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Kapsch TrafficCom

# Annual Financial Statements 2017/18.

*Pursuant to Section 124 Stock Exchange Act 2018.*

# Table of contents.

**1. Consolidated Financial Statements as of March 31, 2018**

> Consolidated Financial Statements as of March 31, 2018 3
> Notes to the Consolidated Financial Statements 8
> Management Report 76
> Auditor's Report 93
> Statement of all Members of the Executive Board 98

**2. Financial Statements as of March 31, 2018**

> Balance sheet as at March 31, 2018 100
> Income statement for the fiscal year 2017/18 102
> Notes to the financial statements for fiscal year 2017/18 103
> Management Report as of March 31, 2018 119
> Auditor's Report 133
> Statement of all Members of the Executive Board 140

# *Consolidated Financial Statements*

*as of March 31, 2018.*

## Consolidated statement of comprehensive income.

| All amounts in EUR | Note | 2016/17 | 2017/18 |
|---|---|---|---|
| Revenues | (4) | 648,479,213 | 693,256,518 |
| Other operating income | (5) | 25,052,456 | 20,536,151 |
| Changes in finished and unfinished goods and work in progress | (6) | 1,409,754 | 2,781,723 |
| Other own work capitalized | | 3,551,874 | 404,489 |
| Cost of materials and other production services | (7) | -242,146,257 | -279,814,687 |
| Staff costs | (8) | -224,169,884 | -237,880,654 |
| Amortization and depreciation | (9) | -17,715,773 | -14,807,528 |
| Other operating expenses | (10) | -134,359,527 | -134,908,686 |
| Proportional operating result of joint ventures | (17) | 0 | 492,120 |
| **Operating result** | | **60,101,855** | **50,059,444** |
| Finance income | (11) | 13,534,069 | 7,087,307 |
| Finance costs | (11) | -13,147,130 | -12,274,612 |
| **Financial result** | | **386,940** | **-5,187,305** |
| Results from associates and joint ventures | (17) | 146,868 | -112,808 |
| Losses from the revaluation of associates | (17) | 0 | -562,194 |
| **Result before income taxes** | | **60,635,663** | **44,197,137** |
| Income taxes | (12) | -17,953,927 | -16,163,979 |
| **Result for the period** | | **42,681,736** | **28,033,158** |
| **Result attributable to:** | | | |
| Equity holders of the company | | 43,609,880 | 28,680,062 |
| Non-controlling interests | | -928,145 | -646,904 |
| | | **42,681,736** | **28,033,158** |
| **Earnings per share from the result for the period attributable to the equity holders of the company** | | | |
| diluted | (35) | 3.35 | 2.21 |
| undiluted | (35) | 3.35 | 2.21 |
| | | | |
| **Other comprehensive income for the period** | | | |
| **Items subsequently to be reclassified to the result for the period:** | | | |
| Currency translation differences | | -5,945,776 | -1,409,261 |
| Currency translation differences from net investments in foreign operations | | 2,673,308 | -6,094,232 |
| Available-for-sale financial assets: | | | |
| Fair value gains/losses recognized in other comprehensive income | | -3,190,631 | -26,758 |
| Reclassification of cumulated net losses to the result for the period (impairment) | | 2,276,893 | 136,006 |
| Reclassification of cumulated net gains to the result for the period (sale of available-for-sale financial assets) | | -2,695 | 0 |
| Cash flow hedges | | 424,038 | 37,255 |
| Income tax relating to items subsequently to be reclassified to the result for the period | | -655,344 | 1,496,246 |
| **Total items subsequently to be reclassified to the result for the period** | | **-4,420,207** | **-5,860,744** |
| **Items subsequently not to be reclassified to the result for the period:** | | | |
| Remeasurements of liabilities from post-employment benefits | | -520,789 | -218,967 |
| Income tax relating to items subsequently not to be reclassified to the result for the period | | 139,359 | 39,573 |
| **Total items subsequently not to be reclassified to the result for the period** | | **-381,429** | **-179,394** |
| **Other comprehensive income for the period net of tax** | (13) | **-4,801,636** | **-6,040,138** |
| **Total comprehensive income for the period** | | **37,880,100** | **21,993,020** |
| | | | |
| Total comprehensive income attributable to: | | | |
| Equity holders of the company | | 38,827,442 | 22,564,098 |
| Non-controlling interests | | -947,342 | -571,078 |
| | | **37,880,100** | **21,993,020** |

## Consolidated balance sheet.

| All amounts in EUR | Note | March 31, 2017 | March 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | (15) | 23,140,948 | 21,408,841 |
| Intangible assets | (16) | 71,985,004 | 70,798,087 |
| Interests in associates and joint ventures | (17) | 2,130,999 | 7,502,215 |
| Other non-current financial assets and investments | (18) | 18,363,679 | 23,170,180 |
| Other non-current assets | (19) | 611,149 | 385,055 |
| Deferred tax assets | (25) | 11,937,661 | 12,398,930 |
| | | **128,169,439** | **135,663,308** |
| **Current assets** | | | |
| Inventories | (20) | 39,254,919 | 38,888,783 |
| Trade receivables and other current assets | (21) | 261,934,591 | 254,393,565 |
| Current tax receivables | | 4,489,577 | 7,562,985 |
| Other current financial assets | (18) | 3,637,945 | 2,804,145 |
| Cash and cash equivalents | (22) | 211,298,792 | 181,834,603 |
| | | **520,615,824** | **485,484,082** |
| **Total assets** | | **648,785,263** | **621,147,390** |
| | | | |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the company** | | | |
| Share capital | (23) | 13,000,000 | 13,000,000 |
| Capital reserve | | 117,508,771 | 117,508,771 |
| Retained earnings and other reserves | | 97,849,217 | 100,465,836 |
| | | **228,357,988** | **230,974,607** |
| **Non-controlling interests** | | **-1,051,928** | **-1,045,045** |
| **Total equity** | | **227,306,060** | **229,929,562** |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Non-current financial liabilities | (24) | 97,481,728 | 141,759,129 |
| Liabilities from post-employment benefits to employees | (26) | 23,946,148 | 23,705,667 |
| Non-current provisions | (29) | 9,992,550 | 8,910,567 |
| Other non-current liabilities | (27) | 10,536,107 | 4,292,075 |
| Deferred tax liabilities | (25) | 2,745,150 | 1,910,207 |
| | | **144,701,683** | **180,577,646** |
| **Current liabilities** | | | |
| Current financial liabilities | (24) | 97,902,189 | 26,674,737 |
| Trade payables | | 55,949,897 | 58,254,579 |
| Current provisions | (29) | 17,640,384 | 9,599,649 |
| Current tax liabilities | | 1,807,143 | 3,353,512 |
| Other liabilities and deferred income | (28) | 103,477,907 | 112,757,704 |
| | | **276,777,520** | **210,640,182** |
| **Total liabilities** | | **421,479,203** | **391,217,827** |
| **Total equity and liabilities** | | **648,785,263** | **621,147,390** |

## Consolidated statement of changes in equity.

| All amounts in EUR | Attributable to equity holder of the company | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other reserves | Consolidated retained earnings | | |
| **Carrying amount as of March 31, 2016** | **13,000,000** | **117,508,771** | **-21,887,481** | **114,225,495** | **7,811,064** | **230,657,849** |
| Effects from acquisition of subsidiaries | | | 0 | | 203,757 | 203,757 |
| Effects from increase in shares of subsidiaries | | | -13,816,239 | | -8,111,708 | -21,927,947 |
| Dividend | | | | -19,500,000 | -7,700 | -19,507,700 |
| Result for the period | | | | 43,609,880 | -928,145 | 42,681,736 |
| Other comprehensive income for the period: | | | | | | |
| Currency translation differences | | | -3,921,596 | | -19,198 | -3,940,794 |
| Fair value gains/losses on available-for-sale financial assets | | | -903,450 | | | -903,450 |
| Remeasurements of liabilities from post-employment benefits | | | -381,429 | | | -381,429 |
| Cash flow hedges | | | 424,038 | | | 424,038 |
| **Carrying amount as of March 31, 2017** | **13,000,000** | **117,508,771** | **-40,486,160** | **138,335,376** | **-1,051,928** | **227,306,060** |
| Capital increase at a subsidiary | | | | | 131,250 | 131,250 |
| Effects from increase in shares in subsidiaries | | | 25,232 | | -26,000 | -768 |
| Effects from decrease of shares in subsidiaries | | | -472,712 | | 472,712 | 0 |
| Dividend | | | | -19,500,000 | 0 | -19,500,000 |
| Result for the period | | | | 28,680,062 | -646,904 | 28,033,158 |
| Other comprehensive income for the period: | | | | | | |
| Currency translation differences | | | -6,055,761 | | 75,826 | -5,979,935 |
| Fair value gains/losses on available-for-sale financial assets | | | 81,936 | | | 81,936 |
| Remeasurements of liabilities from post-employment benefits | | | -179,394 | | | -179,394 |
| Cash flow hedges | | | 37,255 | | | 37,255 |
| **Carrying amount as of March 31, 2018** | **13,000,000** | **117,508,771** | **-47,049,603** | **147,515,438** | **-1,045,045** | **229,929,562** |

**Share capital.** The total number of shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

**Capital reserve.** Capital reserve includes those reserves that have not been established from results of prior periods.

**Other reserves.** Other reserves contain effects of changes in the investment interest held in subsidiaries as well as reserves from other comprehensive income, for example currency translation differences and fair value gains/losses on available-for-sale financial assets after deduction of deferred taxes, remeasurements of liabilities from post-employment benefits after deduction of deferred taxes as well as changes of the cash flow hedge reserve after deduction of deferred taxes.

**Consolidated retained earnings.** Retained earnings include the net result for the fiscal year as well as past earnings of the entities included in consolidation, to the extent that these results have not been distributed as dividends.

The paid dividend of Kapsch TrafficCom AG in the fiscal year 2017/18 in the amount of TEUR 19,500 was EUR 1.50 per share (2016/17: TEUR 19,500 corresponded to EUR 1.50 per share).

**Non-controlling interests.** Non-controlling interests represent the third party shares in the equity of consolidated subsidiaries.

**The effects from acquisition of subsidiaries** in the fiscal year 2016/17 resulted from the acquisition of shares in tolltickets GmbH, Germany, as well as from the acquisition of Fluidtime Data Services GmbH, Vienna.

**The effects from increase in shares of subsidiaries** in the fiscal year 2017/18 resulted from the acquisition of the remaining 1% share in Kapsch TrafficCom Construction & Realization spol. s.r.o., Czech Republic. The effects from the increase in shares in subsidiaries in the financial year 2016/17 resulted both from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s.r.o, Czech Republic, of which an amount of TEUR 14,000 was paid in the previous year and an amount of TEUR 3,000 was paid in the financial year 2017/18, as well as from the acquisition of additional shares in Streetline International, Inc., U.S.A.

**The effects of capital increases** in the fiscal year 2017/18 relate to a capital subsidy, which was paid proportionately by the shareholders of tolltickets GmbH, Germany.

**The effects from decrease of shares in subsidiaries** in the fiscal year 2017/18 resulted from the liquidation of Kapsch Telematic Services Solutions A/S, Denmark.

## Consolidated cash flow statement.

| All amounts in EUR | Note | 2016/17 | 2017/18 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating result | | 60,101,855 | 50,059,444 |
| Adjustments for non-cash items and other reconciliations: | | | |
| Scheduled depreciation and amortization | | 17,715,773 | 14,807,528 |
| Increase/decrease in obligations for post-employment benefits | | -1,142,501 | -819,819 |
| Increase/decrease in other non-current liabilities and provisions | | 6,208,605 | -5,222,239 |
| Increase/decrease in other non-current receivables and assets | | 5,387,530 | -165,030 |
| Increase/decrease in trade receivables (non-current) | | 11,094,251 | 237,188 |
| Increase/decrease in trade payables (non-current) | | -372,680 | 371,767 |
| Other (net) | | -4,141,106 | -3,144,148 |
| | | **94,851,727** | **56,124,691** |
| Changes in net current assets: | | | |
| Increase/decrease in trade receivables and other assets | | -6,154,327 | 11,953,954 |
| Increase/decrease in inventories | | -1,794,485 | 3,532,349 |
| Increase/decrease in trade payables and other current payables | | -13,990,553 | 5,122,024 |
| Increase/decrease in current provisions | | 1,587,303 | -8,113,880 |
| | | **-20,352,062** | **12,494,447** |
| **Cash flow from operations** | | **74,499,665** | **68,619,138** |
| Interest received | (11) | 2,671,148 | 1,294,240 |
| Interest payments | (11) | -5,657,361 | -6,124,926 |
| Net payments of income taxes | | -16,545,681 | -21,964,518 |
| **Net cash flow from operating activities** | | **54,967,771** | **41,823,934** |
| **Cash flow from investment activities** | | | |
| Purchase of property, plant and equipment | (15) | -12,387,929 | -10,149,534 |
| Purchase of intangible assets | (16) | -2,711,023 | -1,607,477 |
| Purchase of securities, investments and other non-current financial assets | (18) | -2,850,742 | -6,393,337 |
| Payments for the acquisition of entities (less cash and cash equivalents of these entities) | (31) | -22,806,653 | -1,017,137 |
| Payments for the acquisition of shares in at-equity-consolidated entities | (17) | 0 | -4,038,900 |
| Proceeds from the disposal of shares in subsidiaries | | 0 | 180,644 |
| Proceeds from the disposal of property, plant and equipment and intangible assets | | 2,773,296 | 2,996,436 |
| Proceeds from the disposal of securities and other financial assets | | 71,820 | 4,793 |
| **Net cash flow from investment activities** | | **-37,911,231** | **-20,024,512** |
| **Cash flow from financing activities** | | | |
| Contributions from shareholders in a subsidiary | | 0 | 131,250 |
| Dividends paid to parent company's shareholders | | -19,500,000 | -19,500,000 |
| Dividends paid to non-controlling interests | | -7,700 | 0 |
| Payments for the acquisition of non-controlling interests | (14) | -14,094,405 | -3,000,768 |
| Increase in non-current financial liabilities | (24) | 100,375,177 | 50,035,968 |
| Increase in current financial liabilities | (24) | 2,666,048 | 5,371,619 |
| Decrease in current financial liabilities | (24) | -19,828,320 | -79,930,185 |
| **Net cash flow from financing activities** | | **49,610,801** | **-46,892,115** |
| **Net increase/decrease in cash and cash equivalents** | | **66,667,341** | **-25,092,693** |
| **Change in cash and cash equivalents** | | | |
| Cash and cash equivalents at beginning of year | | 140,782,047 | 211,298,792 |
| Net increase/decrease in cash and cash equivalents | | 66,667,341 | -25,092,693 |
| Exchange gains/losses on cash and cash equivalents | | 3,849,404 | -4,371,495 |
| **Cash and cash equivalents at end of year** | (22) | **211,298,792** | **181,834,603** |

# Notes to the Consolidated Financial Statements.

## 1 General information.

Kapsch TrafficCom is a global supplier of superior Intelligent Transportation Systems (ITS).

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

The *Electronic Toll Collection (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 *Intelligent Mobility Solutions (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 Group.

### 1.1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of March 31, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of March 31, 2018 are prepared under the historical cost concept, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date. Pertinent explanations can be found within the scope of the corresponding accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date as well as income and expenses recorded during the reporting period. Although these estimates are made by the Executive Board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity as well as areas where assumptions and estimates are material to the consolidated financial statements are disclosed in note 3.

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.

### 1.2 Group structure and consolidated group.

The parent company (reporting entity) of this group is Kapsch TrafficCom AG, Vienna. Until June 2007 KAPSCH-Group Beteiligungs GmbH, Vienna, (immediate parent company of the reporting entity), a wholly-owned subsidiary of DATAX HandelsgmbH, Vienna, had been the sole shareholder of Kapsch TrafficCom AG, Vienna. DATAX HandelsgmbH, Vienna, is the controlling entity of the reporting entity and the ultimate parent of Kapsch Group.

As of March 31, 2018 KAPSCH-Group Beteiligungs GmbH has a share of 63.3% (March 31, 2017: 63.3%) in Kapsch TrafficCom AG. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since June 26, 2007.

The parent company, Kapsch TrafficCom AG, is a joint stock corporation incorporated and domiciled in Vienna, Austria. The address of its registered office is 1120 Vienna, Am Europlatz 2.

As of March 31, 2018 the consolidated group (including parent company Kapsch TrafficCom AG, Vienna) consists of 55 entities (March 31, 2017: 57 entities). The consolidated group changed as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Amount of entities at the beginning of the fiscal year | 48 | 57 |
| Initial consolidation | 9 | 5 |
| Mergers | 0 | -2 |
| Deconsolidations | 0 | -5 |
| **Amount of entities in the consolidated group** | **57** | **55** |

On July 18, 2017, Kapsch TrafficCom AG acquired the remaining 60.03% of Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico. In 2012, 33% of Simex were already acquired by the Group and increased by a capital reduction, in which the Group did not participate, on July 18, 2017 to 39.97%. Before full consolidation, Simex has been included in the result from associates (see note 17).

In the fiscal year 2017/18, 100% of the shell company Athomstart Invest 253 AS (now: Kapsch TrafficCom Norway AS), Norway, were acquired. Since no business was purchased, no information is provided in accordance with IFRS 3.

Kapsch TrafficCom S.A.S, Colombia, was newly founded.

The consortium Kapsch Traffic Solutions, Bulgaria, was formed to handle the nation-wide toll system in Bulgaria, in which several Kapsch companies are involved.

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), in 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 IFRS 10, the Trust South Africa is fully controlled by Kapsch TrafficCom. As a result, the shares of Trust South Africa will be included for the first time, and those of MobiServe (Pty) Ltd. and TMT Services and Supplies (Pty) Ltd. will still be included in the consolidated financial statements at 100%.

Kapsch TrafficCom USA, Inc., U.S.A., and Kapsch TrafficCom Transportation NA, Inc., U.S.A., have been merged into Kapsch TrafficCom IVHS Inc., U.S.A. Kapsch TrafficCom IVHS Inc., U.S.A., was subsequently renamed Kapsch TrafficCom USA Inc., U.S.A.

In the fiscal year 2017/18, Kapsch TrafficCom (M) Sdn Bhd, Malaysia, Kapsch Telematic Services Solutions A/S, Denmark, Kapsch TrafficCom d.o.o., Slovenia, Streetline International Inc., U.S.A., and SPS Funding Co. LLC, U.S.A., were liquidated and therefore deconsolidated.

The regional distribution of the subsidiaries is as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Austria | 7 | 7 |
| EMEA (Europe excl. Austria, Middle East, Africa) | 29 | 30 |
| Americas | 16 | 14 |
| APAC (Asia and Pacific) | 5 | 4 |
| **Total** | **57** | **55** |

For further information on interests in subsidiaries see note 32.

## 1.3 Consolidation.

### 1.3.1 Subsidiaries.

Subsidiaries are all companies (including structured companies) where the Group exerts its control. The Group controls an associated company if the Group is exposed to fluctuating returns arising from its interest in the subsidiary, is in possession of entitlements to these returns and has the ability to influence such returns by virtue of its position of power with respect to the associated company. Subsidiaries are included within the consolidated financial statements (full consolidation) as from the time when the parent company has acquired control over the subsidiary. They are deconsolidated at the time when such control is relinquished.

All group internal assets and liabilities, equity, expenses and income as well as unrealized gains and losses from transactions between group companies are completely eliminated in the course of group consolidation.

### 1.3.2 Transactions with non-controlling interests.

Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Depending on the ownership structure, the Group splits the gains or losses as well as all components of the comprehensive income to the interests of the parent company and the non-controlling interests. Even in the event of a negative balance of the non-controlling interests, the total comprehensive income is attributed to the parent company and the non-controlling interests. For purchases of non-controlling interests, the difference between any consideration paid and the relevant interest acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity, unless a change in the percentage of shares held leads to a loss of control of the interest.

