsch TrafficCom; toll services further complete it.

The IMS segment comprises activities relating to the installation and the technical and commercial operation of systems for traffic monitoring, traffic control and traffic safety. Projects for the monitoring of utility vehicles and for electronic vehicle registration, as well as intelligent parking solutions and systems for intermodal mobility (networked modes of transport), are also allocated to this segment, as are systems and services for operational surveillance of public transportation and environmental installations. Components related business also completes the range of IMS services offered by Kapsch TrafficCom.

## 2 Basis of preparation.

This condensed interim financial information for the half year ended September 30, 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the EU, according to IAS 34 Interim Financial Statements, and should only be read in conjunction with the annual financial statements for the year ended March 31, 2018.

The interim report was neither subject to an audit nor to a review by an auditor.

For ease of presentation, amounts have been rounded and, unless indicated otherwise, are presented in thousands of euros (TEUR). However, calculations are done using exact amounts, including the digits not shown, which may lead to rounding differences.

## 3 Segment information.

The following table shows revenues by business type, which also correspond to performance obligations pursuant to IFRS 15.

| | H1 2017/18 | | | H1 2018/19 | | |
|---|---|---|---|---|---|---|
| | **ETC** | **IMS** | **Total** | **ETC** | **IMS** | **Total** |
| **Revenues** | **260,747** | **79,085** | **339,832** | **262,132** | **73,707** | **335,839** |
| Implementation | 68,238 | 35,600 | 103,837 | 73,613 | 30,280 | 103,893 |
| Operations | 140,279 | 38,235 | 178,514 | 133,396 | 38,404 | 171,800 |
| Components | 52,231 | 5,250 | 57,481 | 55,123 | 5,023 | 60,146 |
| **Operating result** | **32,086** | **-6,826** | **25,261** | **24,813** | **-7,016** | **17,797** |
| **EBIT margin** | **12.3%** | **-8.6%** | **7.4%** | **9.5%** | **-9.5%** | **5.3%** |

The following table shows those customers who contributed more than 10 % of revenues in the first half of 2018/19 or in the same period of the previous year. The order of these customers is based on the amount of revenues in the current reporting period.

| | H1 2017/18 | | | H1 2018/19 | | |
|---|---|---|---|---|---|---|
| | Revenues | ETC | IMS | Revenues | ETC | IMS |
| Customer 1 | 40,547 | x | x | 37,727 | x | x |
| Customer 2 | 47,734 | x | | 33,128 | x | |

## 4 Other operating income.

| | H1 2017/18 | H1 2018/19 |
|---|---|---|
| Exchange rate gains from operating activities | 1,019 | 3,528 |
| Sundry operating income | 1,675 | 1,980 |
| | **2,695** | **5,507** |

Exchange rate gains from operating activities in the first half of 2018/19 mainly relate to gains from exchange rate fluctuations of the currencies Euro in respect to Argentine peso and US dollar in respect to Euro. Argentina is classified as a hyperinflationary country, however the effects from IAS 29 are not material.

## 5 Other operating expenses.

| | H1 2017/18 | H1 2018/19 |
|---|---|---|
| Communication and IT expenses | 8,959 | 9,554 |
| Rental expenses | 8,998 | 9,085 |
| Legal and consulting fees | 9,216 | 7,969 |
| Travel expenses | 5,904 | 6,105 |
| Marketing and advertising expenses | 3,714 | 4,766 |
| Automobile expenses | 3,405 | 3,193 |
| License and patent expenses | 2,843 | 3,081 |
| Maintenance | 4,490 | 2,978 |
| Exchange rate losses from operating activities | 6,962 | 2,812 |
| Insurance costs | 2,334 | 2,717 |
| Other | 8,755 | 7,748 |
| | **65,579** | **60,008** |

Exchange rate losses from operating activities in the first half of 2018/19 were primarily due to exchange rate fluctuations of the currencies South African rand and Zambian kwacha in respect to Euro. Lower maintenance expenses, legal and consulting fees as well as currency losses contributed significantly to the reduction in other operating expenses.

## 6 Income taxes.

Income taxes relate to current taxes and to deferred tax assets and liabilities. In the first half of 2018/19 a tax rate of 30% was applied to the Group's pre-tax result to determine the theoretical value for the tax expense/income. At year end, the effective tax expense/income may differ from the above due to, among others, different tax regimes in the various countries, the treatment of tax losses, tax allowances and permanent differences.

## 7 Capital expenditure.

| | H1 2017/18 | H1 2018/19 |
|---|---|---|
| **Carrying amount as of March 31 of prior year** | **95,126** | **92,207** |
| Additions | 2,657 | 3,406 |
| Additions from business combinations (see note 8) | 5,124 | 12,663 |
| Additions from service concession agreements (see note 8) | 0 | 167 |
| Disposals | -311 | -427 |
| Depreciation, amortization and other movements | -7,546 | -7,009 |
| Currency translation differences | -1,226 | -1,248 |
| **Carrying amount as of September 30 of fiscal year** | **93,825** | **99,759** |

## 8 Changes in the scope of consolidation, in associates and joint ventures.

**Changes in the scope of consolidation in the first half of 2018/19.**

Kapsch TrafficCom Peru S.A.C., Lima, Peru, was founded on April 1, 2018 and MTS Maut & Telematik Services GmbH, Berlin, Germany, on June 1, 2018. Both entities are wholly-owned subsidiaries of Kapsch TrafficCom.

The shell company Athomstart Invest 253 AS, Norway, which was fully acquired in the fiscal year 2017/18, was renamed to Kapsch TrafficCom Norway AS, Norway, on April 4, 2018.

Kapsch TrafficCom do Brasil LTDA, Sao Paulo, Brazil, was liquidated in the first quarter of 2018/19.

**Adjustments to the first half of 2017/18.**

Non-controlling interests were adjusted for the first half of the fiscal year 2017/18. At the beginning of the fiscal year 2017/18, 17.1 % of the shares in TMT Services and Supplies (Pty) Ltd., South Africa, were indirectly transferred via MobiServe (Pty) Ltd., South Africa, to an Employee Participation Scheme Trust (hereinafter referred to as Trust South Africa), through which all employees of the Group in South Africa can voluntarily participate in the success of TMT. This measure aimed to increase both the motivation of the employees and the competitiveness of the company as part of the BBBEE assessment in South Africa. However, according to analysis in accordance with IFRS 10 as at March 31, 2018, the Trust South Africa is fully controlled by Kapsch TrafficCom. As a result, the shares of Trust South Africa were included for the first time, and those of MobiServe (Pty) Ltd. and TMT Services and Supplies (Pty) Ltd. were continued to be included in the consolidated financial statements at 100% and the non-controlling interests for the first half of 2017/18 were adjusted.

**Business combinations.**

In the first half of 2017/18 Kapsch TrafficCom AG acquired 50 % of the shares in Intelligent Mobility Solutions Ltd., Zambia. The company is responsible for the design, construction and operation of systems and solutions for traffic surveillance, vehicle speed enforcement and vehicle inspection as well as vehicle registration. In May 2018 another one percent share was acquired, however without amendment of the partnership agreement and the representation rights in the committees that direct the relevant activities. The amendment was carried out end of August 2018, thus the Zambian entity is fully consolidated starting from September 2018. Up until this point the entity was accounted for as a joint venture. Part of the purchase price amounting to TEUR 4,135 is variable, conditional upon to the signing of another project in the company.

The fair value of the acquired assets and liabilities assumed of Intelligent Mobility Solutions Ltd., Zambia, at the acquisition date was as follows (preliminary calculation):

| | **Preliminary fair value** |
|---|---|
| Intangible assets | 7,182 |
| Other non-current assets | 3,035 |
| Receivables and other current assets | 4,824 |
| Cash and cash equivalents | 3 |
| Non-current financial liabilities | -2,895 |
| Trade payables | -3,572 |
| Other liabilities and deferred income | -1,583 |
| **Net assets acquired** | **6,992** |

The entity's intangible assets include assets from a concession agreement, which covers a period of 17 years, amounting to TEUR 4,223, and other non-current assets relate to costs of obtaining a contract amounting to TEUR 3,035. Since the acquisition, additions to intangible assets in the amount of TEUR 167 relating to the concession agreement have been recorded. Cash and cash equivalents acquired in the context of the acquisition (thus the preliminary net cash inflow from the acquisition in the first half of the fiscal year 2018/19) amounted to TEUR 3. Transaction costs directly attributable to the acquisition amounted to TEUR 0.

The difference between the fair value of the shares previously held and the fair value of the net assets acquired is calculated as follows (preliminary calculation):

| | |
|---|---|
| Consideration | 0 |
| Fair value of the previously held shares | 9,048 |
| Fair value of non-controlling interest | 3,426 |
| Less fair value of net assets acquired | -6,992 |
| **Goodwill** | **5,482** |

The preliminary goodwill amounting to TEUR 5,482 was allocated to the cash-generating unit IMS-EMEA.

The above presentation is based on a preliminary purchase price allocation. The values may change as a result of the ongoing review of the opening balance sheet values and the current update of the planning data on which the valuation of the concession agreement is based, which will be available by the end of the year at the latest.

For the period from September 1 to September 30, 2018, the acquired company contributed an amount of TEUR 370 to revenues and of TEUR -1,351 to the Group's result for the period.

**Interests in associates and joint ventures.**

Proportional results from associates and joint ventures are split in the presentation in the income statement. Results from associated companies and joint ventures whose activities and strategic directions are part of the core business of Kapsch TrafficCom are reported in the operating result. Results from other associates and joint ventures are reported in the result before income taxes.

Details on associates and joint ventures can be found in the annual financial statements for the year 2017/18.

| | H1 2017/18 | H1 2018/19 |
|---|---|---|
| **Carrying amount as of March 31 of prior year** | **2,131** | **7,502** |
| Addition | 4,039 | 1,293 |
| Share in operating result | 0 | 189 |
| Loss from revaluation of shares due to business combination | -563 | 0 |
| Gain from revaluation of shares due to business combination | 0 | 79 |
| Disposal due to business combination | -1,370 | -9,048 |
| Share in result from financial investments | -124 | 0 |
| Currency translation differences | -72 | 0 |
| **Carrying amount as of September 30 of fiscal year** | **4,040** | **15** |
| thereof interests in associates | 0 | 0 |
| thereof interests in joint ventures | 4,040 | 15 |

As described under "Business combinations" above, another one percent share was acquired in Intelligent Mobility Solutions Ltd., Zambia in the first half of 2018/19. Kapsch TrafficCom now holds 51% in the company. The interests were preliminarily measured at fair value based on the previous purchase price. Due to the revaluation of the interests as a result of the business combination a gain of TEUR 79 was recognized and is reported in the operating result from joint ventures.