If a change in the percentage of shares held does not lead to the loss of control of the interest, the transactions are to be shown under equity. The carrying amounts for both the controlling and non-controlling interests are correspondingly set so as to ensure they reflect any changes to the existing shareholdings. Every deviation between the amount by which the non-controlling interests are adjusted and the fair value of the paid or received consideration is to be directly recognized under equity and allocated to the owners of the parent company.

If the Group loses its control over any of the companies, the assets and liabilities of the former subsidiary are to be removed from the consolidated balance sheet. The remaining interest is to be remeasured at fair value and regarded as the initially recognized value of a financial asset pursuant to IAS 39 “Financial Instruments: Recognition and measurement” or as acquisition costs in case of the addition of an interest in an associated company or joint venture. Any resulting gains or losses which are attributable to the controlling interest are recognized in the income statement. In addition, any amounts previously recognized in other comprehensive income with respect to the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified from equity to the result for the period.

### 1.3.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

The Group differentiates according to the contractual arrangements concerning rights and obligations of the controlling parties between joint ventures and joint operations. Parties belonging to a joint venture enjoy rights to net assets. In the consolidated financial statements, the result, assets, and liabilities are included subject to the equity method. If a contractual agreement creates rights to assets and obligations for debts, then such joint arrangement will be deemed to be a joint operation. Inclusion within the consolidated financial statements occurs through the proportionate recognition of assets, debts, revenues, and expenses, which are shown in the respective positions in the balance sheet and statement of comprehensive income.

In the case of the equity method, the interests in joint ventures are initially recognized at acquisition costs. After this, the carrying value of the interests goes up or down according to the share of the Group in profit or loss as well as in any changes in the other comprehensive income of the joint venture. If the share in the losses of a joint venture exceeds the carrying value of the joint venture (including all long-term interests which are to be allocated to the commercial substance after the net investment of the Group in the joint venture), then the Group is not to recognize the excessive loss share unless it has entered into legal or constructive obligations for the joint venture or has made payments for the joint venture.

Unrealized gains or losses from transactions between group companies and joint ventures are to be eliminated in the consolidated financial statements in the amount of the share of the Group in the joint venture. Unrealized losses are not eliminated if the transaction gives any indication that there may be an impairment of the asset transferred.

The accounting policies of joint ventures correspond substantially to those of the parent company.

Proportional results from joint ventures are split in the presentation in the income statement. Results from joint ventures whose activities and strategic alignments are part of Kapsch TrafficCom's core business are reported in the operating result. Results from other joint ventures are reported in the result before income taxes after the financial result.

### 1.3.4 Associates.

Associates are entities in which the Group has a significant but not a controlling influence, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Associates are reported using the equity method and initially recognized at acquisition costs. Following the acquisition date, the share of the Group in the result of the associate is recorded in the statement of comprehensive income and the share of changes in other comprehensive income is recognized in other comprehensive income, with a corresponding adjustment being made to the carrying amount of the interest. Dividends received from the associated company reduce the carrying amount of the interest. Goodwill arising on acquisition of associates is not separately shown but recorded as part of the carrying amount of associates.

If the percentage of shares held in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the profit or loss for the period where appropriate.

The cumulative shares of the Group in the profits and losses as well as in the other comprehensive income of the associate after the acquisition are offset against the carrying amount of the investment. If the Group's share in the losses of an associate, including any unsecured receivables, equals or exceeds its interest in that associate, the Group will not disclose any additional losses, unless it has made commitments or payments to the associate.

At each balance sheet date, the Group checks whether there are any indications showing that the investment in an associate is impaired. If this is the case, the impairment requirement is determined as the difference arising from the carrying amount of the interest of the associate and the corresponding recoverable amount and recognized separately in the income statement. Significant unrealized gains from transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

The accounting policies of associates correspond substantially to those of the parent company.

## 1.4 Business combinations.

The Group uses the acquisition method of accounting to account for business combinations as at the acquisition date. The acquisition date relates to the date of transfer of control to the Group.

The consideration transferred for the acquisition is the fair value of the assets transferred, the equity interests issued by the Group and the liabilities incurred or assumed as at the transaction date. In addition, they include the fair value of any recognized assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in full as incurred.

In accordance with IFRS 3, any assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured at their full fair values as at the acquisition date, irrespective of the extent of any non-controlling interests. Intangible assets are recognized separately from goodwill if they are separable from the entity or result from statutory, contractual or other legal rights. No new restructuring provisions may be recognized within the scope of the purchase price allocation. Any remaining positive differences, which compensate the seller with market opportunities that cannot be identified more closely and with development potential, are capitalized as goodwill in the respective cash generating units (CGUs).

Any contingent consideration to be transferred by the Group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is measured in accordance with IAS 39 and a resulting profit or loss recognized in the statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the combination is achieved in stages, the equity capital share previously held in the acquired company by the acquirer is remeasured at the fair value as at the acquisition date. Any resulting profit or loss is to be recognized in the income statement.

Any hidden reserves and liabilities uncovered are carried forward in line with the corresponding assets and liabilities.

The determination of the fair values requires certain estimates and assumptions, in particular of the acquired intangible assets and property, plant and equipment, of the liabilities assumed as well as of the useful lives of the acquired intangible assets and property, plant and equipment.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's net assets.

The Group determines the goodwill at the acquisition date as:

- the fair value of the consideration transferred – if necessary plus
- the value recognized of all recognized non-controlling interests in the acquiree – plus
- the fair value of the acquirer's previously held equity interest in the acquiree if the combination is achieved in stages – less
- the net amount (in general of the fair values) of the identifiable assets acquired and liabilities assumed and contingent liabilities.

If the excess is negative, a gain on a bargain purchase is recognized directly in the result for the period.

### 1.5 Foreign currency translation.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euros, which is Kapsch Group's presentation currency.

#### 1.5.1 Translation of foreign financial statements.

In accordance with IAS 21, financial statements of foreign subsidiaries (except for foreign entities from hyperinflationary countries) that have a functional currency different from the euro which are included in the consolidated financial statements are translated as follows:

The statement of comprehensive income of foreign entities is translated into the Group's presentation currency at average exchange rates of the fiscal year, balance sheets at the prevailing mean exchange rate at the balance sheet date. The reference rates of the European Central Bank (ECB) and Deutsche Bundesbank, which are accessible via the Austrian Central Bank's (Österreichische Nationalbank) website, serve as the basis for the translation. If no current exchange rates are available, this will result in the use of the exchange rates as disclosed by the national banks. Differences arising from the currency translation of foreign operations into euro are recognized in other comprehensive income and collected in equity.

Exchange rate differences arising from the translation of the net investment in subsidiaries are recognized in the statement of other comprehensive income under currency translation differences. When shares in a foreign entity are sold, such exchange rate differences are recognized in the statement of comprehensive income as part of the gain or loss on disposal of shares in subsidiaries.

Goodwill and adjustments to the fair value in connection with the acquisition of a foreign company are treated as the assets and liabilities of the foreign company in question and converted in the course of initial consolidation at the transaction rate and subsequently converted with the key date exchange rate as at the financial statements key date of the business operation.

The main exchange rates used during the fiscal year are shown below:

| | Average exchange rate | | Exchange rate as at balance sheet date | |
|---|---|---|---|---|
| | **2016/17** | **2017/18** | **2016/17** | **2017/18** |
| AUD | 1.458 | 1.512 | 1.398 | 1.604 |
| CAD | 1.440 | 1.504 | 1.427 | 1.590 |
| CZK | 27.038 | 25.965 | 27.030 | 25.425 |
| GBP | 0.838 | 0.879 | 0.856 | 0.875 |
| PLN | 4.352 | 4.216 | 4.220 | 4.209 |
| SEK | 9.503 | 9.761 | 9.532 | 10.284 |
| USD | 1.097 | 1.170 | 1.069 | 1.232 |
| ZAR | 15.467 | 15.096 | 14.240 | 14.621 |

### 1.5.2 Foreign currency transactions.

Transactions in foreign currencies are translated into the functional currency at the exchange rate as at the transaction date or, in case of new measurements, as at the time of the measurement. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Non-monetary items in the balance sheet are translated at historical exchange rates; non-monetary items which were recognized at their lower net realizable value are translated at the exchange rate prevailing at the time of measurement.

Foreign exchange gains and losses which are attributable to the translation of cash and cash equivalents as well as financial receivables and financial liabilities are presented in the statement of comprehensive income within the financial result. All other foreign exchange gains and losses are presented in the statement of comprehensive income in other operating income or other operating expenses. This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations as part of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold. In the fiscal year 2013/14, two US dollar loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the Executive Board of Kapsch TrafficCom AG does not plan for a redemption of these loans in the foreseeable future and since such redemption is not likely to occur. The exchange rate differences arising from these loans are recognized in other comprehensive income (see note 13).

## 2 Accounting principles.

### 2.1 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2017/18.

| | New/amended IFRS | Published by the IASB (adopted by the EU) | Applicable to fiscal years beginning on or after | Material impact on group's consolidated financial statements |
|---|---|---|---|---|
| IAS 12 | Amendments to IAS 12 "Income Taxes": Clarification of the Recognition of Deferred Tax Assets on Temporary Differences from Unrealized Losses | January 2016 | January 1, 2017 | None |
| IAS 7 | Amendments to IAS 7 "Cash Flow Statements": Disclosure Initiative | January 2016 | January 1, 2017 | None |
| AIP 2014–2016 | Amendments to IFRS 12 "Disclosure of Interests in Other Entities" | January 2016 | January 1, 2017 | None |
| | **Annual improvement to IFRSs, Cycle 2014–2016** | | | |
| IFRS 1 | Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose | December 2016 | January 1, 2018 | None |
| IFRS 12 | Disclosure of Interests in Other Entities (clarified the scope of the standard) | December 2016 | January 1, 2017 | None |
| IAS 28 | Investments in Associates and Joint Ventures (clarification) | December 2016 | January 1, 2018 | None |

If applicable in detail, the stated regulations have been implemented in these consolidated financial statements. The amendments to IAS 7 lead to additional disclosures for the Group. The amendments to IAS 12 have not had a material impact on the presentation of the consolidated financial statements.

### 2.2 Standards, interpretations and amendments to published standards that are not yet effective and that have not been prematurely adopted by the Group.

| | New/amended IFRS | Published by the IASB (not yet adopted by the EU) | Applicable to fiscal years beginning on or after | Material impact on group's consolidated financial statements |
|---|---|---|---|---|
| IFRS 15 | Revenue from Contract with Customers | May 2016 | January 1, 2018 | Described below |
| IFRS 15 | Clarification of Revenues from Contracts with Customers | May 2016 | January 1, 2018 | Described below |
| IFRS 9 | Financial Instruments | July 2016 | January 1, 2018 | Described below |
| IFRS 16 | Leases | January 2016 | January 1, 2019 | Described below |
| IFRS 4 | Disclosure of IFRS 9 in combination with IFRS 4 | September 2016 | January 1, 2018 | Described below |
| AIP 2014–2016 (IFRS 1, IAS 28) | 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 | Described below |
| IFRS 2 | Classification and Measurement of Share-based Payment Transactions | June 2016 | January 1, 2018 | None |
| IAS 40 | Transfer of Investment Property | December 2016 | January 1, 2018 | None |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration | December 2016 | January 1, 2018 | None |
| IFRS 9 | Prepayment Features with Negative Compensation | October 2017 | January 1, 2019 | None |

| | New/amended IFRS | Published by the IASB (not yet adopted by the EU) | Applicable to fiscal years beginning on or after | Material impact on group's consolidated financial statements |
|---|---|---|---|---|
| IAS 28 | Long-term Investments in Associates and Joint Ventures | January 2016 | January 1, 2019 | None |
| IFRIC 23 | Uncertainty over Income Tax Treatments | April 2016 | January 1, 2019 | None |
| IFRS 17 | Insurance Contracts | September 2016 | January 1, 2021 | None |
| IFRS 14 | Regulatory Deferral Accounts | January 2014 | The final IFRS standard is awaited | None |
| IAS 28<br>IFRS 10 | Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | September 2014 | Moved indefinitely | None |
| IAS 19 | Amendment to IAS 19: Plan Amendment, Curtailment or Settlement | December 2016 | January 1, 2019 | None |
| | **Annual improvement to IFRSs, Cycle 2015–2017** | | | |
| IFRS 3<br>IFRS 11 | The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. | December 2017 | January 1, 2019 | None |
| IAS 12 | The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. | December 2017 | January 1, 2019 | None |
| IAS 23 | The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. | December 2017 | January 1, 2019 | None |

**IFRS 15** "Revenue from Contracts with Customers" regulates the recognition of revenue, replacing IAS 11 and IAS 18. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Pursuant to IFRS 15, revenue is to be recognized when the customer obtains control of the good or service and obtains a benefit from it. Calculation of revenue to be recognized under the new Standard is based on a five-step model. IFRS 15 also includes numerous disclosure requirements regarding nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Kapsch TrafficCom will apply the new standard for the first time from April 1, 2018 (fiscal year 2018/19).

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 customer-specific construction contracts (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 construction contracts currently being processed 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 service transactions (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, the revenues from the service transactions under IFRS 15 will also be realized 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. This results in no other revenue recognition than before.

Certain costs incurred in initiating or fulfilling a contract, which are expensed as per the previously applicable standard, must now be capitalized in accordance with IFRS 15 if the criteria are met. In fiscal year 2017/18, no costs were incurred that can be capitalized in accordance with IFRS 15.

Due to the first-time application of IFRS 15 as of April 1, 2018, there is no material deviation from the previous accounting for revenue in the Group. Thus the equity effect is insignificant and amounts to less than 0.5% of the total revenue of Kapsch TrafficCom Group.

The presentation and disclosure requirements of IFRS 15 are very extensive. Many disclosure requirements are completely new information. The implementation of these disclosure requirements calls for appropriate systems, policies and internal controls. This will be achieved with the introduction of the new software solution.

The Group adopts the standard using the modified retrospective method. As a result, the cumulative impact at the time of initial application is recognized in the retained earnings and the comparative period is not adjusted.

**Clarification on IFRS 15** “Revenue from Contracts with Customers”: In this clarification, the remarks as well as examples of the following areas are selectively revised and new examples are added.

The identification of performance obligations and the examination of separability in the contract context is based on the “nature of the promise”. When classifying as a principal or agent, it is made clear that a company acts as a principal when it controls the specific goods or services before transitioning to the customer, while it is classified as an agent if it only mediates the provision by a third party.

It further clarifies that the activities of the licensor have a material effect on the intellectual property underlying the contract, if either: these activities are expected to alter the form (e.g. design) or functionality of the intellectual property, or the customer’s ability to benefit from the intellectual property is significantly influenced by these activities or is dependent on this (e.g. trademark).

Under IFRS 15.B63, revenue from sales-based or usage-based intellectual property royalties should not be recognized until later than either of the following: actual sale or performance of the performance obligation. The new paragraphs IFRS 15.B63A and B63B clarify that this rule may also be applied if the sales-based or usage-based license fee is paid for multiple performance obligations (hybrid service bundle), but mainly for intellectual property licensing, and the intellectual property therefore determines the bundle of services.

Furthermore, there are relief regulations for the first-time application of IFRS 15, according to which contracts do not have to be fully reflected in their history.

The application of these clarifications is not expected to have a significant impact on the consolidated financial statements of the Group.

**IFRS 9** “Financial Instruments”, addresses the classification, recognition and measurement of financial assets and financial liabilities. The full version of IFRS 9 was issued in July 2014. This standard replaces IAS 39, “Financial Instruments: Recognition and Measurement”, with the exception of the option to retain hedge accounting under IAS 39 (preliminary). In addition, the requirements of IFRIC 9 “Reassessment of Embedded Derivatives” have been incorporated into IFRS 9.

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. As the Group does not sell trade receivables as part of factoring, the corresponding rules of IFRS 9 are not relevant.

The Group has reviewed its financial assets and liabilities and expects the following effects of the new standard as of April 1, 2018:

The available-for-sale (AFS) debt instruments meet the criteria for classification as “fair value through other comprehensive income (FVOCI)” and therefore do not have to be treated differently in the balance sheet under IFRS 9.

The remaining financial assets include:

- Equity instruments currently presented as AFS securities and AFS investments, which under IFRS 9 may be classified as at FVOCI, however without a recycling option;
- Equity instruments currently presented as at FVPL, whose presentation will remain unchanged under IFRS 9;
- Debt instruments currently classified as “held-to-maturity assets” and carried at amortized cost, which also fulfill the criteria for recognition at amortized cost under IFRS 9.

Accordingly, the new standard has no material impact on the classification and measurement of these financial assets. Gains or losses on the sale of previously existing financial assets classified as FVOCI are, however, no longer reclassified to profit or loss but to retained earnings.

In addition, according to IFRS 9, the previously applicable exemption to valuing equity instruments of unlisted companies, subject to fulfillment of the requirements, at amortized cost less impairments was eliminated. In this regard, IFRS 9 severely restricts the ability to waive fair value measurement. No significant effect is expected from this change.

There are no expected effects on the Group's financial liabilities as there are no liabilities designated as FVPL. Since the rules for derecognition in IFRS 9 were carried over from IAS 39, no changes are expected here either.

IFRS 9 facilitates hedge accounting. An economic connection between the hedged underlying transaction and the hedging instrument is required. In addition, the hedging relationship must correspond to what the Executive Board actually uses for risk management purposes. Simultaneous documentation is still required, but differs from the documentation currently produced under IAS 39. In addition, potential sources of ineffectiveness in the hedge documentation must now be disclosed. It should be noted that with regard to hedge accounting, there is a choice between the regulations of IFRS 9 and those of IAS 39. The decision is to be made uniformly. At the beginning of each fiscal year following initial application, it is possible to change the exercise of the option and to apply IFRS 9 to all hedging relationships. However, in the case of retaining hedge accounting in accordance with IAS 39, the other provisions of IFRS 9 (e.g. notes in connection with hedging) must be applied. The Group plans to continue to apply the rules of IAS 39 for hedge accounting.

There is also a new impairment model based on expected losses, which replaces the model of IAS 39, which is based on losses incurred. For financial liabilities, the categorization and valuation has basically not changed. The new impairment model requires the recognition of impairments based on expected credit losses rather than the incurred loss model under IAS 39. It applies to financial assets measured at amortized cost, debt instruments that are part of the FVOCI contractual assets under IFRS 15, lease receivables, loan commitments and certain financial guarantees.

The Group uses the simplified model for trade receivables without a significant financing component as well as contract assets in the meaning of IFRS 15 and calculates the allowance 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 are considered first. However, in addition to the historical perspective, the Group also considers future-oriented information and expectations. Due to the historically low defaults, the Group expects only insignificant effects.

The Group will apply the new standard for the first time as of April 1, 2018 (fiscal year 2018/19), with the exception of the new rules of hedge accounting, and take advantage of the practical facilitations. The comparative figures for the fiscal year 2017/18 will not be not adjusted.

IFRS 7 also contains expanded disclosure requirements and changes in presentation that are expected to change the nature and scope of disclosures by the Group regarding financial instruments at the date of first-time adoption of IFRS 9.

**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 for 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 has begun an initial analysis of the contracts and a process for selecting a software solution. The most significant effect is expected to result from the capitalization of assets and liabilities arising from operating leases for motor vehicles and buildings as well as IT equipment. As of the balance sheet date, the Group has non-cancellable operating leases in the amount of TEUR 54,647 (see note 30). However, the Group has not yet assessed which further adjustments may be necessary, for example due to the change in the definition of the term of the lease, 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).

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.

From today’s perspective, the amendments to **IFRS 4** and the **annual improvements to IFRS (2014–2016 cycle)** are not expected to have a material impact on the Group’s financial position and results of operations.

**Standards and interpretations already published by the IASB but not yet adopted by the EU**: These standards or interpretations or amendments to the standards and interpretations are not yet mandatory, however from today’s perspective they will not have a material impact on the Group.

The consolidated financial statements have been prepared by the Executive Board on the undersigned date and released for publication. The entity financial statements of the parent company, which have been included in the consolidated financial statements after transition to the applicable accounting standards, have not yet been approved by the Supervisory Board on the undersigned date.

### 2.3 Accounting and valuation principles.

The accounting and valuation principles, which form the basis for these consolidated financial statements, were applied unchanged to the previous period and supplemented by new mandatory provisions applicable from the fiscal year (see note 2.1). A detailed description of all accounting and valuation principles is provided in note 40.

## 3 Material accounting estimates and assumptions with regard to accounting policies.

The Group makes estimates and assumptions concerning the future development. The resulting accounting estimates will, by definition, rarely equal the related actual results. All estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will generally differ from actual results.

In particular, estimates and assumptions regarding revenue recognition have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year.

### 3.1 Percentage-of-completion method for contract work.

The Group uses the percentage-of-completion method in accounting for its construction contracts. At the balance sheet date of March 31, 2018, the amounts due from customers for contract work amounted to TEUR 76,966 (March 31, 2017: TEUR 77,205) and the amounts due to customers for contract work amounted to TEUR 31,486 (March 31, 2017: TEUR 29,097). The use of the percentage-of-completion method requires the Group to estimate the expected profit mark-up for a construction contract. Sensitivity analyses on assumptions made by the Executive Board of Kapsch TrafficCom AG indicate that the operating result would fluctuate by TEUR 5,619 (March 31, 2017: TEUR 7,088) and the total comprehensive income for the period would fluctuate by TEUR 4,155 (March 31, 2017: TEUR 5,071) if the actual margin of the significant projects deviated by 10% from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been largely reliable up to now.

### 3.2 Estimated impairment of goodwill.

In accordance with the accounting policy stated in note 16 and 40, the Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash generating units is determined on the basis of the calculation of the value in use. These calculations require the use of estimates. Sensitivities for the acquired goodwill are detailed in note 16.

### 3.3 Further assumptions and estimates.

Further areas where assumptions and estimates are significant to the consolidated financial statements include inventories, deferred tax assets/liabilities, liabilities from post-employment benefits to employees and provisions for warranties, project risks and losses for onerous contracts. Sensitivity analyses of the assumptions made by the Executive Board in connection with inventories, deferred tax assets/liabilities, and provisions indicate that no material effect will arise if the actual final outcomes were to differ from the estimates made by 10%.

The sensitivities for liabilites from post-employment benefits to employees are detailed in note 26.

## 4 Segment Information.

**Operating Segments.**

A business segment is an entity that conducts business activities that generate revenues and incur expenses. The operating results of the segments are regularly reported to the Executive Board (chief operating decision maker). Resource allocation decisions are reviewed based on these segments.

The Executive Board has identified two reportable 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. 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 ETC services offered by Kapsch TrafficCom.

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.

The segment results for the fiscal year ended March 31, 2018 are as follows:

| | **ETC** | **IMS** | **Total** |
|---|---|---|---|
| Revenues | 521,647 | 171,609 | 693,257 |
| Operating result | 53,474 | -3,415 | 50,059 |
| EBIT margin in % | 10.3% | -2.0% | 7.2% |

The segment results for the fiscal year ended March 31, 2017 are as follows:

| | **ETC** | **IMS** | **Total** |
|---|---|---|---|
| Revenues | 468,449 | 180,030 | 648,479 |
| Operating result | 65,463 | -5,361 | 60,102 |
| EBIT margin in % | 14.0% | -3.0% | 9.3% |

The segment assets and liabilities as of March 31, 2018 as well as capital expenditure, depreciation, amortization and impairment and other non-cash-effective positions for the period then ended are as follows:

| | **ETC** | **IMS** | **Total** |
|---|---|---|---|
| Segment assets | 306,206 | 87,231 | 393,437 |
| Investments in associates and joint ventures | 3,796 | 3,706 | 7,502 |
| | | | |
| Segment liabilities | 175,132 | 45,741 | 220,874 |
| | | | |
| Capital expenditure | 8,871 | 2,886 | 11,757 |
| Depreciation | 9,998 | 4,810 | 14,808 |
| Other non-cash-effective positions | 679 | 634 | 1,314 |

The segment assets include property, plant and equipment, intangible assets, other non-current assets, inventories, trade receivables, other current assets as well as current tax receivables.

The segment liabilities include liabilities from post-employment benefits to employees, non-current provisions, other non-current liabilities, trade payables, other liabilities and deferred income, current tax payables as well as current provisions.

The segment assets and liabilities as of March 31, 2017 as well as capital expenditure, depreciation, amortization and impairment and other non-cash-effective positions for the period then ended are as follows:

| | ETC | IMS | Total |
|---|---|---|---|
| Segment assets | 305,973 | 95,443 | 401,416 |
| Investments in associates and joint ventures | 1 | 2,130 | 2,131 |
| | | | |
| Segment liabilities | 174,146 | 49,204 | 223,350 |
| | | | |
| Capital expenditure | 4,802 | 10,297 | 15,099 |
| Depreciation | 10,770 | 6,946 | 17,716 |
| Other non-cash-effective positions | 2,455 | -835 | 1,620 |

The breakdown of revenue by customer who contributed more than 10% to the result for the year is as follows. In addition, the respective segments are shown:

| | 2016/17 | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| | Revenue | ETC | IMS | Revenue | ETC | IMS |
| Customer 1 | 64,604 | X | | 88,047 | X | |
| Customer 2 | 83,398 | X | X | 81,118 | X | X |

**Information by region.**

In addition to the operating segments, the Executive Board has decided to present revenues and non-current non-financial assets by geographical segment. Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

The figures for the fiscal year ended March 31, 2018 are as follows:

| | Austria | EMEA (excluding Austria) | Americas | APAC | Total |
|---|---|---|---|---|---|
| Revenues | 50,363 | 391,532 | 209,096 | 42,265 | 693,258 |
| Non-current non-financial assets | 12,422 | 37,440 | 34,204 | 8,141 | 92,207 |

The figures for the fiscal year ended March 31, 2017 are as follows:

| | Austria | EMEA (excluding Austria) | Americas | APAC | Total |
|---|---|---|---|---|---|
| Revenues | 36,385 | 371,313 | 195,367 | 45,414 | 648,479 |
| Non-current non-financial assets | 13,865 | 40,686 | 32,347 | 8,228 | 95,126 |

**Revenues per category.**

Revenues are classified into the following categories:

| | 2016/17 | 2017/18 |
|---|---|---|
| Sales of goods | 129,781 | 130,434 |
| Sales of services | 481,148 | 512,301 |
| Sales of maintenance | 36,379 | 39,480 |
| Accrued/deferred sales, license sales and discounts on invoiced sales | 1,172 | 11,041 |
| | **648,479** | **693,257** |

## 5 Other operating income.

| | 2016/17 | 2017/18 |
|---|---|---|
| Exchange rate gains from operating activities | 8,085 | 6,982 |
| Income from research tax credits | 2,162 | 2,558 |
| Income from insurance refunds | 208 | 5,836 |
| Income from the sale of non-current assets | 60 | 53 |
| Badwill | 2,982 | 0 |
| Sundry operating income | 11,556 | 5,107 |
| | **25,052** | **20,536** |

Income from insurance refunds mainly related to compensation for a fire in the business premises of the Swedish subsidiary in April 2017.

The badwill in the fiscal year 2016/17 resulted from the difference between the purchase price for the global transportation division acquired from Schneider Electric on April 1, 2016 and the acquired net assets.

Other operating income includes cost transfers of the transaction accounting for the nation-wide electronic truck toll collection system in the Czech Republic in the fiscal year 2016/17.

## 6 Change in finished and unfinished goods and work in progress.

| | 2016/17 | 2017/18 |
|---|---|---|
| Change in unfinished goods and work in progress | -2,261 | 513 |
| Change in finished goods | 3,671 | 2,268 |
| | **1,410** | **2,782** |

## 7 Costs of materials and other production services.

| | 2016/17 | 2017/18 |
|---|---|---|
| Cost of materials | 108,090 | 120,494 |
| Cost of purchased services | 134,057 | 159,321 |
| | **242,146** | **279,815** |

## 8 Staff costs.

| | 2016/17 | 2017/18 |
|---|---|---|
| Wages, salaries, and other remunerations | 184,660 | 195,366 |
| Expenses for social security and payroll-related taxes and contributions | 28,432 | 30,790 |
| Expenses for termination benefits (see note 26) | 302 | 590 |
| Expenses for pensions (see note 26) | 6 | 7 |
| Contributions to pension funds and other external funds (see note 26) | 2,041 | 2,364 |
| Fringe benefits | 8,728 | 8,764 |
| | **224,170** | **237,881** |

As of March 31, 2018, the number of staff amounted to persons 5,259 (March 31, 2017: 4,823 persons) and averaged 5,134 persons in the fiscal year 2017/18 (2016/17: 4,774 persons).

## 9 Expenses for amortization, depreciation and impairment.

| | 2016/17 | 2017/18 |
|---|---|---|
| Depreciation of property, plant and equipment | 9,072 | 7,347 |
| Amortization of intangible assets | 8,644 | 7,460 |
| | **17,716** | **14,808** |

## 10 Other operating expenses.

| | 2016/17 | 2017/18 |
|---|---|---|
| Communication and IT expenses | 17,539 | 23,268 |
| Rental expenses | 18,455 | 17,314 |
| Legal and consulting fees | 31,738 | 16,217 |
| Exchange rate losses from operating activities | 3,386 | 12,159 |
| Travel expenses | 11,598 | 11,876 |
| Marketing and advertising expenses | 7,350 | 7,840 |
| Maintenance | 4,406 | 7,622 |
| Automobile expenses | 5,347 | 6,689 |
| License and patent expenses | 5,886 | 5,325 |
| Office expenses | 5,684 | 4,387 |
| Insurance costs | 4,160 | 4,368 |
| Taxes and charges | 5,795 | 3,054 |
| Training costs | 2,050 | 2,891 |
| Damages | 49 | 2,168 |
| Bank charges | 1,574 | 2,118 |
| Transport costs | 1,484 | 1,758 |
| Allowance and write-off of receivables | 1,476 | 1,079 |
| Warranty costs and project financing | 860 | 1,069 |
| Adjustment of provision for warranties | 1,995 | 596 |
| Membership fee | 486 | 543 |
| Commissions and other fees | 449 | 441 |
| Losses on disposal of non-current assets | 144 | 234 |
| Director's fees | 120 | 120 |
| Operating losses from changes in the fair value of derivative financial instruments and earn-out liabilities | 1,366 | 96 |
| Other | 963 | 1,677 |
| | **134,360** | **134,909** |

The increase in communication and IT expenses is due to higher IT costs associated with projects in the U.S.A. Exchange rate losses from operating activities increased from TEUR 3,386 in the 2016/17 fiscal year to TEUR 12,159 in the 2017/18 fiscal year, primarily due to exchange rate fluctuations of the currencies USD, ZAR, PLN and SEK. Damages mainly related to a fire in the business premises of the Swedish subsidiary in April 2017. Higher maintenance costs and automobile expenses in connection with projects also contributed to an increase in other operating expenses. On the other hand, legal and advisory expenses declined due to lower expenses related to litigation, particularly in the U.S.A.

## 11 Financial result.

| | 2016/17 | 2017/18 |
|---|---|---|
| Finance income: | | |
| Interest income | 2,623 | 1,257 |
| Income from securities | 48 | 37 |
| Income from interest accretion of non-current receivables | 2,040 | 921 |
| Gains from the disposal of financial assets | 58 | 6 |
| Gains from the change of the fair value of derivative financial instruments | 83 | 827 |
| Exchange rate gains from financing activities | 8,682 | 4,039 |
| | **13,534** | **7,087** |
| Finance cost: | | |
| Interest expense | -5,657 | -6,125 |
| Impairment of other investments | -2,398 | -1,026 |
| Expense from interest rate hedges | 0 | -19 |
| Expense from interest accretion of non-current liabilities | -318 | -286 |
| Exchange rate losses from financing activities | -4,308 | -3,914 |
| Interest expense from liabilities from post-employment benefits to employees (see note 26) | -455 | -388 |
| Interest expense from liabilities from anniversary bonuses to employees (see note 29) | -10 | -15 |
| Expense from change in fair value of derivative financial instruments | 0 | -297 |
| Expense from the disposal and impairment of financial assets | 0 | -204 |
| | **-13,147** | **-12,275** |
| | **387** | **-5,187** |

The exchange rate gains/losses from financing activities in the Group mainly result from exchange rate fluctuations of the translation of intercompany financing of subsidiaries in North America and South Africa.

The impairment of other investments in the 2016/17 and 2017/18 fiscal years relates to the impairment recognized in profit or loss for the period due to the sustained negative share price development of the shareholding in Q-Free ASA, Norway (see note 13).

## 12 Income taxes.

| | 2016/17 | 2017/18 |
|---|---|---|
| Current income taxes | -18,680 | -17,218 |
| Deferred tax assets/liabilities | 726 | 1,054 |
| **Total** | **-17,954** | **-16,164** |
| There of income/expense from group taxation | -9,520 | -5,367 |

The reasons for the difference between the arithmetic tax expense/income based on the Austrian corporate income tax rate of 25% and the recognized tax expense/income are as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Result before income taxes | 60,636 | 44,197 |
| Arithmetic tax income/expense based on a tax rate of 25% (2016/17: 25%) | -15,159 | -11,049 |
| Unrecognized deferred tax assets on current losses | -9,646 | -2,501 |
| Effects of different tax rates in the Group | 4,869 | 2,274 |
| Change of tax rate | 0 | 45 |
| Tax allowances claimed and other permanent tax differences | -2,374 | -166 |
| Income and expenses not subject to tax and other differences | 4,875 | -748 |
| Adjustment in respect to prior year | -519 | -4,019 |
| **Recognized tax expense** | **-17,954** | **-16,164** |

The tax effects from previous periods relate to adjustments to the previous year's figures due to tax audits and adjustments in connection with the preparation of tax returns.

For further information on deferred tax assets/liabilities see note 25.

## 13 Other comprehensive income.

| 2017/18 | Before taxes | Tax expense/ income | After taxes |
|---|---|---|---|
| Fair value gains/losses on available-for-sale financial assets: | | | |
| Unrealized gains/losses in the current period | -27 | 7 | -20 |
| Gains/losses recognized in the result for the period | 136 | -34 | 102 |
| Remeasurements of liabilities from post-employment benefits | -219 | 40 | -179 |
| Currency translation differences | -1,409 | 0 | -1,409 |
| Currency translation differences from net investments in a foreign operations | -6,094 | 1,524 | -4,571 |
| Cash flow hedges | 37 | 0 | 37 |
| **Fair value changes recognized in equity** | **-7,576** | **1,536** | **-6,040** |

The unrealized gains/losses on available-for-sale financial assets recognized in the fiscal year 2017/18 amounting to TEUR -27 relate to fluctuations in the fair value of available-for-sale securities. For fair value fluctuations of the investment in Q-Free ASA, Norway, TEUR 1,026 were recognized in profit or loss in the financial result due to the ongoing negative development of the share price in the fiscal year 2017/18. Losses from a security were also recognized in profit or loss in the financial result (TEUR 136).

The item "Cash flow hedges" refers to the effective portion of changes in the fair value of derivatives designated as cash flow hedges.

| 2016/17 | Before taxes | Tax expense/ income | After taxes |
|---|---|---|---|
| Fair value gains/losses on available-for-sale financial assets: | | | |
| Unrealized gains/losses in the current period | -3,191 | 12 | -3,178 |
| Gains/losses recognized in the result for the period | 2,274 | 1 | 2,275 |
| Remeasurements of liabilities from post-employment benefits | -521 | 139 | -381 |
| Currency translation differences | -5,946 | 0 | -5,946 |
| Currency translation differences from net investments in a foreign operations | 2,673 | -668 | 2,005 |
| Cash flow hedges | 424 | 0 | 424 |
| **Fair value changes recognized in equity** | **-4,286** | **-516** | **-4,802** |

The unrealized gains/losses on available-for-sale financial assets recognized in the fiscal year 2016/17 in the amount of TEUR -3,141 relate to fair value changes on the investment in Q-Free ASA, Norway, and are tax-neutral. Due to the ongoing unfavorable development of the share price up to the third quarter of the fiscal year 2016/17 the contained net losses amounting to TEUR 865 were recognized as impairment in the result for the period (TEUR -2,277; reclassification from other comprehensive income to the result for the period).

The item "Cash flow hedges" refers to the effective portion of changes in the fair value of derivatives designated as cash flow hedges.

## 14 Additional disclosures on financial instruments by category.

| | Note | 2016/17 | | | 2017/18 | | |
|---|---|---|---|---|---|---|---|
| | | Carrying amount | Fair value | Level of FV-hierarchy | Carrying amount | Fair value | Level of FV-hierarchy |
| **Trade receivables and other non-current assets** | | | | | | | |
| Trade receivables | (21) | 132,929 | 132,929 | n/a | 133,600 | 133,600 | n/a |
| Amounts due from customers for contract work | (21) | 77,205 | 77,205 | n/a | 76,966 | 76,966 | n/a |
| Amounts due from customers for service and maintenance contracts | (21) | 6,879 | 6,879 | n/a | 6,937 | 6,937 | n/a |
| **Loans and receivables** | | **217,013** | | | **217,503** | | |
| | | | | | | | |
| Derivative financial instruments | | 198 | 198 | 2 | 12 | 12 | 2 |
| **At fair value through profit and loss** | | **198** | | | **12** | | |
| | | | | | | | |
| Derivative financial instruments – Cash flow hedges | | 5 | 5 | 2 | 0 | 0 | |
| **Hedging instruments** | | **5** | | | **0** | | |
| | | | | | | | |
| Other receivables and prepaid expenses | | 44,718 | | | 36,879 | | |
| **Other non-financial assets [1)]** | | **44,718** | | | **36,879** | | |
| | | | | | | | |
| **Total trade receivables and other current assets** | | **261,935** | | | **254,394** | | |
| | | | | | | | |
| **Other financial assets and investments (non-current and current)** | | | | | | | |
| Available-for-sale securities | (18) | 2,940 | 2,940 | 1 | 2,906 | 2,906 | 1 |
| Available-for-sale securities | (18) | 663 | 663 | 2 | 599 | 599 | 2 |
| Available-for-sale investments | (18) | 11,683 | 11,683 | 1 | 10,657 | 10,657 | 1 |
| **Available-for-sale financial assets (AFS)** | | **15,286** | | | **14,162** | | |
| | | | | | | | |
| Derivative financial instruments | (18) | 0 | 0 | | 154 | 154 | 2 |
| **At fair value through profit and loss** | | **0** | | | **154** | | |
| | | | | | | | |
| Other financial assets and loans | (18) | 1,770 | 1,770 | n/a | 2,822 | 2,822 | n/a |
| Fixed income securities | (18) | 2,161 | 2,161 | n/a | 2,214 | 2,214 | n/a |
| **Loans and receivables** | | **3,931** | | | **5,036** | | |
| | | | | | | | |
| Other investments | | 2,785 | 2,785 | n/a | 6,622 | 6,622 | n/a |
| **Other investments** | | **2,785** | | | **6,622** | | |
| | | | | | | | |
| **Total non-current and current financial assets and investments** | | **22,002** | | | **25,974** | | |
| | | | | | | | |
| **Cash and cash equivalents** | | | | | | | |
| Cash and cash equivalents | | 211,299 | 211,299 | n/a | 181,835 | 181,835 | n/a |
| **Total cash and cash equivalents** | | **211,299** | | | **181,835** | | |
| | | | | | | | |
| **Financial liabilities (non-current and current)** | | | | | | | |
| Corporate bond | (24) | 70,702 | 72,943 | 1 | 0 | 0 | |
| Promissory note bond | (24) | 75,376 | 72,442 | 2 | 73,622 | 71,497 | 2 |
| Other financial liabilities | (24) | 49,305 | 49,309 | 2 | 94,812 | 90,151 | 2 |
| **Financial liabilities** | | **195,384** | | | **168,434** | | |

| | Note | 2016/17 | | | 2017/18 | | |
|---|---|---|---|---|---|---|---|
| | | Carrying amount | Fair value | Level of FV-hierarchy | Carrying amount | Fair value | Level of FV-hierarchy |
| **Trade payables** | | | | | | | |
| Trade payables | | 55,950 | 55,950 | n/a | 58,255 | 58,255 | n/a |
| **Financial liabilities** | | **55,950** | | | **58,255** | | |
| | | | | | | | |
| **Other liabilities and deferred income (non-current and current)** | | | | | | | |
| Amounts due to customers for contract work | (28) | 29,097 | 29,097 | n/a | 31,486 | 31,486 | n/a |
| Variable purchase price components (earn-out) | (28) | 11,851 | 11,851 | 3 | 12,751 | 12,751 | 3 |
| Other financial liabilities | | 1,685 | 1,685 | n/a | 1,836 | 1,836 | n/a |
| **Financial liabilities** | | **42,633** | | | **46,073** | | |
| | | | | | | | |
| Derivative financial instruments | | 10 | 10 | 2 | 1 | 1 | 2 |
| **At fair value through profit and loss** | | **10** | | | **1** | | |
| | | | | | | | |
| Derivative financial instruments – Cash flow hedges | | 72 | 72 | 2 | 6 | 6 | 2 |
| **Hedging instruments** | | **72** | | | **6** | | |
| | | | | | | | |
| Other liabilities and deferred income | | 71,299 | | | 70,970 | | |
| **Other non-financial liabilities** [1] | | **71,299** | | | **70,970** | | |
| | | | | | | | |
| **Total non-current and current financial liabilities** | | **114,014** | | | **117,050** | | |

[1] Non-financial receivables and liabilities are only included for reconciliation with the respective balance sheet item.