Furthermore the company autoTicket GmbH, Berlin, Germany was acquired as a shell company together with a partner in the first half of 2018/19. Kapsch TrafficCom holds 50% in the entity, which is accounted for as a joint venture.

The addition in the first half of 2017/18 related to 50% of the shares in Intelligent Mobility Solutions Ltd., Zambia, the "loss from revaluation of shares due to business combination" and "disposal due to business combination" related to Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

## 9 Financial instruments by category.

Details on the fair value-hierarchies can be found in the annual financial statements for the year 2017/18. No reclassifications between fair value-hierarchy levels were made.

The carrying value of "trade receivables and other current assets", "contract assets", "other non-financial assets and investments", "cash and cash equivalents", "trade payables", "contract liabilities", and "other liabilities and deferred income", which are valued at amortized cost, is a reasonable approximation of the fair value in accordance with IFRS 7.29. Therefore no fair value-hierarchy is disclosed.

The fair value of non-current and current financial liabilities amounts to TEUR 72,469 for the promissory note bond (March 31, 2018: TEUR 71,497) and TEUR 89,248 for other financial liabilities (March 31, 2018: TEUR 90,151).

| Financial instruments by category at carrying amount | March 31, 2018 | Sept. 30, 2018 |
|---|---|---|
| **Trade receivables and other current assets** | **254,394** | **160,104** |
| **At amortized cost** | **217,503** | **118,318** |
| Trade receivables | 133,600 | 118,318 |
| Amounts due from customers for contract work | 76,966 | — |
| Amounts due from customers for service and maintenance contracts | 6,937 | — |
| **At fair value through profit or loss** | **12** | **250** |
| Derivative financial instruments (Fair value level 2) | 12 | 250 |
| **Hedging instruments** | **0** | **0** |
| Derivative financial instruments – Cash flow hedges (Fair value level 2) | 0 | 0 |
| **Other non-financial assets** [1] | **36,879** | **41,536** |
| | | |
| **Contract assets (non-current and current) at amortized cost** | **—** | **124,919** |
| | | |
| **Other financial assets and investments (non-current and current)** | **25,974** | **28,904** |
| **At fair value through profit or loss** | **17,789** | **20,337** |
| Securities (Fair value level 1) [2] | 2,906 | 3,070 |
| Derivative financial instruments (Fair value level 2) | 154 | 0 |
| Investments (Fair value level 1) [2] | 10,657 | 11,591 |
| Investments (Fair value level 3) [3] | 4,072 | 5,676 |
| **At fair value through other comprehensive income (without recycling)** | **2,550** | **2,550** |
| Investments (with option of fair value through OCI, fair value level 3) [3] | 2,550 | 2,550 |
| **At amortized cost** | **5,636** | **6,017** |
| Securities (Fair value level 2) [2] | 599 | 590 |
| Fixed income deposits | 2,214 | 2,024 |
| Other financial assets and loans | 2,822 | 3,403 |
| | | |
| **Cash and cash equivalents at amortized cost** | **181,835** | **133,529** |
| | | |
| **Financial liabilities (non-current and current) at amortized cost** | **168,434** | **167,851** |
| Promissory note bond (Fair value level 2) | 73,622 | 74,396 |
| Other financial liabilities (Fair value level 2) | 94,812 | 93,454 |
| | | |
| **Trade payables at amortized cost** | **58,255** | **57,576** |
| | | |
| **Contract liabilities (non-current and current) at amortized cost** | **—** | **39,999** |
| | | |
| **Other liabilities and deferred income (non-current and current)** | **117,050** | **78,164** |
| **At amortized cost** | **46,073** | **9,514** |
| Amounts due to customers for contract work | 31,486 | — |
| Variable purchase price components (earn-out, fair value level 3) | 12,751 | 7,910 |
| Other financial liabilities | 1,836 | 1,604 |
| **At fair value through profit or loss** | **1** | **275** |
| Derivative financial instruments (Fair value level 2) | 1 | 275 |
| **Hedging instruments** | **6** | **1** |
| Derivative financial instruments – Cash flow hedges (Fair value level 2) | 6 | 1 |
| **Other non-financial liabilities** [1] | **70,970** | **68,375** |

[1] Non-financial receivables and liabilities are only included for reconciliation with the respective balance sheet item.
[2] Shown as available-for-sale financial assets (AFS) as at March 31, 2018.
[3] Shown as other investments as at March 31, 2018.

**Level 3 earn-out liabilities and investments.**
The development of level 3 earn-out liabilities is as follows:

| Earn-out liabilities | H1 2017/18 | H1 2018/19 |
|---|---|---|
| **Carrying amount as of March 31 of prior year** | **11,851** | **12,751** |
| Addition | 0 | 341 |
| Disposal | -750 | -5,206 |
| Interest | 28 | 24 |
| **Carrying amount as of September 30 of fiscal year** | **11,129** | **7,910** |

The valuation of investments which are valued according to level 3, is based on the company valuations of these entities. In the first half of 2018/19 no adjustment was made.

**Impairment on trade receivables and contract assets.**
Impairment on "trade receivables" decreased by TEUR 473 and impairment on "contract assets" increased by TEUR 219 in the first half of 2018/19. Both effects were recognized through profit or loss in the statement of comprehensive income.

**Non-current and current financial assets and investments.**
The additions to non-current and current financial assets mainly relate to loans to investments. The valuation of investments that are classified at fair value through profit or loss led to a gain amounting to TEUR 934 which was recognized in total comprehensive income for the period in the first half of 2018/19.

Kapsch TrafficCom regularly evaluates existing investments with regard to their strategic relevance. If strategic relevance is no longer given, it is possible to divest such investments and business operations at a favourable opportunity. Thus, Management no longer considers the 15.4%-investment in the Norwegian Q-Free ASA and the 13.2%-investment in ParkJockey Global Inc., USA to be strategic.

## 10 Financial liabilities.

| | March 31, 2017 | Sept. 30, 2017 | March 31, 2018 | Sept. 30, 2018 |
|---|---|---|---|---|
| Non-current financial liabilities | 97,482 | 94,560 | 141,759 | 140,938 |
| Current financial liabilities | 97,902 | 99,739 | 26,675 | 26,913 |
| | **195,384** | **194,299** | **168,434** | **167,851** |

Movements in financial liabilities are as follows:

| | H1 2017/18 | | | H1 2018/19 | | |
|---|---|---|---|---|---|---|
| | Non-current | Current | Total | Non-current | Current | Total |
| **Carrying amount as of March 31 of prior year** | **97,482** | **97,902** | **195,384** | **141,759** | **26,675** | **168,434** |
| Reclassification | -1,807 | 1,807 | 0 | -1,824 | 1,824 | 0 |
| Additions | 19 | 3,142 | 3,161 | 45 | 1,263 | 1,308 |
| Additions from business combinations | 152 | 1,832 | 1,984 | 227 | 0 | 227 |
| Repayments | 0 | -2,907 | -2,907 | 0 | -3,251 | -3,251 |
| Currency translation differences and interest accrued | -1,286 | -2,037 | -3,323 | 731 | 403 | 1,134 |
| **Carrying amount as of September 30 of fiscal year** | **94,560** | **99,739** | **194,299** | **140,938** | **26,913** | **167,851** |

Additions and repayments are cash effective.

The fair values and gross cash flows (including interest) of financial liabilities are as follows:

| | Sept. 30, 2017 | Sept. 30, 2018 |
|---|---|---|
| **Carrying amount** | **194,299** | **167,851** |
| **Fair value** | **189,345** | **161,717** |
| | | |
| Gross cash flows | | |
| In the next 6 months | 77,815 | 3,795 |
| In the next 7 to 12 months | 23,945 | 25,374 |
| **Total up to 1 year** | **101,760** | **29,169** |
| Between 1 and 2 years | 5,695 | 13,840 |
| Between 2 and 3 years | 4,961 | 62,202 |
| Between 3 and 4 years | 47,313 | 16,928 |
| Between 4 and 5 years | 4,146 | 37,751 |
| More than 5 years | 35,587 | 14,871 |
| | **199,462** | **174,761** |

## 11 Provisions.

| | March 31, 2017 | Sept. 30, 2017 | March 31, 2018 | Sept. 30, 2018 |
|---|---|---|---|---|
| Non-current provisions | 9,993 | 9,779 | 8,911 | 8,005 |
| Current provisions | 17,640 | 13,069 | 9,600 | 10,765 |
| | **27,633** | **22,848** | **18,510** | **18,769** |

| | March 31, 2018 | Addition and accumulation | Utilization | Disposal | Reclassi-fication | Currency differences | Sept. 30, 2018 |
|---|---|---|---|---|---|---|---|
| Obligations from anniversary bonuses | 1,391 | 37 | 0 | -7 | 0 | 5 | 1,426 |
| Warranties | 1,906 | 0 | 0 | 0 | -202 | 0 | 1,704 |
| Losses from pending transactions and rework | 0 | 0 | 0 | 0 | 142 | 0 | 142 |
| Projects (excl. impending losses) | 689 | 0 | 0 | 0 | -42 | 0 | 648 |
| Other non-current provisions | 4,923 | 262 | 0 | 0 | -629 | -471 | 4,085 |
| **Non-current provisions** | **8,911** | **299** | **0** | **-7** | **-731** | **-467** | **8,005** |
| Warranties | 435 | 311 | -84 | -9 | 202 | 61 | 916 |
| Losses from pending transactions and rework | 0 | 1,355 | -211 | -138 | -142 | 5 | 869 |
| Projects (excl. impending losses) | 4,887 | 0 | -75 | -343 | 42 | 28 | 4,539 |
| Legal fees, costs of litigation and contract risks | 3,033 | 461 | -806 | -60 | 86 | 171 | 2,886 |
| Other current provisions | 1,245 | 827 | -915 | -29 | 543 | -116 | 1,555 |
| **Current provisions** | **9,600** | **2,955** | **-2,091** | **-580** | **731** | **150** | **10,765** |
| **Total** | **18,510** | **3,254** | **-2,091** | **-587** | **0** | **-317** | **18,769** |