**Fair value-hierarchies and determination of fair value:**
Financial assets and liabilities have to be classified to one of the three following fair value-hierarchies:

**Level 1:** There are quoted prices in active markets for identical assets and liabilities. In the Group, the investment in Q-Free ASA, Norway, as well as listed equity instruments, and in the previous year the corporate bond, are attributed to level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on direct or indirect observable market data. This category comprises available-for-sale securities, such as mortgage bonds and government bonds, which are quoted, however not regularly traded on a stock market, derivative financial instruments and financial liabilities.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices for securities.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**Level 3:** Financial instruments whose valuation information is not based on observable market data are classified to the level 3 category. Variable purchase price components (earn-out) fall into this category and are based on agreed conditions and the expectation of the future sales/earnings development of the respective subsidiaries. Long-term purchase price components are discounted using a risk-adjusted interest rate.

**Level n/a:** The carrying value of these items is a reasonable approximation of the fair value in accordance with IFRS 7.29 and therefore no fair value-hierarchy is disclosed.

The development of **level 3 earn-out liabilities** is as follows:

| Earn-out liabilities | 2016/17 | 2017/18 |
|---|---|---|
| | | |
| **Carrying amount as of March 31 of prior year** | **2,077** | **11,851** |
| Addition | 8,331 | 3,794 |
| Disposal | 0 | -3,000 |
| Adjustment of earn-out liability in other operating expenses | 1,356 | 0 |
| Interests | 87 | 105 |
| **Carrying amount as of March 31 of fiscal year** | **11,851** | **12,750** |

Details to the earn-out liabilities can be found in notes 27 and 28.

Financial instruments are recognized in the statement of comprehensive income with the following net results:

| | 2016/17 | 2017/18 |
|---|---|---|
| Available-for-sale-financial assets | -2,209 | -1,187 |
| Loans and receivables | 7,082 | 1,471 |
| Financial liabilities recognized at (amortized) cost | -5,975 | -6,431 |
| At fair value through profit or loss | -10 | 515 |
| | **-1,112** | **-5,631** |

**Derivative financial instruments.**

Derivative financial instruments that are measured at fair value through profit or loss are shown in the operating or financial result.

To hedge the foreign currency risk, certain derivative financial instruments are designated as cash flow hedges to an insignificant extent. These are forward exchange contracts with different maturities and currencies. Changes to cash flow hedges are shown in other comprehensive income. The table in this note shows the balance sheet values. The operating income/losses from the change in the fair value of derivative financial instruments amounted to TEUR +73 and TEUR -96 respectively (2016/17: TEUR +198 and TEUR -10). The gains and losses included in the financial result are shown in note 11.

The effectiveness test of derivative financial instruments, designated as cash flow hedge, is carried out on a regular basis at each reporting date on a retrospective as well as on a prospective basis. The hypothetical derivative approach is used as the method for measuring the effectiveness, where the change in the fair value of a hypothetical derivative is compared to the change in the actual derivative.

## 15 Property, plant and equipment.

| | Land and buildings | Technical equipment and machinery | Construction in progress | Other equipment, factory and office equipment | Prepayments | Total |
|---|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2016** | **4,628** | **7,989** | **917** | **7,333** | **0** | **20,867** |
| Currency translation differences | 47 | 323 | 32 | 349 | 0 | 751 |
| Reclassification | 0 | 418 | -540 | 123 | 0 | 0 |
| Additions from business combinations | 286 | 159 | 0 | 505 | 0 | 950 |
| Additions | 284 | 3,046 | 4,150 | 4,908 | 0 | 12,388 |
| Disposals | 0 | -173 | -2,380 | -190 | 0 | -2,742 |
| Scheduled depreciation | -1,036 | -3,274 | 0 | -4,762 | 0 | -9,072 |
| **Carrying amount as of March 31, 2017** | **4,209** | **8,488** | **2,180** | **8,265** | **0** | **23,141** |
| Acquisition/production costs | 11,594 | 49,071 | 2,180 | 32,723 | 0 | 95,568 |
| Accumulated depreciation | -7,386 | -40,583 | 0 | -24,458 | 0 | -72,427 |
| **Carrying amount as of March 31, 2017** | **4,209** | **8,488** | **2,180** | **8,265** | **0** | **23,141** |
| | | | | | | |
| **Carrying amount as of March 31, 2017** | **4,209** | **8,488** | **2,180** | **8,265** | **0** | **23,141** |
| Currency translation differences | -132 | -507 | -137 | -649 | 0 | -1,425 |
| Reclassification | 0 | -79 | -813 | 892 | 0 | 0 |
| Additions from business combinations | 1 | 0 | 0 | 47 | 0 | 48 |
| Additions | 385 | 2,379 | 4,644 | 2,742 | 0 | 10,150 |
| Disposals | -9 | -764 | -2,309 | -76 | 0 | -3,158 |
| Scheduled depreciation | -1,064 | -2,612 | 0 | -3,671 | 0 | -7,347 |
| **Carrying amount as of March 31, 2018** | **3,389** | **6,905** | **3,565** | **7,550** | **0** | **21,409** |
| Acquisition/production costs | 11,601 | 44,548 | 3,565 | 33,754 | 0 | 93,467 |
| Accumulated depreciation | -8,212 | -37,643 | 0 | -26,204 | 0 | -72,058 |
| **Carrying amount as of March 31, 2018** | **3,389** | **6,905** | **3,565** | **7,550** | **0** | **21,409** |

## 16 Intangible assets.

| | Capitalized development costs | Concessions and rights | Goodwill | Intangible assets on completion | Prepayment | Total |
|---|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2016** | **0** | **19,452** | **45,328** | **0** | **132** | **64,911** |
| Currency translation differences | 135 | 32 | 0 | 36 | 0 | 203 |
| Reclassification | -1,312 | 0 | 0 | 1,312 | 0 | 0 |
| Reclassification of prepayments | 0 | 132 | 0 | 0 | -132 | 0 |
| Additions from business combinations | 6,337 | 2,739 | 2,227 | 1,500 | 0 | 12,803 |
| Additions | 1,420 | 1,206 | 0 | 69 | 17 | 2,711 |
| Disposals | 0 | 0 | 0 | 0 | 0 | 0 |
| Scheduled amortization | -2,216 | -6,427 | 0 | 0 | 0 | -8,644 |
| **Carrying amount as of March 31, 2017** | **4,363** | **17,133** | **47,555** | **2,917** | **17** | **71,985** |
| Acquisition/production costs | 20,987 | 86,939 | 61,953 | 2,917 | 17 | 172,814 |
| Accumulated amortization | -16,624 | -69,806 | -14,399 | 0 | 0 | -100,829 |
| **Carrying amount as of March 31, 2017** | **4,363** | **17,133** | **47,555** | **2,917** | **17** | **71,985** |
| | | | | | | |
| **Carrying amount as of March 31, 2017** | **4,363** | **17,133** | **47,555** | **2,917** | **17** | **71,985** |
| Currency translation differences | -155 | -64 | 0 | -187 | 0 | -406 |
| Reclassification | 0 | 1,500 | 0 | -1,500 | 0 | 0 |
| Reclassification of prepayments | 0 | 17 | 0 | 0 | -17 | 0 |
| Additions from business combinations | 0 | 5,000 | 76 | 0 | 0 | 5,076 |
| Additions | 220 | 683 | 0 | 705 | 0 | 1,607 |
| Disposals | 0 | -4 | 0 | 0 | 0 | -4 |
| Scheduled amortization | -1,644 | -5,816 | 0 | 0 | 0 | -7,460 |
| **Carrying amount as of March 31, 2018** | **2,784** | **18,450** | **47,630** | **1,934** | **0** | **70,798** |
| Acquisition/production costs | 18,951 | 89,353 | 62,029 | 1,934 | 0 | 172,267 |
| Accumulated amortization | -16,167 | -70,904 | -14,399 | 0 | 0 | -101,469 |
| **Carrying amount as of March 31, 2018** | **2,784** | **18,450** | **47,630** | **1,934** | **0** | **70,798** |

For the purpose of impairment testing goodwill was separated into the following six cash-generating units (CGUs):

| | 2016/17 | 2017/18 |
|---|---|---|
| CGU **ETC-Americas**: Electronic Toll Collection, Americas | 11,723 | 11,783 |
| CGU **ETC-EMEA**: Electronic Toll Collection, Europe, Middle East and Africa | 21,316 | 21,316 |
| CGU **ETC-APAC**: Electronic Toll Collection, Asia and Pacific | 7,378 | 7,378 |
| CGU **IMS-Americas**: Intelligent Mobility Solutions, Americas | 3,349 | 3,364 |
| CGU **IMS-EMEA**: Intelligent Mobility Solutions, Europe, Middle East and Africa | 3,559 | 3,559 |
| CGU **IMS-APAC**: Intelligent Mobility Solutions, Asia and Pacific | 230 | 230 |
| | **47,555** | **47,630** |

The following key assumptions for all cash-generating units were made:

| | 2016/17 | 2017/18 |
|---|---|---|
| Determination of recoverable amount | Value in use | Value in use |
| Detailed planning period | 4 years | 4 years |
| Terminal value growth rate | 2.00% | 2.00% |

### 16.1 Cash-generating unit CGU ETC-Americas.

**Key assumptions for determining expected cash flows of the CGU ETC-Americas.**
Management has based its determination on the assumption that after the successful implementation of road toll collection systems, in particular in the U.S.A., Chile and Mexico demand for toll systems will remain stable. The planning for the CGU ETC-Americas is based on implemented construction projects and current operation projects and their expansion as well as on the fact, that in various countries invitations to tender are in preparation or already in progress. Furthermore the delivery of components constitutes a substantial contribution to revenue.

**Parameters CGU ETC-Americas.**

| | 2016/17 | 2017/18 |
|---|---|---|
| Carrying amount of goodwill allocated to the CGU | 11,723 | 11,783 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill) | 0 | 0 |
| Value in use of the CGU | 205,574 | 107,809 |
| Carrying amount of the CGU | 49,445 | 49,781 |
| Discount rate | 7.1% | 7.0% |
| Discount rate before tax | 8.8% | 9.6% |
| Break-even discount rate before tax | 39.2% | 17.2% |

**Sensitivity analysis with the impact of changes to the value in use of the CGU ETC-Americas.**

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Discount rate | ± 10% | 18,956 | -14,321 |
| Revenue growth | ± 10% | -1,406 | 1,431 |
| EBITDA margin | ± 10% | -4,212 | 4,212 |
| Terminal value growth rate | ± 0.5% | -8,887 | 10,851 |

### 16.2 Cash-generating unit CGU ETC-EMEA.

**Key assumptions for determining expected cash flows of the CGU ETC-EMEA.**
Management has based its determination on the assumption that after the successful implementation of road toll collection systems in EMEA, especially in Austria, the Czech Republic, Switzerland, South Africa, Poland and the Republic of Belarus, demand for toll systems will remain stable, in particular due to tight public budgets. The planning for the CGU ETC-EMEA is based on implemented construction projects and current operation projects, their expansion and delivery of components as well as on the fact, that in various countries invitations to tender are in preparation or already in progress.

**Parameters CGU ETC-EMEA.**

| | 2016/17 | 2017/18 |
|---|---|---|
| Carrying amount of goodwill allocated to the CGU | 21,316 | 21,316 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill) | 0 | 530 |
| Value in use of the CGU | 381,530 | 533,245 |
| Carrying amount of the CGU | 113,006 | 93,121 |
| Discount rate | 7.1% | 9.7% |
| Discount rate before tax | 9.0% | 12.6% |
| Break-even discount rate before tax | 23.2% | 70.5% |

**Sensitivity analysis with the impact of changes to the value in use of the CGU ETC-EMEA.**

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Discount rate | ± 10% | 74,112 | -57,618 |
| Revenue growth | ± 10% | -2,283 | 2,293 |
| EBITDA margin | ± 10% | -14,747 | 14,747 |
| Terminal value growth rate | ± 0.5% | -24,091 | 27,424 |

### 16.3 Cash-generating unit CGU ETC-APAC.

**Key assumptions for determining expected cash flows of the CGU ETC-APAC.**
Management has based its determination on the assumption that after the successful implementation of road toll collection systems in APAC, especially in Australia, demand for toll systems will remain stable. The planning for the CGU ETC-APAC is based on implemented construction projects and current operation projects and their expansion as well as on the fact, that in Australia and New Zealand invitations to tender are in preparation or already in progress. Furthermore the delivery of components constitutes a substantial contribution to revenue.

**Parameters CGU ETC-APAC.**

| | 2016/17 | 2017/18 |
|---|---|---|
| Carrying amount of goodwill allocated to the CGU | 7,378 | 7,378 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill) | 0 | 0 |
| Value in use of the CGU | 152,924 | 181,849 |
| Carrying amount of the CGU | 16,516 | 13,519 |
| Discount rate | 7.1% | 6.6% |
| Discount rate before tax | 8.7% | 8.7% |
| Break-even discount rate before tax | 116.6% | 137.5% |

**Sensitivity analysis with the impact of changes to the value in use of the CGU ETC-APAC.**

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Discount rate | ± 10% | 28,514 | -21,379 |
| Revenue growth | ± 10% | -548 | 825 |
| EBITDA margin | ± 10% | -3,229 | 3,229 |
| Terminal value growth rate | ± 0.5% | -14,299 | 17,816 |

### 16.4 Cash-generating unit CGU IMS-Americas.

**Key assumptions for determining expected cash flows of the CGU IMS-Americas.**
Management has based its determination on the assumption that after the successful implementation of intelligent mobility solutions in North and South America, demand for intelligent mobility solutions will continue to rise. Furthermore it is expected that the technical maintenance and commercial operation will be performed by Kapsch TrafficCom. The planning for the CGU IMS-Americas is based especially on road safety and traffic monitoring systems.

**Parameters CGU IMS-Americas.**

| | 2016/17 | 2017/18 |
|---|---|---|
| Carrying amount of goodwill allocated to the CGU | 3,349 | 3,364 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill) | 1,417 | 1,230 |
| Value in use of the CGU | 57,994 | 89,000 |
| Carrying amount of the CGU | 21,146 | 18,641 |
| Discount rate | 7.1% | 7.6% |
| Discount rate before tax | 9.0% | 10.3% |
| Break-even discount rate before tax | 25.5% | 36.5% |

**Sensitivity analysis with the impact of changes to the value in use of the CGU IMS-Americas.**

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Discount rate | ± 10% | 14,468 | -11,024 |
| Revenue growth | ± 10% | -1,058 | 1,081 |
| EBITDA margin | ± 10% | -2,696 | 2,696 |
| Terminal value growth rate | ± 0.5% | -6,207 | 7,413 |

### 16.5 Cash-generating unit CGU IMS-EMEA.

**Key assumptions for determining expected cash flows of the CGU IMS-EMEA.**
Management has based its determination on the assumption that after the successful implementation of intelligent mobility solutions in Spain, South Africa, the Netherlands, Great Britain, the Czech Republic and Saudi Arabia demand for intelligent mobility solutions, particularly road telematics solutions will continue to rise. Furthermore it is expected that the technical maintenance and commercial operation will be performed by Kapsch TrafficCom. The planning for the CGU IMS-EMEA is based especially on road safety and traffic monitoring systems.

**Parameters CGU IMS-EMEA.**

| | 2016/17 | 2017/18 |
|---|---|---|
| Carrying amount of goodwill allocated to the CGU | 3,559 | 3,559 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill) | 1,500 | 174 |
| Value in use of the CGU | 135,830 | 46,418 |
| Carrying amount of the CGU | 30,353 | 22,178 |
| Discount rate | 7.1% | 9.7% |
| Discount rate before tax | 8.7% | 12.6% |
| Break-even discount rate before tax | 42.7% | 20.6% |

**Sensitivity analysis with the impact of changes to the value in use of the CGU IMS-EMEA.**

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Discount rate | ± 10% | 8,139 | -6,335 |
| Revenue growth | ± 10% | -696 | 709 |
| EBITDA margin | ± 10% | -3,120 | 3,120 |
| Terminal value growth rate | ± 0.5% | -2,636 | 3,002 |

### 16.6 Cash-generating unit CGU IMS-APAC.

**Key assumptions for determining expected cash flows of the CGU IMS-APAC.**
Management has based its determination on the assumption that after the successful implementation of intelligent mobility solutions in Australia and New Zealand, demand for intelligent mobility solutions, particularly road telematics solutions will continue to rise. Furthermore it is expected that the technical maintenance and commercial operation will be performed by Kapsch TrafficCom. The planning for the CGU IMS-APAC is based especially on road safety and traffic monitoring systems.

**Parameters CGU IMS-APAC.**

| | 2016/17 | 2017/18 |
|---|---|---|
| Carrying amount of goodwill allocated to the CGU | 230 | 230 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill) | 0 | 0 |
| Value in use of the CGU | 32,446 | 44,156 |
| Carrying amount of the CGU | 1,538 | 1,402 |
| Discount rate | 7.1% | 6.7% |
| Discount rate before tax | 8.7% | 9.2% |
| Break-even discount rate before tax | 371.4% | 160.3% |

**Sensitivity analysis with the impact of changes to the value in use of the CGU IMS-APAC.**

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Discount rate | ± 10% | 7,198 | -5,415 |
| Revenue growth | ± 10% | -1,435 | 1,559 |
| EBITDA margin | ± 10% | -1,241 | 1,241 |
| Terminal value growth rate | ± 0.5% | -3,514 | 4,343 |

### 16.7 Capitalized development costs.

Development costs relate to expenses which, in accordance with IAS 38, are capitalized and amortized over 3 to 5 years once the assets are available for commercial use.

Additional research and development costs of the Group in the fiscal year 2017/18 amounted to EUR 103.0 million (2016/17: EUR 85.4 million). In the fiscal year 2017/18, EUR 59.8 million thereof (2016/17: EUR 44.2 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 43.3 million (2016/17: EUR 41.1 million) was recognized as an expense.

## 17 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| **Carrying amount as of March 31 of prior year** | **1,917** | **2,131** |
| Addition from business combinations | 2 | 0 |
| Additions | 0 | 7,833 |
| Share in operating result | 0 | 492 |
| Adjustments for elimination of intercompany transactions | 0 | -825 |
| Loss from revaluation of shares due to business combination | 0 | -562 |
| Disposal due to business combination | 0 | -1,370 |
| Share in result from financial investments | 147 | -113 |
| Currency translation differences | 65 | -84 |
| **Carrying amount as of March 31 of fiscal year** | **2,131** | **7,502** |
| thereof shares in associates | 2,130 | 0 |
| thereof interests in joint ventures | 1 | 7,502 |

### Interests in associates.

**LLC National operator of telematic services, Russia.**
On December 3, 2015, together with a partner, the Group founded the Russian company LLC National operator of telematic services and holds an interest of 49%. The company is classified as an associated company. Therefore the investment is accounted for using the equity method. As of March 31, 2018, the carrying amount of the interest amounts to TEUR 0 (March 31, 2017: TEUR 0). Proportional earnings from this associate are reported in the result before income taxes after the financial result.