| | March 31, 2017 | Addition from business combinations | Addition and accumulation | Utilization | Disposal | Reclassi-fication | Currency differences | Sept. 30, 2017 |
|---|---|---|---|---|---|---|---|---|
| Obligations from anniversary bonuses | 1,249 | 139 | 12 | 0 | -7 | 0 | -9 | 1,385 |
| Warranties | 1,516 | 0 | 0 | 0 | 0 | -443 | 0 | 1,072 |
| Projects (excl. impending losses) | 872 | 0 | 0 | 0 | 0 | -131 | 0 | 741 |
| Other non-current provisions | 6,356 | 599 | 185 | 0 | -6 | 148 | -702 | 6,581 |
| **Non-current provisions** | **9,993** | **738** | **197** | **0** | **-13** | **-426** | **-710** | **9,779** |
| Warranties | 1,371 | -0 | 177 | -23 | -40 | 443 | -71 | 1,857 |
| Projects (excl. impending losses) | 10,430 | -0 | 9 | -4,006 | -59 | 131 | -231 | 6,274 |
| Legal fees, costs of litigation and contract risks | 4,645 | -0 | 6 | -95 | -3 | -110 | -417 | 4,027 |
| Other current provisions | 1,195 | 73 | 118 | -229 | -48 | -38 | -159 | 911 |
| **Current provisions** | **17,640** | **73** | **309** | **-4,353** | **-149** | **426** | **-878** | **13,069** |
| **Total** | **27,633** | **811** | **506** | **-4,353** | **-162** | **0** | **-1,588** | **22,848** |

## 12 Contingent liabilities and other commitments.

The contingent liabilities of Kapsch TrafficCom primarily result from large-scale projects. Other commitments relate to both contract and warranty obligations, sureties and performance bonds issued by Kapsch TrafficCom, as well as guarantees and bid bonds issued by third parties (usually financial institutes and insurance companies). In case contractual obligations cannot be fulfilled, there is a risk of corresponding claims being brought by the customer in question. This can result in a recourse claim of the financial institute or insurance company against the Group.

The contingent and other liabilities solely comprise obligations owed to third parties, in line with standard industry practice. They detail as follows:

| | March 31, 2018 | Sept. 30, 2018 |
|---|---|---|
| **Contract, warranty, performance and bid bonds** | | |
| South Africa (toll collection systems) | 34,197 | 30,405 |
| Australia (toll collection systems) | 19,236 | 19,221 |
| Other | 1,540 | 1,248 |
| **Total** | **54,973** | **50,875** |

Outflows of resources in connection with other commitments amounting to TEUR 344,614 (March 31, 2018: TEUR 351,401), the actual occurrence of which is considered to be unlikely, are not reported on the balance sheet or under contingent liabilities.

## 13 Related parties.

The following tables provide an overview of revenues and expenses in the past fiscal year as well as receivables and liabilities at the respective balance sheet dates for related parties.

| | H1 2017/18 | H1 2018/19 |
|---|---|---|
| **Parent company** | | |
| Revenues | 0 | 0 |
| Expenses | 537 | 535 |
| Income (+) / Expense (-) from tax allocation | -1,425 | 2,661 |
| **Affiliated companies** | | |
| Revenues | 3,291 | 2,817 |
| Expenses | 12,386 | 13,758 |
| **Associated companies** | | |
| Revenues | 13 | 13 |
| Expenses | 0 | 0 |
| **Joint ventures** | | |
| Revenues | 0 | 188 |
| Expenses | 0 | 0 |
| **Other related parties** | | |
| Revenues | 73 | 52 |
| Expenses | 42 | 59 |

| | March 31, 2018 | Sept. 30, 2018 |
|---|---|---|
| **Parent company** | | |
| Trade receivables and other assets | 0 | 30 |
| Trade payables and other payables including liabilities from tax allocation | 5,406 | 2,842 |
| Liabilities from share purchase | 3,500 | 0 |
| **Affiliated companies** | | |
| Trade receivables and other non-current and current assets | 2,611 | 2,100 |
| Trade payables and other payables | 2,929 | 4,574 |
| **Associated companies** | | |
| Trade receivables and other non-current and current assets | 318 | 322 |
| Trade payables and other payables | 0 | 0 |
| **Joint ventures** | | |
| Trade receivables and other non-current and current assets | 4,316 | 0 |
| Trade payables and other payables | 0 | 0 |
| **Other related parties** | | |
| Trade receivables and other non-current and current assets | 0 | 15 |
| Trade payables and other payables including pension benefits | 11,583 | 11,149 |

The immediate parent company of the reporting entity is KAPSCH-Group Beteiligungs GmbH, Vienna. Affiliated companies are all subsidiaries of KAPSCH-Group Beteiligungs GmbH which are not part of the Kapsch TrafficCom AG Group.