The financial data of the entity as of the latest balance sheet date (March 31) is as follows:

| | March 31, 2017 | March 31, 2018 |
|---|---|---|
| Non-current assets | 67 | 1 |
| Current assets | 8 | 21 |
| Non-current liabilities | 0 | 0 |
| Current liabilities | -384 | -399 |
| **Net assets** | **-310** | **-377** |
| Revenue | 0 | 0 |
| Result for the period | -218 | -101 |
| Other comprehensive income | 0 | 0 |
| **Total comprehensive income** | **-218** | **-101** |

**Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.**
On July 31, 2012, the Group acquired 33% of the shares in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico (hereinafter referred to as Simex). The investment was accounted for using the equity method.

On July 18, 2017, a capital reduction was approved at Simex, in which Kapsch TrafficCom did not participate and thus held 39.97% of Simex as of July 18, 2017, before acquiring the remaining shares. The shares were measured at fair value as of July 18, 2017, based on a business valuation of TEUR 1,370 and were disposed of as associate with this value. As of March 31, 2017, the book value amounted to TEUR 2,130. The revaluation of the shares due to the business combination on July 18, 2017, resulted in a loss amounting to TEUR -562.

On July 18, 2017, the remaining shares were acquired, so that Kapsch TrafficCom now holds 100% of the shares and the company is fully consolidated starting from July 18, 2017 (see note 31).

Proportional results from this associate were reported in the result before income taxes after the financial result until the transition to full consolidation.

**Interests in joint ventures.**

**Intelligent Mobility Solutions Limited, Zambia.**
The addition to the interests in joint ventures relates to the acquisition of 50% of Intelligent Mobility Solutions Limited in Zambia on August 30, 2017. A part of the purchase price of TEUR 3,794 is variable due to the signing of another project in the company. The company is responsible for the planning, construction and operation of traffic monitoring, speed and vehicle control systems and solutions as well as the registration of vehicles in Zambia. Since Kapsch TrafficCom has control over the company together with a partner, the company is accounted for as a joint venture using the equity method. As the activities and strategy of this company are part of the core business of Kapsch TrafficCom, the proportional results from this joint venture are reported separately in the result from operating activities. Since the acquisition, pro rata earnings in the amount of TEUR 492 have been generated. As of March 31, 2018, the book value amounted to TEUR 7,501.

The financial data of the entity as of the latest balance sheet date (March 31) are as follows:

| | March 31, 2017 | March 31, 2018 |
|---|---|---|
| Non-current assets | n/a | 9,821 |
| Current assets | n/a | 671 |
| Non-current liabilities | n/a | -1,540 |
| Current liabilities | n/a | -5,474 |
| **Net assets** | **n/a** | **3,479** |
| Revenue | n/a | 6,883 |
| Result for the period | n/a | 983 |
| Other comprehensive income | n/a | 0 |
| **Total comprehensive income** | **n/a** | **983** |
| | | |
| Cash and cash equivalents | n/a | 86 |
| Financial liabilities (non-current and current) | n/a | 1,580 |
| | | |
| **Reconciliation** | | |
| Net assets at beginning of fiscal year | n/a | 1 |
| Increase of nominal capital and capital reserve | n/a | 2,496 |
| Total comprehensive income | n/a | 983 |
| Currency translation differences | n/a | 0 |
| Dividend payments | n/a | 0 |
| **Net assets as of March 31 of fiscal year** | **n/a** | **3,479** |
| | | |
| Share of Kapsch TrafficCom (50%) | n/a | 1,740 |
| Goodwill | n/a | 6,586 |
| Adjustments of intercompany profit elimination | n/a | -825 |
| **Carrying amount as of March 31 of fiscal year** | **n/a** | **7,501** |

**Consortia.**
In the course of the acquisition of the shares in tolltickets GmbH, Germany, on July 1, 2016, the two Italian consortia “Consorzio 4trucks” and “MyConsorzio” were acquired. Both investments are accounted for using the equity method. Proportional results from these joint ventures are reported in the result before income taxes after the financial result.

The acquired joint ventures Consorzio 4trucks and MyConsorzio are jointly managed with one partner each, with an equal distribution of the shares of 50% in both consortia. The consortia serve as purchasing cooperatives with the aim of passing discounts on to freight forwarders. The assets are attributable to the two consortia. The consortium members are generally excluded from liability.

As of March 31, 2018, the book value of the shares amounts to TEUR 1 (March 31, 2017: TEUR 1).

The financial data of the entities as of the latest balance sheet date (March 31) are as follows:

| | March 31, 2017 | March 31, 2018 |
|---|---|---|
| Non-current assets | 221 | 12 |
| Current assets | 46 | 485 |
| Non-current liabilities | -40 | -6 |
| Current liabilities | -227 | -477 |
| **Net assets** | **0** | **15** |
| Revenue | 385 | 969 |
| Result for the period | -1 | 12 |
| Other comprehensive income | 0 | 1 |
| **Total comprehensive income** | **-1** | **13** |

**Joint operations.**

The Group has several joint arrangements in the fiscal year, mainly for maintenance projects, which are designated as joint operations, none of which is material to the Group individually. In the fiscal year 2017/18, pro rata revenues in the amount of TEUR 13,827 (2016/17: TEUR 8,518) and pro rata results in the amount of TEUR 990 (2016/17: TEUR -10) were included in the respective items in the consolidated financial statements.

## 18 Other current and non-current financial assets.

| | 2016/17 | 2017/18 |
|---|---|---|
| Other non-current financial assets and investments | 18,364 | 23,170 |
| Other current financial assets | 3,638 | 2,804 |
| | **22,002** | **25,974** |

| **Other non-current financial assets and investments** | **Available-for-sale securities** | **Available-for-sale investments** | **Other investments** | **Other non-current financial assets** | **Total** |
|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2016** | **3,723** | **14,825** | **4** | **99** | **18,651** |
| Currency translation differences | 0 | 0 | 83 | 7 | 90 |
| Additions | 0 | 0 | 2,679 | 171 | 2,851 |
| Additions from business combinations | 0 | 0 | 27 | 16 | 43 |
| Disposals | -72 | 0 | -9 | 0 | -81 |
| Change in fair value | -49 | -3,141 | 0 | 0 | -3,191 |
| **Carrying amount as of March 31, 2017** | **3,602** | **11,683** | **2,785** | **293** | **18,364** |
| Currency translation differences | 0 | 0 | -428 | -31 | -459 |
| Additions | 0 | 0 | 4,266 | 2,128 | 6,393 |
| Disposals | -71 | 0 | -1 | -4 | -75 |
| Impairment | -136 | -1,026 | 0 | 0 | -1,162 |
| Change in fair value | 109 | 0 | 0 | 0 | 109 |
| **Carrying amount as of March 31, 2018** | **3,505** | **10,657** | **6,622** | **2,386** | **23,170** |

According to the prior year, as of March 31, 2018, the available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of March 31, 2018, an impairment of shares in investment funds in the amount of TEUR 136 was recognized in profit and loss.

As of March 31, 2018, the available-for-sale investments essentially relate to a 15.4% interest in the listed Q-Free ASA, Norway (March 31, 2017: 15.4%). In the fiscal year 2017/18, an impairment of TEUR 1,026 to the lower market value was required. This was recognized in profit or loss.

Unrealized changes in fair value are recognized in other comprehensive income of the period (see note 13).

Additions in other investments in the fiscal year 2017/18 mainly include the acquisition of a minority interest in Traffic Technology Services Inc., U.S.A., in the amount of TEUR 2,550 and the acquisition of further minority interests in ParkJockey Global Inc., U.S.A., in the amount of TEUR 1,710. The addition in other investments in the fiscal year 2016/17 mainly relates to the acquisition of non-controlling interests in ParkJockey Global, Inc., U.S.A.

Additions to other non-current financial assets in the fiscal year 2017/18 include a long-term derivative in the amount of TEUR 154. The remaining additions relate mainly to loans of Kapsch TrafficCom AG, Vienna, to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540.

| Other current financial assets | Available-for-sale securities | Current loans | Other | Total |
|---|---|---|---|---|
| **Carrying amount as of March 31, 2016** | **0** | **97** | **0** | **97** |
| Currency translation differences | 0 | 29 | 171 | 201 |
| Additions | 0 | 1,119 | 1,990 | 3,109 |
| Additions from business combinations | 0 | 282 | 0 | 282 |
| Disposals | 0 | -50 | 0 | -50 |
| **Carrying amount as of March 31, 2017** | **0** | **1,477** | **2,161** | **3,638** |
| Currency translation differences | 0 | -17 | -53 | -69 |
| Additions | 0 | 0 | 106 | 106 |
| Additions from business combinations | 0 | 0 | 0 | 0 |
| Disposals | 0 | -870 | 0 | -870 |
| **Carrying amount as of March 31, 2018** | **0** | **590** | **2,214** | **2,804** |

Additions to other current financial assets in the fiscal year 2017/18 relate to a short-term fixed income security.

Disposals of current loans for the 2017/18 fiscal year relate to repayments of current loans in the amount of TEUR 730 in Spain as well as the fiscal of a loan in the amount of TEUR 139 in Russia.

Additions to current loans in the fiscal year 2016/17 mainly relate to the acquisition of the entities of Kapsch TrafficCom Transportation.

Unrealized changes in fair value are recognized in other comprehensive income of the period (see note 13).

The classification of current and non-current financial assets is as follows:

| Current and non-current financial assets | Level 1 Quoted prices | Level 2 Observable market data | Level 3 Not based on observable market data | 2017/18 |
|---|---|---|---|---|
| **Non-current financial assets** | | | | |
| Available-for-sale securities | 2,906 | 599 | 0 | 3,505 |
| Available-for-sale investments | 10,657 | 0 | 0 | 10,657 |
| Other non-current financial assets | 0 | 154 | 0 | 154 |
| | **13,563** | **753** | **0** | **14,316** |
| **Current financial assets** | | | | |
| Available-for-sale securities | 0 | 0 | 0 | 0 |
| | **0** | **0** | **0** | **0** |
| **Total** | **13,563** | **753** | **0** | **14,316** |

In the fiscal year 2017/18, other non-current financial assets amounting to TEUR 2,232, other investments amounting to TEUR 6,622 as well as other current financial assets amounting to TEUR 2,804 were recognized at cost less impairment.

| Current and non-current financial assets | Level 1 Quoted prices | Level 2 Observable market data | Level 3 Not based on observable market data | 2016/17 |
|---|---|---|---|---|
| **Non-current financial assets** | | | | |
| Available-for-sale securities | 2,940 | 663 | 0 | 3,602 |
| Available-for-sale investments | 11,683 | 0 | 0 | 11,683 |
| | **14,623** | **663** | **0** | **15,286** |
| **Current financial assets** | | | | |
| Available-for-sale securities | 0 | 0 | 0 | 0 |
| | **0** | **0** | **0** | **0** |
| **Total** | **14,623** | **663** | **0** | **15,286** |

In the fiscal year 2016/17, other non-current financial assets amounting to TEUR 293, other investments amounting to TEUR 2,785 as well as other current financial assets amounting to TEUR 3,638 were recognized at cost less impairment.

## 19 Other non-current assets.

| | 2016/17 | 2017/18 |
|---|---|---|
| Truck toll collection system Czech Republic | 212 | 0 |
| Other non-current receivables | 400 | 385 |
| | **611** | **385** |

Other non-current receivables include rental guarantees for buildings of the Spanish companies. As in the previous year, the remaining term is more than 1 year but less than 5 years from the balance sheet date.

Non-current receivables were discounted on the basis of cash flows using an interest rate of 2.31% to 7.00%. The fair values approximate the carrying amounts.

Gross cash flows of other non-current assets are as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Up to 2 years | 481 | 101 |
| Between 2 and 3 years | 7 | 7 |
| More than 3 years | 164 | 318 |
| | **652** | **425** |

## 20 Inventories.

| | 2016/17 | 2017/18 |
|---|---|---|
| Purchased parts and merchandise, at acquisition cost | 27,973 | 24,496 |
| Unfinished goods and work in progress, at production cost | 4,289 | 4,803 |
| Finished goods, at production cost | 6,542 | 8,810 |
| Prepayments on inventories | 451 | 780 |
| | **39,255** | **38,889** |

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 21,350 (2016/17: TEUR 22,094). In the reporting period TEUR 744 were recognized in the statement of comprehensive income (2016/17: TEUR 339).

## 21 Trade receivables and other current assets.

| | 2016/17 | 2017/18 |
|---|---|---|
| Trade receivables | 140,926 | 143,050 |
| Allowance for bad debts | -7,997 | -9,450 |
| **Trade receivables – net** | **132,929** | **133,600** |
| Amounts due from customers for contract work | 77,205 | 76,966 |
| Amounts due from customers for service and maintenance contracts | 6,879 | 6,937 |
| Receivables from tax authorities (other than income tax) | 15,781 | 16,570 |
| Other receivables and prepaid expenses | 29,141 | 20,320 |
| | **261,935** | **254,394** |

As of March 31, 2018, trade receivables with a net value of TEUR 9,934 (2016/17: TEUR 8,269) have been impaired. The corresponding impairment amounts to TEUR -9,450 (2016/17: TEUR -7,997).

Allowance for bad debt developed as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| **Balance as of March 31 of prior year** | **-2,095** | **-7,997** |
| Additions from business combinations | -2,664 | -288 |
| Additions | -4,499 | -6,355 |
| Utilization | 5 | 1,880 |
| Disposals | 1,355 | 2,857 |
| Currency translation differences | -99 | 453 |
| **Balance as of March 31 of fiscal year** | **-7,997** | **-9,450** |

Maturity structure of trade receivables and other current assets:

| | 2016/17 | 2017/18 |
|---|---|---|
| Not yet due | 99,709 | 88,027 |
| Overdue | | |
| Less than 60 days (not impaired) | 14,219 | 24,235 |
| Less than 60 days (impaired) | 639 | 407 |
| More than 60 days (not impaired) | 18,729 | 20,854 |
| More than 60 days (impaired) | 7,630 | 9,527 |
| | **140,926** | **143,050** |

Given the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts. There is no concentration of credit risk with respect to trade receivables, except for the toll collection projects in Austria, America, the Czech Republic, South Africa and Poland, as the Group generally has a large number of customers worldwide. Trade receivables relating to the installation of the truck toll collection system in the Czech Republic amounting to TEUR 1,328 (2016/17: TEUR 1,356) and to the operation and maintenance of the system amounting to TEUR 14,174 (2016/17: TEUR 12,616 ) are due from Ředitelství silnic a dálnic ĈR (RSD), a company of the Czech Republic. Trade receivables relating to the toll collection project and the maintenance or operation in Austria amount to TEUR 12,291 (2016/17: TEUR 3,936). Trade receivables relating to the installation of the truck toll collection system in the Republic of Belarus amounting to TEUR 2,960 (2016/17: TEUR 23,400) and to the operation of the system amounting to TEUR 770 (2016/17: TEUR 3,602) are due from BelToll.

Current amounts due from customers for contract work are as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Construction costs incurred plus recognized gains | 585,105 | 984,838 |
| Less amounts billed and prepayments received | -507,900 | -907,873 |
| | **77,205** | **76,966** |

As of March 31, 2018, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 38,732 (2016/17: TEUR 44,731), Latin America amounting to TEUR 2,271 (2016/17: TEUR 6,364), Austria amounting to TEUR 9,220 (2016/17: liability TEUR 845), Spain amounting to TEUR 9,128 (2016/17: TEUR 6,954), Sweden amounting to TEUR 4,794 (2016/17: TEUR 7,448), Bulgaria amounting to TEUR 4,278 (2016/17: TEUR 0), as well as Australia amounting to TEUR 3,740 (2016/17: TEUR 696).

Revenues from construction contracts amount to TEUR 300,320 (2016/17: TEUR 308,189).

## 22 Cash and cash equivalents.

| | 2016/17 | 2017/18 |
|---|---|---|
| Cash on hand | 162 | 174 |
| Deposits held with banks | 211,137 | 181,661 |
| | **211,299** | **181,835** |

The carrying amounts of this item also represent cash and cash equivalents at the end of the reporting period as presented in the cash flow statement.

## 23 Share capital.

| | 2016/17 | 2017/18 |
|---|---|---|
| **Carrying amount as of March 31 of fiscal year** | **13,000** | **13,000** |

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.

## 24 Current and non-current financial liabilities.

| | 2016/17 | 2017/18 |
|---|---|---|
| **Non-current** | | |
| Promissory note bond | 75,376 | 73,622 |
| Loans for acquisitions | 21,428 | 17,856 |
| Loans for project financing | 0 | 50,000 |
| Other non-current loans | 677 | 281 |
| | **97,482** | **141,759** |
| **Current** | | |
| Corporate bond | 70,702 | 0 |
| Loans for acquisitions | 3,572 | 3,572 |
| Loans for project financing | 0 | 757 |
| Other current loans | 23,628 | 22,346 |
| | **97,902** | **26,675** |
| **Total** | **195,384** | **168,434** |

Movements are as follows:

| | March 31, 2017 | Addition resulting from business combinations | Reclassifi-cation | Additions | Repayment | Currency translation differences | March 31, 2018 |
|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | 97,482 | 152 | -4,106 | 50,036 | 0 | -1,805 | 141,759 |
| Current financial liabilities | 97,902 | 1,832 | 4,106 | 5,372 | -79,930 | -2,606 | 26,675 |
| **Total** | **195,384** | **1,984** | **0** | **55,408** | **-79,930** | **-4,411** | **168,434** |

| | March 31, 2016 | Addition resulting from business combinations | Reclassifi-cation | Additions | Repayment | Currency translation differences | March 31, 2017 |
|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | 85,734 | 893 | -90,104 | 100,375 | 0 | 584 | 97,482 |
| Current financial liabilities | 21,349 | 2,861 | 90,104 | 2,666 | -19,828 | 750 | 97,902 |
| **Total** | **107,083** | **3,754** | **0** | **103,041** | **-19,828** | **1,334** | **195,384** |

Additions and repayments are cash effective.

The corporate bond of Kapsch TrafficCom AG was placed in November 2010 with a volume of TEUR 75,000, a maturity of 7 years and an interest rate of 4.25%. The effective interest rate amounts to 4.54%. In May 2015 debts with a nominal value of TEUR 4,182 of the corporate bond were reacquired prematurely. The corporate bond with a nominal value of TEUR 70,818 was redeemed at the beginning of November 2017 as scheduled.

In January 2018, a new long-term project financing in the amount of TEUR 50,000 with a term of 6 years and a fixed interest rate of 0.8% was concluded.

The non-current financial liabilities mainly relate to a promissory note bond (“Schuldscheindarlehen”) amounting to TEUR 73,622. Details to tranches, maturity periods and interest rates are shown in the table below:

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

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

| | 2016/17 | 2017/18 |
|---|---|---|
| **Carrying amount** | **195,384** | **168,434** |
| **Fair value** | **194,694** | **161,647** |
| | | |
| Gross cash flows | | |
| In the first half year of the next fiscal year | 25,330 | 21,542 |
| In the second half year of the next fiscal year | 76,017 | 7,025 |
| **Total up to 1 year** | **101,347** | **28,566** |
| Between 1 and 2 years | 5,613 | 5,460 |
| Between 2 and 3 years | 4,912 | 17,913 |
| Between 3 and 4 years | 4,893 | 61,367 |
| Between 4 and 5 years | 48,578 | 16,902 |
| More than 5 years | 39,327 | 48,301 |
| | **204,670** | **178,509** |

The classification of financial liabilities is as follows:

| | Level 1 Quoted prices | Level 2 Observable market data | 2017/18 |
|---|---|---|---|
| Promissory note bond | 0 | 71,497 | 71,497 |
| Other financial liabilities | 0 | 90,151 | 90,151 |
| **Total** | **0** | **161,647** | **161,647** |

| | Level 1 Quoted prices | Level 2 Observable market data | 2016/17 |
|---|---|---|---|
| Corporate bond | 72,943 | 0 | 72,943 |
| Promissory note bond | 0 | 72,442 | 72,442 |
| Other financial liabilities | 0 | 49,309 | 49,309 |
| **Total** | **72,943** | **121,752** | **194,694** |

The fair value of the other financial liabilities classified as level 2 was derived through discounting the gross cash flows over the contracted term at a risk-adjusted interest rate.