The liabilities from share purchase to the parent company amounting to TEUR 3,500 as at March 31, 2018 were related to the acquisition of Kapsch Telematic Services GmbH, Vienna, and were settled already in the first quarter of 2018/19.

Intelligent Mobility Solutions Ltd., Zambia, is included as a joint venture until end of August 2018, and fully consolidated starting from September 2018 (see note 8).

Individual members of the Executive and Supervisory Boards of Kapsch TrafficCom AG have management functions or are members in the Supervisory Boards of KAPSCH-Group Beteiligungs GmbH and/or its subsidiaries. In this context, please refer to the consolidated Corporate Governance Report 2017/18.

A comprehensive presentation of the relationships with related parties is shown in note 34 of the annual financial statements 2017/18.

## 14 Material accounting estimates and assumptions.

In the context of the preparation of the condensed consolidated interim financial information, the Group makes judgements, estimates and assumptions in relation to the application of accounting methods and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. All estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including expectations as to future events which are believed to be reasonable under the given circumstances.

The estimates made by the Management are in line with those adopted in the annual financial statements for the year ended March 31, 2018 and described therein.

**Fair value measurement.**
The Group bases its fair value measurement of assets and liabilities on observable market data to the greatest extent possible. The fair value can be assigned to one of various levels within a fair value hierarchy using a number of evaluation techniques. Further information on the fair value measurement can be found in the annual financial statements as of March 31, 2018.

## 15 Risk management.

The financial risks to which Kapsch TrafficCom is exposed are described in the annual financial statements for the year ended March 31, 2018 and have not changed significantly since then.

## 16 Accounting policies.

The accounting policies adopted in this condensed interim financial information for the first half of the current fiscal year ended September 30, 2018 are generally consistent with those of the annual financial statements for the year ended March 31, 2018, and described therein, except for the application of the following new or amended IFRS and IFRIC:

| | New/amended IFRS | Published by the IASB and adopted by the EU | Applicable to fiscal years beginning on or after | Material impact on Group's consolidated financial statement |
|---|---|---|---|---|
| IFRS 15 | Revenue from Contracts with Customers | May 2014 | January 1, 2018 | Described below |
| IFRS 15 | Clarifications to Revenue from Contracts with Customers | April 2016 | January 1, 2018 | Described below |
| IFRS 9 | Financial Instruments | July 2014 | January 1, 2018 | Described below |
| IFRS 4 | Applying IFRS 9 with IFRS 4 | September 2016 | January 1, 2018 | None |
| AIP 2014–2016 | Amendment of IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures" | December 2016 | January 1, 2018 | None |
| IFRS 2 | Classification and Measurement of Share-based Payment Transactions | June 2016 | January 1, 2018 | None |
| IAS 40 | Transfers of Investment Property | December 2016 | January 1, 2018 | None |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | December 2016 | January 1, 2018 | None |

**IFRS 15** "Revenue from Contracts with Customers" regulates the recognition of revenue, replacing IAS 11 and IAS 18. Kapsch TrafficCom applies the new standard, including the **clarifications to IFRS 15**, for the first time in the fiscal year 2018/19 (from April 1, 2018) using the modified retrospective method. This results in no deviation from the previous revenue recognition and thus no equity effect arises from to the first-time application of the standard. The presentation and disclosure requirements of IFRS 15 are met in this condensed interim financial information, to the extent applicable to IAS 34.

The Group has carried out a comprehensive analysis of customer contracts and implemented a software solution that calculates the required accrued revenues for all customer projects differentiated according to the different performance obligations.

Revenues from implementation projects are recognized according to the percentage-of-completion method, but IFRS 15 includes new criteria for recognizing revenues over a certain period of time. The implementation projects meet the criteria for "fulfilling the performance obligation over a certain period of time", since assets are created for which there is no alternative use and the Group has a legal claim to payment of the services already provided.

Revenues from operations (services such as operating and maintenance services as well as other services) are recognized in the reporting period in which the corresponding service was rendered. Since the customer benefits from the service rendered, revenues from operations under IFRS 15 are recognized on a periodic basis.

When selling components, in contrast to IAS 18, which follows a risks and rewards approach, it must be judged when the transfer of control for a good takes place. At that point in time revenues are recognized under IFRS 15.

Certain costs incurred in obtaining or fulfilling a contract, must be capitalized in accordance with IFRS 15 if the criteria are met. In the first half of 2018/19 and in the fiscal year 2017/18, no such costs eligible for capitalization were incurred. In the course of the acquisition of Intelligent Mobility Solutions Ltd., Zambia, costs of obtaining the contract were taken into account in the initial consolidation.

**IFRS 9** "Financial Instruments" addresses the classification, recognition and measurement of financial assets and financial liabilities.

IFRS 9 maintains the mixed measurement model with simplifications and creates three valuation categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on the business model of the company and the characteristics of the contractual cash flows of the financial asset. Investments in equity instruments are generally required to be measured at fair value through profit or loss. Only at initial recognition the irrevocable option of recognizing changes in the fair value in other comprehensive income can be elected. The only exception concerns liabilities designated as at fair value through profit or loss, for which changes in fair value due to changes in own credit risk are now to be recognized in other comprehensive income.