Interest rates on current and non-current financial liabilities are as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Total financial liabilities: | | |
| Carrying fixed interest rates | 108,346 | 86,148 |
| Carrying variable interest rates | 87,038 | 82,285 |
| | **195,384** | **168,434** |
| Average interest rates: | | |
| Loans for project financing | – | 0.80% |
| Corporate bond | 4.54% | – |
| Promissory note bond | 1.20–2.57% | 1.20–3.20% |
| Loans for acquisitions | 0.54% | 0.80% |
| Other loans | 0.50–2.90% | 0.49–3.00% |

A bill of exchange amounting to TEUR 22,853 (2016/17: TEUR 22,853) was issued for an export promotion loan and loans for the acquisitions.

## 25 Deferred tax assets/liabilities.

| | 2016/17 | 2017/18 |
|---|---|---|
| **Deferred tax assets** | | |
| Deferred tax assets to be recovered after more than 12 months | 7,316 | 5,244 |
| Deferred tax assets to be recovered within 12 months | 4,622 | 7,155 |
| | **11,938** | **12,399** |
| **Deferred tax liabilities** | | |
| Deferred tax liabilities to be recovered after more than 12 months | 1,910 | 1,318 |
| Deferred tax liabilities to be recovered within 12 months | 835 | 592 |
| | **2,745** | **1,910** |
| **Deferred tax assets net (+)/deferred tax liabilities net (-)** | **9,193** | **10,489** |

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to TEUR 234,887 (2016/17 adjusted: TEUR 217,766) are not recognized due to the unsecure potential for future taxable income. These loss carry-forwards relate to foreign subsidiaries, primarily in the U.S.A. and Spain, and are for the predominant part not expiring before 2030. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

Deferred tax assets and liabilities are offset, taking maturities into account, when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets/liabilities are attributable to the following positions (before netting):

| | March 31, 2017 | Addition resulting from business combinations | Through profit or loss of the period | Through other comprehensive income | Currency translation differences | Reclas-sification | March 31, 2018 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Tax loss carry-forwards | 6,439 | 0 | -2,740 | 0 | -221 | -415 | 3,064 |
| Provisions disallowed for tax purposes | 4,708 | 0 | 428 | 40 | 32 | 0 | 5,207 |
| Depreciation disallowed for tax purposes | 602 | 0 | -308 | 0 | -4 | 0 | 290 |
| Construction contracts | 0 | 0 | 0 | 0 | 0 | 1,737 | 1,737 |
| Other (active deferred income) | 5,126 | 0 | -1,706 | 1,524 | -188 | 418 | 5,174 |
| | **16,876** | **0** | **-4,326** | **1,563** | **-381** | **1,741** | **15,473** |
| **Deferred tax liabilities** | | | | | | | |
| Special depreciation/amortization of non-current assets | 778 | 0 | -241 | 0 | -67 | 0 | 470 |
| Contract work | 364 | 0 | -2,102 | 0 | 0 | 1,737 | 0 |
| Gains from recognition at fair value | 3,453 | 1,040 | -1,389 | 27 | 0 | -3 | 3,128 |
| Other (passive deferred income) | 3,087 | 0 | -1,648 | 0 | -60 | 6 | 1,385 |
| | **7,683** | **1,040** | **-5,380** | **27** | **-127** | **1,741** | **4,984** |
| **Total change** | **9,193** | **-1,040** | **1,054** | **1,536** | **-254** | **0** | **10,489** |

| | March 31, 2016 | Addition resulting from business combinations | Through profit of loss of the period | Through other comprehensive income | Currency translation differences | Reclassifi-cation | March 31, 2017 |
|---|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | | |
| Tax loss carry-forwards | 7,143 | 0 | -1,336 | 0 | 633 | 0 | 6,439 |
| Provisions disallowed for tax purposes | 4,998 | 0 | -439 | 139 | 9 | 0 | 4,708 |
| Depreciation disallowed for tax purposes | 875 | 0 | -276 | 0 | 3 | 0 | 602 |
| Construction contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other (active deferred income) | 4,195 | 668 | 795 | -656 | 135 | -10 | 5,126 |
| | **17,212** | **668** | **-1,257** | **-517** | **779** | **-10** | **16,876** |
| **Deferred tax liabilities** | | | | | | | |
| Special depreciation/amortization of non-current assets | 753 | 0 | 0 | 0 | 25 | 0 | 778 |
| Contract work | 1,758 | 0 | -1,431 | 0 | 0 | 37 | 364 |
| Gains from recognition at fair value | 3,361 | 1,042 | -950 | 0 | 0 | 0 | 3,453 |
| Other (passive deferred income) | 2,635 | 40 | 398 | 0 | 25 | -10 | 3,087 |
| | **8,507** | **1,082** | **-1,983** | **0** | **50** | **27** | **7,683** |
| **Total change** | **8,705** | **-414** | **726** | **-517** | **730** | **-37** | **9,193** |

## 26 Liabilities from post-employment benefits to employees.

| | 2016/17 | 2017/18 |
|---|---|---|
| Termination benefits | 9,858 | 10,341 |
| Pension benefits | 14,088 | 13,364 |
| | **23,946** | **23,706** |

### Termination benefits.

This item essentially comprises legal and contractual claims of employees in Austria or their dependents on one-time severance payments. These may arise, in particular, on the basis of an employer's notice, amicable solution to the employment relationship, retirement or death of the employee. In the case of severance payments, the Group bears the risk of inflation resulting from salary adjustments, which simultaneously lead to higher severance payments. For employees who have joined Kapsch TrafficCom in Austria after December 31, 2002, payments into an external employee benefit fund are made on a monthly basis so that the Group does not normally incur any severance payments.

### Pension benefits.

Liabilities for retirement benefits recognized at the balance sheet date relate mainly to retirees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are not covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the Group (see note 8). For retirement benefits the Group bears the risk of longevity and inflation due to pension increases.

Termination benefits obligations were valued based on an interest rate of 1.30% — 1.40% (2016/17: 1.20% – 1.40%), retirement benefit obligations were valued based on an interest rate of 1.55% (2016/17: 1.60%) for the euro zone and based on an interest rate of 3.70% (2016/17: 4.00%) for Canada and compensation increases based on a rate of 2.50% (2016/17: 2.50%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2016/17: AVÖ 2008-P) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada. Pension increases were estimated at 1.97% on average (2016/17: 1.55%).

The following amounts are recognized in the balance sheet and the statement of comprehensive income for **termination benefits**:

| | 2016/17 | 2017/18 |
|---|---|---|
| **Change in liabilities recognized in the balance sheet:** | | |
| **Carrying amount as of March 31 of prior year** | **9,505** | **9,858** |
| Addition from business combinations | 85 | 599 |
| Remeasurements (actuarial gains/losses) | 541 | 138 |
| Current service cost | 302 | 590 |
| Interest expense | 141 | 122 |
| Payments | -722 | -923 |
| Currency translation differences | 7 | -43 |
| **Carrying amount as of March 31 of fiscal year** | **9,858** | **10,341** |
| Total, included in the staff costs (note 8) | 302 | 590 |
| Total, included in the financial result (note 11) | 141 | 122 |

Remeasurements of liabilities from post-employment benefits to employees are attributable to the following positions:

| | 2016/17 | 2017/18 |
|---|---|---|
| Remeasurements from changes in demographic assumptions | 261 | 0 |
| Remeasurements from changes in financial assumptions | 219 | -32 |
| Remeasurements from other changes (experience adjustments) | 60 | 170 |
| **Total** | **541** | **138** |

The expected allocation for termination benefits for the next fiscal year 2018/19 amounts to TEUR 281. The weighted average duration amounts to 8.2 years.

**Analysis of expected maturity of undiscounted benefits.**

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Termination benefits | 571 | 559 | 908 | 867 | 775 | 8,310 | 11,990 |

In the following sensitivity analysis for termination benefit obligations, the impacts resulting from changes in significant actuarial assumptions were stated, whereas the other impact parameters were kept constant. However, in reality it will be rather likely that several of these parameters will change.

| Sensitivity | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Impact of changes in the discount rate | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | 403 | -378 |
| Expected annual interest expenses (IC) | ± 50 Bp | -44 | 41 |
| Expected annual service costs (CSC) | ± 50 Bp | 8 | -7 |
| | | | |
| Impact of changes in salary increases | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | -351 | 370 |
| Expected annual interest expenses (IC) | ± 50 Bp | -5 | 5 |
| Expected annual service costs (CSC) | ± 50 Bp | -8 | 8 |
| | | | |
| Impact of changes in fluctuation | | | |
| Defined benefit obligation (DBO) | ± 5% | 20 | -20 |
| Expected annual interest expenses (IC) | ± 5% | 0 | -1 |
| Expected annual service costs (CSC) | ± 5% | 1 | -1 |

The following amounts are recognized in the balance sheet and the statement of comprehensive income for **pension benefits**:

| | 2016/17 | 2017/18 |
|---|---|---|
| **Change in liabilities recognized in the balance sheet:** | | |
| **Carrying amount as of March 31 of prior year** | **14,603** | **14,088** |
| Remeasurements of employee benefit obligations after termination of the employment relationship | -20 | 81 |
| Current service cost | 6 | 7 |
| Interest expense | 314 | 266 |
| Payments | -892 | -829 |
| Currency translation differences | 76 | -248 |
| **Carrying amount as of March 31 of fiscal year** | **14,088** | **13,364** |
| Total, included in the staff costs (note 8) | 6 | 7 |
| Total, included in the financial result (note 11) | 314 | 266 |

Remeasurements of liabilities from post-employment benefits to employees are attributable to the following positions:

| | 2016/17 | 2017/18 |
|---|---|---|
| Remeasurements from changes in demographic assumptions | 0 | 0 |
| Remeasurements from changes in financial assumptions | 349 | 75 |
| Remeasurements from other changes | -369 | 6 |
| **Total** | **-20** | **81** |

The expected allocation for pension benefits for the next fiscal year 2018/19 amounts to TEUR 259. The weighted average duration amounts to 9.8 years.

**Analysis of expected maturity of undiscounted benefits.**

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Pension benefits | 826 | 805 | 803 | 800 | 796 | 12,067 | 16,096 |

In the following sensitivity analysis for pension obligations, the impacts resulting from changes in significant actuarial assumptions were stated, whereas the other parameters were kept constant. However, in reality it will be rather likely that several of these parameters will change.

| | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Impact of changes in the discount rate | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | 688 | -635 |
| Expected annual interest expenses (IC) | ± 50 Bp | -50 | 45 |
| Expected annual service costs (CSC) | ± 50 Bp | 0 | 0 |
| Impact of changes in salary increases | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | -518 | 553 |
| Expected annual interest expenses (IC) | ± 50 Bp | -8 | 9 |
| Expected annual service costs (CSC) | ± 50 Bp | 0 | 0 |

## 27 Other non-current liabilities.

| | 2016/17 | 2017/18 |
|---|---|---|
| Liabilities from acquisition of shares | 8,851 | 2,456 |
| Truck toll collection system Czech Republic | 174 | 832 |
| Other | 1,511 | 1,003 |
| | **10,536** | **4,292** |

The liabilities from acquisition of shares mainly relate to the long-term part of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s r.o., Czech Republic, amounting to TEUR 1,953 (2016/17: TEUR 4,888) and the long-term portion of the variable purchase price component (result-based earn-out payment) from the acquisition of the shares in Fluidtime Data Services GmbH, Vienna, amounting to TEUR 503 (2016/17: TEUR 498). The long-term portion of the variable purchase price component (earn-out payment) from the acquisition of the shares in Kapsch Telematic Services GmbH, Vienna, amounting to TEUR 3,465 in the previous year was reported under current liabilities in the 2017/18 fiscal year (see note 28).

The item "Truck toll collection system Czech Republic" relates to trade payables (non-current) to subcontractors for the construction of the Czech truck toll system in the amount of TEUR 832 (2016/17: TEUR 174). The remaining term, as in the previous year, is more than one year, but less than five years from the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to the interest rates used to discount long-term receivables from the Czech truck toll project (see note 19). The fair values approximate the carrying amounts.

The gross cash flows of other non-current liabilities are as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Less than 2 years | 5,466 | 3,069 |
| Between 2 and 3 years | 3,685 | 931 |
| More than 3 years | 1,851 | 472 |
| | **11,001** | **4,472** |

## 28 Other liabilities and deferred income.

| | 2016/17 | 2017/18 |
|---|---|---|
| Amounts due to customers for contract work | 29,097 | 31,486 |
| Other prepayments received | 14,509 | 2,938 |
| Other employee liabilities | 26,542 | 31,219 |
| Liabilities to tax authorities (other than income tax) | 7,766 | 12,106 |
| Liabilities from tax allocation to the tax group leader | 8,268 | 5,349 |
| Other liabilities and deferred income | 17,295 | 29,660 |
| | **103,478** | **112,758** |

Other liabilities and deferred income include a variable purchase price component (earn-out payment) from the acquisition of the shares in Kapsch Telematic Services GmbH, Vienna, in the amount of TEUR 3,500, which had been reported under non-current liabilities with an amount of TEUR 3,465 in the previous year (see note 27), which is dependent on the EBIT of the KTS Group for the fiscal years 2015-2018, adjusted for minority interests. The short-term portion of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% interest in Kapsch Telematic Services spol. s r.o., Czech Republic, amounts to TEUR 3,000 (2016/17: TEUR 3,000). Also included is a variable purchase price component from the purchase of 50% of Intelligent Mobility Solutions Ltd., Zambia, in the amount of TEUR 3,794 (2016/17: n/a), which depends on the winning of a further concession contract.

The fair values approximate the carrying amounts.

Obligations due to customers for contract work detail as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Construction costs incurred plus recognized gains | -176,523 | -268,850 |
| Less amounts billed and prepayments received | 205,620 | 300,337 |
| | **29,097** | **31,486** |

As of March 31, 2018, amounts due to customers for contract work mainly relate to toll collection projects in North America and Spain, as in the previous year.

## 29 Provisions.

| | 2016/17 | 2017/18 |
|---|---|---|
| Non-current provisions | 9,993 | 8,911 |
| Current provisions | 17,640 | 9,600 |
| **Total** | **27,633** | **18,510** |

The provisions changed as follows:

| | March 31, 2017 | Additions from business combinations | Addition from accu-mulation | Addition | Utiliza-tion | Disposal | Reclassi-fication | Currency translation differences | March 31, 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Obligations from anniversary bonuses | 1,249 | 139 | 15 | 36 | -16 | -18 | 0 | -15 | 1,391 |
| Warranties | 1,516 | 0 | 0 | 0 | 0 | 0 | 391 | 0 | 1,906 |
| Projects (excl. impending losses) | 872 | 0 | 0 | 0 | 0 | 0 | -182 | 0 | 689 |
| Legal fees, costs of litiga-tion and contract risks | 61 | 0 | 0 | 0 | 0 | 0 | 177 | 0 | 237 |
| Costs of dismantling, removing and restoring assets | 137 | 0 | 0 | 0 | 0 | 0 | -18 | 0 | 119 |
| Other non-current provisions | 6,158 | 0 | 257 | 555 | 0 | -1,518 | 119 | -1,005 | 4,567 |
| **Non-current provi-sions, total** | **9,993** | **139** | **272** | **592** | **-16** | **-1,536** | **486** | **-1,020** | **8,911** |
| Warranties | 1,371 | 0 | 0 | 548 | -563 | -318 | -391 | -212 | 435 |
| Projects (excl. impending losses) | 10,430 | 0 | 0 | 1,711 | -4,899 | -2,269 | 182 | -269 | 4,887 |
| Legal fees, costs of litiga-tion and contract risks | 4,645 | 0 | 0 | 558 | -1,434 | -43 | -177 | -516 | 3,033 |
| Costs of dismantling, removing and restoring assets | 19 | 0 | 0 | 0 | 0 | 0 | 18 | -21 | 16 |
| Other current provisions | 1,176 | 73 | 0 | 932 | -532 | -71 | -119 | -230 | 1,229 |
| **Current provisions, total** | **17,640** | **73** | **0** | **3,748** | **-7,428** | **-2,701** | **-486** | **-1,248** | **9,600** |
| **Total** | **27,633** | **213** | **272** | **4,340** | **-7,443** | **-4,236** | **0** | **-2,268** | **18,510** |

| | March 31, 2016 | Additions from business combinations | Addition from accu-mulation | Addition | Utili-zation | Disposal | Reclassi-fication | Currency translation differences | March 31, 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Obligations from anniversary bonuses | 1,186 | 0 | 16 | 124 | 0 | -77 | 0 | 0 | 1,249 |
| Warranties | 0 | 0 | 0 | 0 | 0 | 0 | 1,516 | 0 | 1,516 |
| Projects (excl. impending losses) | 0 | 0 | 0 | 0 | 0 | 0 | 872 | 0 | 872 |
| Legal fees, costs of litigation and contract risks | 0 | 0 | 0 | 0 | 0 | 0 | 61 | 0 | 61 |
| Costs of dismantling, remov-ing and restoring assets | 0 | 0 | 0 | 0 | 0 | 0 | 137 | 0 | 137 |
| Other non-current provisions | 210 | 4,518 | 261 | 226 | 0 | -75 | 8 | 1,010 | 6,158 |
| **Non-current provisions, total** | **1,396** | **4,518** | **277** | **350** | **0** | **-151** | **2,593** | **1,010** | **9,993** |
| Warranties | 2,113 | 0 | 0 | 1,367 | -479 | -135 | -1,516 | 20 | 1,371 |
| Projects (excl. impending losses) | 3,196 | 6,342 | 0 | 4,026 | -2,184 | -248 | -872 | 170 | 10,430 |
| Legal fees, costs of litigation and contract risks | 3,349 | 150 | 0 | 14,146 | -13,050 | -131 | -61 | 242 | 4,645 |
| Costs of dismantling, remov-ing and restoring assets | 156 | 0 | 0 | 0 | -10 | 0 | -137 | 10 | 19 |
| Other current provisions | 132 | 615 | 0 | 1,051 | -107 | -560 | -7 | 51 | 1,176 |
| **Current provisions, total** | **8,946** | **7,107** | **0** | **20,590** | **-15,830** | **-1,073** | **-2,593** | **494** | **17,640** |
| **Total** | **10,341** | **11,625** | **277** | **20,940** | **-15,830** | **-1,224** | **0** | **1,504** | **27,633** |

The provision for "*anniversary bonuses*" relates to non-current entitlements of employees based on Collective Agreements. The valuation was based on an interest rate of 1.15% – 1.45% (2016/17: 1.05% – 1.45%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2016/17: AVÖ 2008-P) by Pagler & Pagler. Increases in salary were considered at 2.50% (2016/17: 2.50%).

As manufacturer, dealer and service provider, the Group issues "*product warranties*" at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of TEUR 105 will be used in the first half of fiscal year 2018/19, TEUR 330 in the second half of the year and the remaining amount of TEUR 1,906 in the following fiscal years.

The provisions for "*projects (excl. impending losses)*" mainly relate to maintenance-, extension- and repair services for current toll projects. It is expected that an amount of TEUR 308 will be used in the first half of the fiscal year 2018/19, TEUR 4,579 in the second half of the year and the remaining amount of TEUR 689 in the following fiscal years.

Provisions for "*legal fees, costs of litigation and contract risks*" mainly relate to current legal cases and consult-ing costs. It is expected that an amount of TEUR 2,094 will be used in the first half of the fiscal year 2018/19, TEUR 939 in the second half of the year and the remaining amount of TEUR 237 in the following fiscal years.

"*Costs of dismantling, removing and restoring assets*" mainly relate to a provision for dismantling sensors in the area of mobility solutions for cities after expiry of the contract of an American subsidiary. It is expected that an amount of TEUR 8 will be used in the first half of the fiscal year 2018/19, TEUR 8 in the second half of the year and the remaining amount of TEUR 119 in the following fiscal years.

"*Other provisions*" mainly include a provision amounting to TEUR 3,886 for taxes and duties from KTT Brazil (which was acquired at the beginning of the fiscal year 2016/17) as well as provisions for commissions and bonuses, outstanding credit notes and project costs as well as discounts granted to customers. It is expected that an amount of TEUR 643 will be used in the first half of the fiscal year 2018/19, TEUR 586 in the second half of the year and the remaining amount of TEUR 4,567 in the following fiscal years.

## 30 Contingent liabilities, other commitments and operating lease commitments.

The Group's contingent liabilities primarily result from large-scale projects. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance and bid bonds as well as sureties.

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

| | 2016/17 | 2017/18 |
|---|---|---|
| **Contract, warranty, performance and bid bonds** | | |
| South Africa (toll collection system) | 42,134 | 34,197 |
| Australia (toll collection systems) | 22,428 | 19,236 |
| Other | 416 | 1,540 |
| **Total** | **64,978** | **54,973** |

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutes and insurance companies. In case the contractual obligations cannot be fulfilled, there is a risk of utilization, that can result in a recourse claim of the financial institute or insurance company against the Group. Such an outflow of resources is deemed unlikely. This kind of contract, warranty, performance and bid bonds in the amount of TEUR 351,401 (previous year: TEUR 369,605) are not included in the balance sheet or in the contingent liabilities respectively.

Assets of Kapsch TrafficCom AB, Sweden, in the amount of TEUR 11,668 (2016/17: TEUR 9,442) were pledged as collateral for contingent liabilities in favor of a Swedish bank.

**Financial obligations from lease contracts.**
The future payments from non-cancelable obligations from rental and operating lease contracts are presented below:

| | 2016/17 adjusted | 2017/18 |
|---|---|---|
| Up to 1 year | 17,533 | 16,362 |
| Between 1 and 5 years | 29,373 | 31,796 |
| Over 5 years | 9,215 | 6,490 |
| | **56,121** | **54,647** |

**Rental and lease payments recognized as expenses in the reporting period.**
Payments from operating leases recognized as expenses of the reporting period are as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Rent | 16,671 | 14,027 |
| Motor vehicle leases | 2,418 | 2,207 |
| IT leases | 3,066 | 3,930 |
| Other | 569 | 390 |
| | **22,723** | **20,553** |

## 31 Business combinations.

**Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.**
On July 18, 2017, Kapsch TrafficCom AG acquired the remaining 60.03% of the Mexican company Simex, Integración de Sistemas S.A.P.I. de C.V., Mexico (hereinafter referred to as Simex). Simex is a major provider of intelligent transport systems (ITS), including hardware and software solutions. In 2012, 33% of Simex had already been acquired by the Group. These shares were increased by a capital reduction on July 18, 2017 to 39.97%, in which the Group did not participate. Up to now, Simex has been included in the result from associates (see note 17).

The difference between the purchase price, the fair value of the shares previously held and the fair value of the net assets acquired is calculated as follows:

| | |
|---|---|
| Purchase price | |
| Consideration paid | 1,066 |
| Not yet due part of purchase price | 1,005 |
| Fair value of previous interest | 1,370 |
| Less fair value of net assets acquired | -3,365 |
| **Goodwill** | **76** |

The fair value of the acquired identifiable assets and liabilities assumed of Simex at the acquisition date was:

| | Fair Value |
|---|---|
| Property, plant and equipment | 48 |
| Intangible assets | 5,000 |
| Inventories | 2,168 |
| Receivables and other current assets | 3,055 |
| Cash and cash equivalents | 49 |
| Non-current financial liabilities | -152 |
| Post-employment benefits | -599 |
| Non-current provisions | -139 |
| Deferred tax liabilities | -1,040 |
| Current financial liabilities | -1,832 |
| Trade payables | -1,505 |
| Other current liabilities and accruals | -1,615 |
| Current provisions | -73 |
| **Net assets acquired** | **3,365** |

The purchase price consists of a payment made in July in the amount of TEUR 1,066 and a payment due on March 29, 2019 in the amount of TEUR 1,045, which was discounted. The cash and cash equivalents acquired in the context of the acquisition amounted to TEUR 49, thus the preliminary net cash outflow in the fiscal year 2017/18 from the acquisition amounted to TEUR 1,017. The transaction costs directly attributable to the acquisition amounted to TEUR 433 and were recognized in the income statement and in the cash flow from operating activities.

The goodwill amounting to TEUR 76 was allocated to the cash-generating unit ETC-Americas (TEUR 61) and to the cash-generating unit IMS-Americas (TEUR 15).

The acquired company contributed an amount of TEUR 5,314 to revenues and an amount of TEUR -809 to the result of the Group for the period from July 18, 2017 to March 31, 2018. If the company had been included as of April 1, 2017, the contribution to revenues would have been TEUR 8,377 and the contribution to the consolidated result TEUR 399.

## 32 Interests in subsidiaries.

| Entity, headquater of entity | Internal designation | March 31, 2017 Group's share | March 31, 2017 Non-controlling interests | March 31, 2018 Group's share | March 31, 2018 Non-controlling interests |
|---|---|---|---|---|---|
| Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic [1] | KTC C&R CZ | 99.00% | 1.00% | 100.00% | – |
| Kapsch TrafficCom Ltd., Middlesex, United Kingdom | KTC UK | 100.00% | – | 100.00% | – |
| Kapsch Components GmbH & Co KG, Vienna | KCO | 100.00% | – | 100.00% | – |
| Kapsch Components GmbH, Vienna | KCO GmbH | 100.00% | – | 100.00% | – |
| FLUIDTIME Data Services GmbH, Vienna | Fluidtime | 75.50% | 24.50% | 75.50% | 24.50% |
| ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna | ArtiBrain | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy | KTC Italy | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom d.o.o., Ljubljana, Slovenia [2] | KTC Slovenia | 100.00% | – | – | – |
| Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4] | TTS, UAE | 49.00% | 51.00% | 49.00% | 51.00% |
| Kapsch TrafficCom Russia, OOO, Moscow, Russia | KTC Russia | 100.00% | – | 100.00% | – |
| Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria | KTTB, Bulgaria | 100.00% | – | 100.00% | – |
| Kapsch Traffic Solutions (Consortium), Sofia, Bulgaria [1] | Consortium BG | n.a. | – | 100.00% | – |
| Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina | KTC Argentina | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan | KTC Kazakhstan | 100.00% | – | 100.00% | – |
| Kapsch Telematic Services IOOO, Minsk, Belarus | KTS Belarus | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan | KTC Kyrgyzstan | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania | KTC Lithuania | 51.00% | 49.00% | 51.00% | 49.00% |
| tolltickets GmbH, Rosenheim, Germany | tolltickets | 65.00% | 35.00% | 65.00% | 35.00% |
| Kapsch TrafficCom Transportation S.A.U., Madrid, Spain | KTT Spain | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain | KTC Arce | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia | KTC Saudi Arabia | 100.00% | – | 100.00% | – |
| Telvent Thailand Ltd., Bangkok, Thailand | KTT Thailand | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Transportation Brasil Ltda., Sao Paulo, Brazil | KTT Brazil | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina | KTT Argentina | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom S.A.S., Bogotá, Colombia [1] | KTC Colombia | n.a. | – | 100.00% | – |
| Athomstart Invest 253 AS (prospective: Kapsch TrafficCom Norway AS), Oslo, Norway [1] | KTC Norway | n.a. | – | 100.00% | – |
| KTS Beteiligungs GmbH, Vienna | KTS Beteiligung | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom AB, Jonkoping, Sweden | KTC Sweden | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom do Brasil LTDA., Sao Paulo, Brazil | KTC Brazil | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia | KTC Australia | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile | KTC Chile | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom France SAS, Paris, France | KTC France | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom PTE. LTD., Tripleone Somerset, Singapore | KTC Singapore | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia [2] | KTC Malaysia | 100.00% | – | – | – |
| Kapsch TrafficCom New Zealand Ltd., Auckland, New Zealand | KTC New Zealand | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom South Africa (Pty) Ltd., Sunninghill, South Africa | KTC SA | 100.00% | – | 100.00% | – |
| Electronic Toll Collection (PTY) Ltd., Centurion, South Africa | ETC | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa | KTC SA Holding | 100.00% | – | 100.00% | – |
| TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa [5] | TMT | 100.00% | – | 100.00% | – |
| Mobiserve (Pty) Ltd., Cape Town, South Africa [5] | Mobiserve | 100.00% | – | 100.00% | – |
| Trust South Africa, Cape Town, South Africa [5] | Trust SA | n.a. | – | 100.00% | – |
| Berrydust 51 (Pty) Ltd., Cape Town, South Africa | Berrydust | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom B.V., Amsterdam, Netherlands | KTC BV | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Canada Inc., Mississauga, Canada | KTC Canada | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico | KTC IVHS Mexico | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Holding II US Corp., McLean, U.S.A. | KTC Hold. II US Corp. | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom USA, Inc. (formerly: Kapsch TrafficCom IVHS Inc.), McLean, U.S.A. [3] | KTC USA Inc., USA | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom USA Inc., Duluth, U.S.A. [3] | KTC USA, Inc. | 100.00% | – | – | – |

| Entity, headquater of entity | Internal designation | March 31, 2017 Group's share | Non-controlling interests | March 31, 2018 Group's share | Non-controlling interests |
|---|---|---|---|---|---|
| Kapsch TrafficCom Transportation NA, Inc., Rockville, U.S.A. [3] | KTT USA | 100.00% | – | – | – |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico [1] | SIMEX | 33.00% | – | 100.00% | – |
| Kapsch TrafficCom Holding Corp., McLean, U.S.A. | KTC Holding Corp., USA | 100.00% | – | 100.00% | – |
| Kapsch TrafficCom Inc., McLean, U.S.A. | KTC Inc., USA | 100.00% | – | 100.00% | – |
| Streetline Inc., Foster City, U.S.A. | Streetline | 93.94% | 6.06% | 93.94% | 6.06% |
| Streetline International, Inc., Delaware, U.S.A. [2] | Streetline international | 93.94% | 6.06% | – | – |
| SPS funding Co. LLC, Delaware, U.S.A. [2] | SPS Funding | 93.94% | 6.06% | – | – |
| Kapsch Telematic Services GmbH, Vienna | KTS Austria | 100.00% | – | 100.00% | – |
| Kapsch Telematic Services spol. s r.o., Prague, Czech Republic | KTS CZ | 100.00% | – | 100.00% | – |
| Kapsch Telematic Services GmbH Deutschland, Berlin, Germany | KTS Germany | 100.00% | – | 100.00% | – |
| Kapsch Telematic Services Solutions A/S under tvangsoplosning, Copenhagen, Denmark [2] | KTSS Denmark | 60.00% | 40.00% | – | – |
| Kapsch Telematic Services Sp. z o.o., Warsaw, Poland | KTS Poland | 100.00% | – | 100.00% | – |
| Kapsch Road Services Sp. z o.o., Warsaw, Poland | KRS Poland | 100.00% | – | 100.00% | – |

[1] Foundation/acquisition/acquisition of additional shares in fiscal year 2017/18
[2] Deconsolidation in fiscal year 2017/18
[3] Merger in fiscal year 2017/18
[4] Power over the relevant activities of the entity based on substantive rights
[5] IFRS 10 control of Trust South Africa (see note 1.2) and thus full consolidation with 100%

For ease of presentation, the internal designations of the entities are stated in the following tables and explanations.

For all entities mentioned above the headquarter of the company complies with the country of incorporation.

With exception of the following entities all mentioned subsidiaries report at balance sheet date as of March 31.

Entities which do not report at balance sheet date as of March 31 due to legal restrictions:
- Kapsch TrafficCom Russia OOO, Moscow, Russia (December 31)
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria (December 31)
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan (December 31)
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus (December 31)
- Kapsch TrafficCom KGZ OOO, Bischkek, Kyrgyzstan (December 31)

Further entities with deviating balance sheet date:
- KTS Beteiligungs GmbH, Vienna
  The entity was acquired, the balance sheet date as of December 31 has not been amended.
- Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania
  The entity was incorporated together with a partner and reports as of December 31.

## 33 Non-controlling interests.

The non-controlling interests represent the third party shares in the equity of consolidated subsidiaries.

**Information on the balance sheet.**

The balance sheet of the consolidated subsidiaries with material non-controlling interests and the carrying amount of material non-controlling interests are presented below:

| | Amounts before intercompany eliminations in TEUR | | | | | |
|---|---|---|---|---|---|---|
| **Information on the balance sheet as of March 31, 2018** | **Non-current assets** | **Current assets** | **Non-current liabilities** | **Current liabilities** | **Net assets** | **Carrying amount of non-controlling interests** |
| Streetline | 1,706 | 2,338 | 11,951 | 3,613 | -11,519 | -805 |
| KTSS Denmark | 0 | 0 | 0 | 0 | 0 | 0 |
| Fluidtime | 1,987 | 341 | 1,718 | 589 | 21 | -87 |
| tolltickets | 223 | 3,580 | 24 | 4,262 | -483 | -169 |
| KTC Lithuania | 1 | 28 | 0 | 2 | 27 | 16 |
| KTC C&R CZ | 24 | 5,729 | 832 | 3,238 | 1,682 | 0 |
| **Carrying amount as of March 31, 2018** | | | | | | **-1,045** |

| | Amounts before intercompany eliminations in TEUR | | | | | |
|---|---|---|---|---|---|---|
| **Information on the balance sheet as of March 31, 2017** | **Non-current assets** | **Current assets** | **Non-current liabilities** | **Current liabilities** | **Net assets** | **Carrying amount of non-controlling interests** |
| Streetline | 996 | 1,283 | 0 | 9,867 | -7,588 | -567 |
| KTSS Denmark | 0 | 146 | 1,291 | 39 | -1,185 | -474 |
| Fluidtime | 58 | 651 | 599 | 502 | -391 | 87 |
| tolltickets | 217 | 3,074 | 24 | 3,619 | -352 | -123 |
| KTC Lithuania | 2 | 23 | 0 | 1 | 24 | 15 |
| KTC C&R CZ | 229 | 7,978 | 174 | 6,755 | 1,278 | 10 |
| **Carrying amount as of March 31, 2017** | | | | | | **-1,052** |

### Information on the statement of comprehensive income.

The statement of comprehensive income of the consolidated subsidiaries with material non-controlling interests are presented below (amounts before intercompany elimination):

| | Amounts before intercompany eliminations in TEUR | | | | Amounts attributable to non-controlling interests | | |
|---|---|---|---|---|---|---|---|
| **Information on the statement of comprehensive income 2017/18** | **Revenues** | **Result for the period** | **Other comprehensive income** | **Total comprehensive income** | **Result for the period** | **Other comprehensive income** | **Total comprehensive income** |
| Streetline | 2,280 | -5,172 | 1,266 | -3,906 | -315 | 77 | -238 |
| KTSS Denmark | 0 | 0 | 3 | 3 | 0 | 0 | 0 |
| Fluidtime | 629 | -713 | 0 | -713 | -175 | 0 | -175 |
| tolltickets | 2,087 | -506 | 0 | -506 | -177 | 0 | -177 |
| KTC Lithuania | 0 | 2 | 0 | 2 | 1 | 0 | 1 |
| KTC C&R CZ | 12,058 | 782 | 99 | 881 | 18 | 0 | 18 |
| **Total** | | | | | **-647** | **77** | **-570** |

| | Amounts before intercompany eliminations in TEUR | | | | Amounts attributable to non-controlling interests | | |
|---|---|---|---|---|---|---|---|
| **Information on the statement of comprehensive income 2016/17** | **Revenues** | **Result for the period** | **Other comprehensive income** | **Total comprehensive income** | **Result for the period** | **Other comprehensive income** | **Total comprehensive income** |
| Streetline | 1,552 | -6,388 | -230 | -6,618 | -692 | -18 | -710 |
| KTSS Denmark | 0 | 0 | -2 | -2 | 0 | -1 | -1 |
| Fluidtime | 232 | -149 | 0 | -149 | -36 | 0 | -36 |
| tolltickets | 1,017 | -580 | 0 | -580 | -203 | 0 | -203 |
| KTC Lithuania | 0 | -1 | 0 | -1 | 0 | 0 | 0 |
| KTC C&R CZ | 9,629 | 697 | 1 | 698 | 4 | 0 | 4 |
| **Total** | | | | | **-928** | **-19** | **-947** |

**Information on the cash flow statement and dividends.**

The cash flow statement and dividends of the consolidated subsidiaries with material non-controlling interests are presented below (amounts before intercompany elimination):

| | Cash flow from | | | | |
|---|---|---|---|---|---|
| **Information on the cash flow statement 2017/18** | **Operating activities** | **Investing activities** | **Financing activities** | **Cash net increase/ decrease** | **Dividends paid to non-controlling shareholders** |
| Streetline | -3,497 | -1,033 | 5,190 | 660 | 0 |
| KTSS Denmark | 79 | 0 | -110 | -30 | 0 |
| Fluidtime | -1,000 | -54 | 951 | -102 | 0 |
| tolltickets | -158 | -88 | 371 | 125 | 0 |
| KTC Lithuania | 0 | 0 | 0 | 0 | 0 |
| KTC C&R CZ | 3,168 | 0 | -477 | 2,691 | 0 |
| **Total** | | | | | **0** |

| | Cash flow from | | | | |
|---|---|---|---|---|---|
| **Information on the cash flow statement 2016/17** | **Operating activities** | **Investing activities** | **Financing activities** | **Cash net increase/ decrease** | **Dividends paid to non-controlling shareholders** |
| Streetline | -5,686 | -864 | 6,303 | -246 | 0 |
| KTSS Denmark | -2 | 0 | 2 | 0 | 0 |
| Fluidtime | -181 | -62 | 358 | 115 | 0 |
| tolltickets | 451 | -255 | 590 | 785 | 0 |
| KTC Lithuania | 21 | 0 | -1 | 19 | 0 |
| KTC C&R CZ | 431 | 0 | -770 | -339 | -8 |
| **Total** | | | | | **-8** |

## 34 Related parties.

The related entities and persons of Kapsch TrafficCom include, in particular, Kapsch Group companies, including their subsidiaries, joint ventures and associated companies, their executive bodies (Executive Board and Supervisory Board, if present) as well as close members of the bodies' families and companies over which they have control or significant influence.

Balances and transactions between Kapsch TrafficCom AG and its fully consolidated subsidiaries were eliminated in the course of consolidation and are not explained any further.

Services with related parties take place at arm's length. Goods are bought and sold at normal market conditions.