Kapsch TrafficCom applies the new standard for the first time in the fiscal year 2018/19 (from April 1, 2018), with the exception of the new rules of hedge accounting, and takes advantage of the practical facilitations. The comparative figures for the fiscal year 2017/18 were not adjusted. The following information relating to IFRS 9 is relevant:

> Debt instruments that were classified as available-for-sale (AFS) instruments according to IAS 39, are categorized at fair value through profit or loss according to IFRS 9.

> Debt instruments, that include cash flows that are solely payments of principal and interest and that are held within the business model, are classified at amortized cost according to IFRS 9.

> Equity instruments that were valued as available-for-sale (AFS) instruments according to IAS 39, are categorized at fair value through profit or loss according to IFRS 9. In the first half of 2018/19 the investment in Q-Free ASA, Norway and the investment in ParkJockey Inc., USA are included in this category.

> Investments previously included in the balance sheet of the Group that were valued at amortized costs, and were not available for sale, are valued at fair value through other comprehensive income (without recycling) according to IFRS 9. The investment in Traffic Technology Services Inc., USA, is included in this category in the first half of 2018/19. For new investments the decision of the category will be made individually.

> Derivative financial instruments continue to be classified as fair value through profit or loss. Derivative financial instruments that are designated as cash flow hedges remain in the category hedging instruments of IAS 39.

> Trade receivables and other financial assets and liabilities continue to be valued at amortized cost according to IFRS 9. There are no liabilities designated as at fair value through profit or loss.

> The Group uses the simplified impairment model for trade receivables without a significant financing component as well as for contract assets and calculates the impairment in the amount of credit losses expected over the term accordingly. The expected credit loss is determined on the basis of a provision matrix, in which the financial assets are broken down according to the age structure and the respective default rates are determined for different age bands. To create a provision matrix, historical data about actually occurred failures as well as future-oriented information and expectations are considered. Contract assets constitute receivables not yet due and do not differ significantly from trade receivables for similar contracts in terms of their risk criteria. Therefore the same default rates are used.

The application of the new standard IFRS 9 as of April 1, 2018 led to the following adjustments in equity in the Group: The valuation of other investments increased equity by TEUR 1,603, on the other hand the additional impairments due to expected credit losses of trade receivables and contract assets decreased equity in the amount of TEUR -1,846 and TEUR -408 respectively. Considering deferred taxes, the negative effect in equity resulted to TEUR -504. Due to the reclassification of securities that were valued as available-for-sale according to IAS 39 and are now valued at fair value through profit or loss according to IFRS 9, cumulated gains were reclassified in equity from other reserves to retained earnings in the amount of TEUR 86. The disclosure requirements of IFRS 9, to the extent applicable to IAS 34 reports, are included in this report.

**First-time adoption of IFRS 15 and IFRS 9.**
The following amounts as of March 31, 2018 were adjusted due to the first-time adoption of IFRS 15 and IFRS 9:

| | March 31, 2018 | | April 1, 2018 |
|---|---|---|---|
| | Carrying amount | Adjustments due to new IFRS | Carrying amount adjusted |
| **Trade receivables and other current assets** | **254,394** | **-85,749** | **168,645** |
| Trade receivables including impairment | 133,600 | -1,846 | 131,754 |
| Amounts due from customers for contract work | 76,966 | -76,966 | 0 |
| Amounts due from customers for service and maintenance contracts | 6,937 | -6,937 | 0 |
| Other receivables and prepaid expenses | 36,891 | 0 | 36,891 |
| **Contract assets including impairment (non-current and current)** | **—** | **83,495** | **83,495** |
| **Other financial assets and investments (non-current and current)** | **25,974** | **1,603** | **27,577** |
| Securities | 3,505 | 209 | 3,714 |
| Derivative financial instruments | 154 | 0 | 154 |
| Investments | 14,729 | 1,357 | 16,086 |
| Investments (at fair value through comprehensive income without recycling) | 2,550 | 0 | 2,550 |
| Fixed-income securities | 2,214 | 0 | 2,214 |
| Other financial assets and loans | 2,822 | 37 | 2,859 |
| **Contract liabilities (non-current and current)** | **—** | **31,486** | **31,486** |
| **Other liabilities and deferred income (non-current and current)** | **117,050** | **-31,486** | **85,564** |
| Amounts due to customers for contract work | 31,486 | -31,486 | 0 |
| Other liabilities and deferred income | 85,564 | 0 | 85,564 |
| **Deferred tax assets** | **12,399** | **146** | **12,545** |
| **Equity** | **229,930** | **-504** | **229,426** |
| Carrying amount as at March 31, 2018 | 229,930 | 0 | 229,930 |
| Adjustment of impairment of trade receivables and contract assets | — | -2,254 | -2,254 |
| Adjustment of valuation of investments | — | 1,603 | 1,603 |
| Adjustment of deferred taxes | — | 146 | 146 |

**Not yet effective standard IFRS 16.**
IFRS 16 “Leases” specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. IFRS 16 introduces a single accounting model that recognizes future leases, regardless of whether they are operating or finance leases under the criteria of IAS 17, in the lessee’s balance sheet. A lessee recognizes a right-of-use asset on the underlying asset and a liability that represents its liability to lease payments. There are exemptions for short-term leases and leases of low value assets. The lessor continues to distinguish between finance or operating leases for accounting purposes. In this regard, the accounting model of IFRS 16 does not differ significantly from that in IAS 17. The Group will not apply the standard prematurely and plans to use the simplification rules and not to provide comparative figures for the previous period.

The Group has begun a complete analysis of the contracts and is implementing a software solution for recording the lease contracts. In the future, this software solution will calculate the effects of IFRS 16 and provide them for accounting purposes. The most significant effect is expected to result from the capitalization of assets and liabilities arising from operating leases for motor vehicles and buildings. Regarding the disclosure of non-cancellable operating leases as of March 31, 2018, please refer to the annual financial statements as of March 31, 2018. However, the Group has not yet assessed which further adjustments may be necessary, for example due to the change in the definition of the lease term, the different treatment of variable lease payments, and extension and termination options. It is therefore not yet possible to estimate the amount of the rights of use and the corresponding lease liabilities to be recognized when the new standard is first applied and how this affects the consolidated profit and the classification of cash flows. In any case, a significant balance sheet extension is to be expected, which in turn will have an effect on many balance sheet ratios (e.g. reduction of the equity ratio).

## 17 Significant events occurring after September 30, 2018.

Kapsch TrafficCom – through its 100% subsidiary MTS Maut & Telematik Services GmbH, Germany – was awarded the contract for implementation and operation of the automated enforcement system for the enforcement of the German infrastructure charge (passenger car toll). The contract has a basic term of twelve years from the start of toll collection. The Federal Republic of Germany can extend the contract once for three years or three times by one year (hence, up to a maximum of 15 years). Furthermore the Federal Republic of Germany has the option on additional deliverables. Depending on the extent of additional deliverables to be supplied, the order volume can be up to EUR 120 million (for the total term).

Kapsch TrafficCom's contract to operate the Polish nation-wide toll system expired on November 2, 2018. Kapsch TrafficCom will support the further operation of the system throughout a transition phase of 27 months (starting November 3, 2018). The customer has the option of an early termination six months prior to the scheduled end date, i.e. after a term of 21 months. For the support provided, Kapsch TrafficCom will receive a monthly fee of approximately EUR 2.4 million.

On November 1, 2018 eTrans Systems, USA, was acquired. eTrans is a provider of solutions for connected and autonomous vehicles. The notes in accordance with IFRS 3 will be presented in the interim financial information for the first three quarters. At the beginning of November, a joint venture with the French company Axxès was set up with the aim of establishing and operating a sustainable technology platform to serve the EETS activities of both companies.

No further subsequent events to be reported, have occurred after September 30, 2018.

Vienna, November 20, 2018

The Executive Board

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

## Financial calendar.

| | |
|---|---|
| February 21, 2019 | Results Q1-Q3 2018/19 |
| June 18, 2019 | Results FY 2018/19 |
| August 20 2019 | Results Q1 2019/20 |
| August 31, 2019 | Record date: Annual General Meeting |
| September 10, 2019 | Annual General Meeting |
| September 13, 2019 | Dividend ex date |
| September 16, 2019 | Record date: dividend |
| September 18, 2019 | Dividend payment date |
| November 20, 2019 | Results H1 2019/20 |
| February 18, 2020 | Results Q1-Q3 2019/20 |

## Contact details for investors.

| | |
|---|---|
| Investor Relations Officer | Hans Lang |
| Shareholders' telephone line | +43 50 811 1122 |
| E-mail | ir.kapschtraffic@kapsch.net |
| Website | www.kapschtraffic.com/ir |

**Disclaimer**.
Certain statements contained in this report constitute "forward-looking statements". These statements, which contain the words "believe", "intend", "expect" and words of similar meaning, reflect the management's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. Kapsch TrafficCom AG disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

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

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***Kapsch TrafficCom***

Kapsch TrafficCom is a provider of intelligent transportation systems in the fields of tolling, traffic management, smart urban mobility, traffic safety and security, and connected vehicles. As a one-stop solutions provider, Kapsch TrafficCom offers end-to-end solutions covering the entire value creation chain of its customers, from components and design to the implementation and operation of systems. The mobility solutions supplied by Kapsch TrafficCom help make road traffic safer and more reliable, efficient, and comfortable in urban areas and on highways alike while helping to reduce pollution.

Kapsch TrafficCom is an internationally renowned provider of intelligent transportation systems thanks to the many projects it has brought to successful fruition in more than 50 countries around the globe. As part of the Kapsch Group, Kapsch TrafficCom has subsidiaries and branches in more than 30 countries. It has been listed in the Prime Market of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). Kapsch TrafficCom currently has more than 5,200 employees, and generated revenue of EUR 693.3 million in fiscal year 2017/18.

***>>> www.kapschtraffic.com***

**Kapsch TrafficCom AG** | Am Europlatz 2 | 1120 Vienna | Austria | www.kapschtraffic.com
Investor contact | Hans Lang | Phone +43 50 811 1122 | Fax +43 50 811 99 1122 | ir.kapschtraffic@kapsch.net
Press contact | Alf Netek | Phone +43 50 811 1700 | Fax +43 50 811 99 1700 | alf.netek@kapsch.net