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.

| | 2016/17 | 2017/18 |
|---|---|---|
| **Parent company** | | |
| Revenues | 0 | 8 |
| Expenses | 2,344 | 1,070 |
| **Affiliated companies** | | |
| Revenues | 9,004 | 5,906 |
| Expenses | 26,660 | 28,571 |
| **Associated companies** | | |
| Revenues | 20 | 26 |
| Expenses | 0 | 0 |
| **Joint ventures** | | |
| Revenues | 0 | 1,661 |
| Expenses | 0 | 0 |
| **Other related parties** | | |
| Revenues | 153 | 130 |
| Expenses | 299 | 192 |

| | March 31, 2017 | March 31, 2018 |
|---|---|---|
| **Parent company** | | |
| Trade receivables and other assets | 0 | 0 |
| Trade payables and other payables including liabilities from tax allocation | 8,434 | 5,406 |
| Liabilities from share purchase | 3,465 | 3,500 |
| **Affiliated companies** | | |
| Trade receivables and other non-current and current assets | 1,778 | 2,611 |
| Trade payables and other payables | 3,965 | 2,929 |
| **Associated companies** | | |
| Trade receivables and other non-current and current assets | 149 | 318 |
| Trade payables and other payables | 0 | 0 |
| **Joint ventures** | | |
| Trade receivables and other non-current and current assets | 0 | 4,316 |
| Trade payables and other payables | 0 | 0 |
| **Other related parties** | | |
| Trade receivables and other non-current and current assets | 15 | 0 |
| Trade payables and other payables including pension benefits | 12,765 | 11,583 |

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

**Parent company.**
The parent company KAPSCH-Group Beteiligungs GmbH provides services to the Group in the area of group consolidation and legal advice. Expenses incurred by the Group in the fiscal year 2017/18 amounted to TEUR 1,023 (2016/17: TEUR 958). Furthermore, the parent company invoiced insurance costs (directors & officers liability insurance) to the Group amounting to TEUR 48 (2015/16: TEUR 30).

In fiscal year 2014/15 the parent company sold 3% of its shares in Kapsch Telematic Services GmbH, Vienna, to Kapsch TrafficCom AG. As of March 31, 2018, a variable purchase price component in the amount of TEUR 3,500 is still included in other current liabilities as a result of this transaction (March 31, 2017: TEUR 3,465 in other non-current liabilities) (see note 28).

The parent company acts as the tax group leader in a tax group formed in March 2005, in which the Austrian subsidiaries of this group are also members. Accordingly, all tax effects of the group companies that are tax group members are to be considered related party transactions. As of March 31, 2018, the Group has liabilities from tax allocation to the parent company in the amount of TEUR 5,349 (March 31, 2017: TEUR 8,268).

**Affiliated companies.**
The Group regularly provides its affiliated companies with manufacturing services in the area of GSM-R as well as logistics services. In the 2017/18 fiscal year, trade revenue relating to GSM-R amounted to TEUR 3,319 (2016/17: TEUR 6,752) and logistics services to TEUR 889 (2016/17: TEUR 1,023).

In connection with the 125th anniversary of Kapsch Group, revenues from the recharging of expenses to affiliated companies amounting to TEUR 386 (2016/17: TEUR 0) were generated in the 2017/18 fiscal year.

The Group's lease income from subletting to affiliates in the 2017/18 fiscal year totaled TEUR 349 (2016/17: TEUR 360). The remainder of revenues to affiliated companies relates to other goods and services.

Expenses from transactions with affiliated companies relate to a large extent to goods and services in the area of IT, data processing and telephone services (leasing of telephone and IT equipment as well as IT support), above all through Kapsch BusinessCom AG, Vienna. The expenses of the Group in this context amounted to TEUR 9,583 in fiscal year 2017/18 (2016/17: TEUR 7,759).

In addition, affiliated companies supplied hardware (IT equipment) on behalf of the Group as well as provided maintenance and other services for various customer projects (mainly in the U.S.A., Austria and South Africa) in the amount of TEUR 7,922 (2016/17: TEUR 8,012 mainly in Austria, the Czech Republic and Poland).

In connection with the use of the Kapsch trademark and the logo, the Group is charged royalties by Kapsch Aktiengesellschaft, Vienna. The license fee amounts to 0.5% of all third-party sales of the Group. Expenses incurred by the Group in the fiscal year 2017/18 amounted to TEUR 3,442 (2016/17: TEUR 3,213).

Services regarding human resources (payroll services, administration, recruiting, advice on labor law and human resource development) as well as the provision of apprentices and trainees are performed centrally by Kapsch Partner Solutions GmbH, Vienna for the Group. In the fiscal year 2017/18 expenses amounting to TEUR 2,104 (2016/17: TEUR 2,006) were incurred in the Group in this regard.

Other expenses of the Group from transactions with affiliated companies in the fiscal year 2017/18 include TEUR 1,937 (2016/17: TEUR 1,896) activities in the area of corporate development, public relations, sponsoring and other marketing activities, with TEUR 1,755 (2016/17: TEUR 1,800) management and consulting services, with TEUR 802 (2016/17: TEUR 625) insurance contracts covering all group companies and TEUR 115 (2016/17: TEUR 120) running costs for a software tool (Hyperion Financial Management). The remainder of the expenses to affiliated companies relates to other goods and services provided to the Group.

**Joint Ventures.**
Revenues with joint ventures in the fiscal year 2017/18 amounting to TEUR 1,661 (2016/17: TEUR 0) relate entirely to goods and services for the traffic safety and management project for Intelligent Mobility Solutions Ltd., Zambia.

Receivables from joint ventures include loans to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540 as of March 31, 2018 (March 31, 2017: TEUR 0).

**Other related parties.**
Revenues from other related parties in the 2017/18 fiscal year relate to rental income from subletting in the amount of TEUR 124 (2016/17: TEUR 153).

Expenses for other related parties relate on the one hand to the leasing of telephone and IT equipment (hardware and software) with TEUR 105 (2016/17: TEUR 195) and services in the area of vehicle management and vehicle services in the amount of TEUR 87 (2016/17: TEUR 104).

The pension obligations to other related parties are included in trade payables and other liabilities, including pension benefits and a pension obligation (pensions in payment) to the widow of Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

Details of compensation and other payments to executive bodies are presented in note 37.

## 35 Earnings per share.

Earnings per share (undiluted earnings) are calculated by dividing the result for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares. As of March 31, 2018, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

| | 2016/17 | 2017/18 |
|---|---|---|
| Result for the period attributable to equity holders of the company in EUR | 43,609,880 | 28,680,062 |
| Weighted average number of ordinary shares | 13,000,000 | 13,000,000 |
| **Earnings per share (in EUR)** | **3.35** | **2.21** |

## 36 Events after the reporting period.

In mid-May 2018, Kapsch TrafficCom acquired another one percent share in Intelligent Mobility Solutions Ltd. in Zambia and now holds 51% in the company. Since there was no adjustment to the partnership agreement and the representation rights in the committees that direct the relevant activities, yet there is no control under IFRS 10 based on the current contracts and circumstances, and Intelligent Mobility Solutions continues to be accounted for as a joint venture. Therefore, no disclosures in accordance with IFRS 3 are made. Kapsch TrafficCom, however intends to gain control and thus to fully consolidate the entity in the future.

Kapsch TrafficCom was informed at the beginning of May 2018 that the Czech competition authority UOHS had stopped the tender for a nation-wide truck toll system in the Czech Republic. Kapsch TrafficCom operates the current toll system and will continue to fulfill its obligations. The existing toll contract will run until the end of 2019 at the latest.

## 37 Supplementary disclosures.

The average number of staff in the fiscal year 2017/18 was 4,267 salaried employees and 867 waged earners (2016/17: 4,012 salaried employees and 762 waged earners).

**Expenses for the auditor.**

The expenses for the auditor amount to TEUR 209 (2015/16: TEUR 234) and are broken down as follows:

| | 2016/17 | 2017/18 |
|---|---|---|
| Audit of the consolidated financial statements | 80 | 75 |
| Other assurance services | 112 | 67 |
| Tax advisory services | 0 | 0 |
| Other services | 42 | 67 |
| **Total** | **234** | **209** |

**Compensation and other payments to members of the Executive and the Supervisory Board.**

In the fiscal year 2017/18, the following persons served on the “Executive Board”:
Georg Kapsch (Chief Executive Officer)
André Laux
Alexander Lewald

The compensation paid to members of the Executive Board in fiscal year 2017/18 is shown below:

| | **Total 2016/17** | **Fixed 2017/18** | **Variable 2017/18** | **Total 2017/18** |
|---|---|---|---|---|
| Georg Kapsch | 1,060 | 668 | 467 | 1,135 |
| André Laux | 670 | 439 | 150 | 589 |
| Alexander Lewald | 444 | 381 | 150 | 531 |
| **Total** | **2,175** | **1,488** | **767** | **2,255** |

Expenses for severance payments for members of the Executive Board amount to TEUR 17 (previous year: TEUR 17).

Individual pension agreements were granted to André Laux and Alexander Lewald. Therefore in the fiscal year 2017/18 Kapsch TrafficCom AG paid TEUR 95 (2016/17: TEUR 108) to an external pension fund.

In the fiscal year 2017/18, the following persons served on the “Supervisory Board”:
Franz Semmernegg (Chairman)
Kari Kapsch (Deputy-Chairman)
Sabine Kauper
Harald Sommerer

Delegated by the works council:

Christian Windisch
Martin Gartler

Remunerations paid to Supervisory Board members (including travel costs) and recognized as an expense amounted to TEUR 122 (2016/17: TEUR 122) in total.

As in the previous years, no advances or loans were granted to members of the Executive and Supervisory Board, nor were any guarantees issued in their favor.

**Proposed appropriation of retained earnings.**

The Group intends to distribute TEUR 19,500 from the unappropriated retained earnings of Kapsch TrafficCom AG (previous year: TEUR 19,500), corresponding to a dividend per share of EUR 1.50 for the fiscal year 2017/18 and to carry forward the remaining balance to new account.

## 38 Risk management.

The Group's activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group applies, in exceptional cases, hedge accounting according to IAS 39.

The Group has initiated several processes to make risk management more effective and to embed best practice standards. Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG. According to the Group's internal control system (ICS), the existing internal control processes relating to financial reporting are documented. Local Management is responsible for implementation, design and monitoring of the ICS in order to comply with group-wide guidelines and regulations. An ICS officer has been appointed who assists local Management. The main task is to standardize and continuously improve the ICS in the entire Kapsch TrafficCom, to monitor the compliance and effectiveness of controls and improve weaknesses, as well as to report regularly to the audit committee of the Supervisory Board. The internal audit verifies the reliability of the internal control system. The defined processes are based on COSO ERM (Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission) and on ONR 49000/ISO 31000 Risk Management Systems, the regulations of the Austrian Standards Institute.

### 38.1 Foreign exchange risk.

The foreign exchange risk originates from future business transactions, assets and liabilities as well as net investments of foreign business locations if business transactions are executed in a currency or could come about in the course of normal business operations which is not in conformity with the functional currency of the respectively subsidiary (hereinafter referred to as "foreign currency").

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech crown, the Polish zloty, the Australian dollar, the South African rand and the US dollar. Because the terms of agreement are stipulated in euro, no foreign exchange risk arises to the Group with regard to the Belorussian ruble. Customer orders are mainly invoiced in the local currencies of the respective group companies. Only in cases in which the Group expects to be exposed to significant foreign exchange risk, will major orders denominated in foreign currencies be hedged by forward foreign exchange contracts.

If the exchange rate of the below stated currencies had increased/decreased by the percentage rate ('volatility') stated below (relating to current and non-current receivables and payables), as of March 31, 2018 (March 31, 2017), the result before tax, provided all other variables had remained unchanged, would have been higher (+) or lower (-), respectively, by the following amounts:

| | Effect on equity in TEUR | | | |
|---|---|---|---|---|
| | 2016/17 | | 2017/18 | |
| **Currency** | **Volatility +10%** | **Volatility -10%** | **Volatility +10%** | **Volatility -10%** |
| AUD | -652 | 797 | -650 | 795 |
| CAD | -470 | 574 | -57 | 70 |
| CZK | -906 | 1,107 | -1,112 | 1,359 |
| EUR | 10,936 | -13,366 | 5,272 | -6,444 |
| GBP | 39 | -47 | -298 | 364 |
| PLN | -481 | 588 | -1,180 | 1,442 |
| SEK | -390 | 477 | -344 | 421 |
| USD | -5,822 | 7,115 | -5,849 | 7,149 |
| ZAR | -2,174 | 2,658 | -2,277 | 2,783 |

The Group is exposed to foreign exchange risk from one significant AFS instrument (Q-Free ASA, Norway) as the share is traded in Norwegian crown on the Oslo Stock Exchange.

| | Effect on equity in TEUR | | | |
|---|---|---|---|---|
| | 2016/17 | | 2017/18 | |
| Currency | Volatility +10% | Volatility -10% | Volatility +10% | Volatility -10% |
| NOK | -1,062 | 1,298 | -969 | 1,184 |

### 38.2 Interest rate risk.

Interest rate risk is the risk arising from fluctuations in the value of financial instruments, other balance sheet items (e.g. receivables and payables) and/or cash flows due to fluctuations in the market interest rates. For fixed interest balance sheet items, the risk comprises the present value risk. In case the market interest rate for the financial instrument fluctuates, either a profit or a loss may result if the financial instrument is sold prior to maturity.

In the case of variable interest balance sheet items, the risk relates to the cash flow. With variable interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable interest (both current and non-current) financial liabilities account for almost half of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of March 31, 2018, this, as in the prior year, would not have had any material impact on the result of the Group.

In the Group derivative instruments in an insignificant proportion exist to minimize interest rate risk of financial liabilities (see note 24).

### 38.3 Credit risk.

As part of the Group's risk management policy, the Group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the Group sells only to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Kapsch TrafficCom endeavors to reduce the risk of customer default as best as possible by obligatory credit checks before contract signing or, in the case of large projects, by additionally collateralising payments. Nevertheless, it can not be entirely ruled out that there will be individual payment defaults that would have a material negative impact on the earnings and liquidity development of Kapsch TrafficCom in the case of an event of default.

In the case of large toll collection projects, there is a credit risk essentially in the phase of the construction of the toll system. With the exception of the toll collection projects in Austria, America, the Czech Republic, South Africa and Poland (see note 21), there is no concentration of credit risk relating to trade receivables since the Group generally has a large number of customers worldwide. Based on the Group's experiences, the default risk for trade receivables can be considered low.

The maximum credit risk corresponds to book values:

| in TEUR | 2016/17 | 2017/18 |
|---|---|---|
| Other non-current financial assets and investments | 18,364 | 23,170 |
| Other non-current assets | 611 | 385 |
| Current securities | 3,638 | 2,804 |
| Trade receivables and other current assets | 261,935 | 254,394 |
| Current income tax receivables | 4,490 | 7,563 |
| Cash and cash equivalents | 211,299 | 181,835 |
| | **500,336** | **470,151** |

### 38.4 Liquidity risk.

Kapsch TrafficCom attaches considerable importance to the ongoing monitoring, control and measurement of financial and liquidity positions in order to reduce financial risk. This crucial task is carried out at the level of the operational entities, is monitored and optimized in the overall group.

The Group controls liquidity risks predominantly by maintaining suitable financial reserves, by issuing bonds, through customer prepayments and the continuous reconciliation of the terms of receivables, liabilities and financial assets. To this end, cash flow forecasts are prepared at regular intervals for short-term periods (the next 12 weeks), on a quarterly basis for the medium term (current fiscal year) as well as for long-term periods (in accordance with long-term payment obligations, particularly those arising from loans). Suitable measures for ensuring sufficient liquidity are then deducted from these forecasts.

Furthermore, the Management monitors the rolling forecasts of the Group's liquidity reserves to ensure that it has sufficient liquidity to meet operational needs and also to secure an adequate scope of unutilized credit lines at any time. Kapsch TrafficCom holds high amounts of cash which also serve as a liquidity reserve. As a result, the Group's liquidity situation is currently good.

Kapsch TrafficCom avoids becoming dependent on individual banks by making sure that the financial structure is always distributed over several partner banks. Major repayment obligations of typically long-term contracts (such as corporate bonds or maturing repayments of long-term loans) are monitored on an ongoing basis and appropriate measures are initiated at an early stage (either cash flow monitoring or timely refinancing) to ensure agreed payment obligations.

Kapsch TrafficCom employs a risk-averse investment strategy. Liquid funds are held such that they are generally available in the short term and can therefore be used quickly whenever needed. When it comes to securities, conservative securities funds, which are actively d on an ongoing basis and include an appropriate share of bonds, are used as a rule for the coverage and hedging of pension obligations. In the event of international financial market turbulence, however, the financial investments made might still develop unfavorably or individual securities might even become untradeable. This might result in reductions in value and impairments, which in turn have a negative impact on the financial result and equity of Kapsch TrafficCom. Such a crisis also increases the default risk of individual issuers of securities or their customers. In addition, the Group might for strategic reasons acquire a direct interest in individual entities by purchasing shares. A sufficiently bad performance of these entities might also necessitate an impairment, which in turn leads to the mentioned negative impact on the financial result and equity.

### 38.5 Equity price risk.

The Group is exposed to equity securities price risk resulting from a material investment, since a Norwegian investment (Q-Free ASA, Norway), is classified as available for sale in the consolidated balance sheet.

The table below summarizes the impact of increases/decreases in the stock price of Q-Free ASA, Norway, on equity. The analysis is based on the assumption that the stock price increases/decreases by 10% with all other variables held constant.

| | | Effect on equity in TEUR | |
|---|---|---|---|
| **ISIN** | **Volatility** | **2016/17** | **2017/18** |
| NO0003103103 | +10% | 1,168 | 1,066 |
| NO0003103103 | -10% | -1,168 | -1,066 |

### 38.6 Commodity price risk.

The Group is not exposed to any material commodity price risks.

## 39 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. Kapsch Group's capital management strategy aims among other things to ensure that the group companies' capital resources comply with local requirements. Furthermore, the Group focuses on maintaining the gearing ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. As

at March, 31 2018 these were complied with. Cash and cash equivalents as at March 31, 2018 remain high, which resulted in a net debit being recognized in the fiscal year 2017/18 and in the previous year.

The objective of these measures is to safeguard the ability to continue as a long-term going concern in order to show to shareholders and other stakeholders that their requirements can be fulfilled in a high-quality and sustainable manner and that returns for shareholders and benefits for other stakeholders can be provided. Other essential objectives of the Group's capital management include the financing of the envisaged growth path and the maintenance of an optimal capital structure.

| in TEUR | 2016/17 | 2017/18 |
|---|---|---|
| Non-current financial liabilities | 97,482 | 141,759 |
| Current financial liabilities | 97,902 | 26,675 |
| **Total financial liabilities** | **195,384** | **168,434** |
| Cash on hand and at banks | 211,299 | 181,835 |
| Current securities | 3,638 | 2,804 |
| **Net credit (+) / net debt (-)** | **19,553** | **16,205** |
| Equity | 227,306 | 229,930 |
| **Gearing** | **n.a.** | **n.a.** |

## 40 Accounting policies.

The accounting and valuation principles, which form the basis for these consolidated financial statements, were applied unchanged to the previous period and supplemented by new mandatory provisions applicable from the fiscal year (see note 2.1).

### 40.1 Fair value measurement.

Historical costs are based on the fair value as at the acquisition date. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (IFRS 13.9). In measuring the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date (IFRS 13.11).

To the greatest extent possible, the Group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of 3 levels in the following fair value-hierarchy:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

### 40.2 Borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. A qualifying asset is an asset (inventories, manufacturing plants, toll collection projects, power generation facilities, intangible assets and investment in properties) that requires a substantial period of time (with regard to the Group at least 12 months) to be made ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization within a specific period.

In the fiscal year 2017/18, none of the assets recognized by the Group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

All other borrowing costs are expensed in the period in which they are incurred.

### 40.3 Property, plant and equipment.

Property, plant and equipment are recognized at acquisition and production cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful lives of the assets in accordance with the group policies:

Properties are not subject to scheduled depreciation. The useful lives generally range between 3 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery, and 3 to 10 years for other equipment, factory, and office equipment. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those assets which were replaced is derecognized. Expenses for repairs and maintenance which do not necessitate a significant replacement investment (i.e. day-to-day servicing) are charged to the income statement during the financial period in which they are incurred.

The difference between the proceeds from the disposal of property, plant and equipment and the carrying amount is recognized as profit or loss in the result from operating activities.

### 40.4 Intangible assets.

#### 40.4.1 Goodwill.

Goodwill arises on the acquisition of subsidiaries, associates, and joint ventures and represents the excess of the consideration transferred for the acquisition beyond the Group's interest in net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree, the fair value of the non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree, if the combination is achieved in stages, at the acquisition date. If the acquisition costs are less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the statement of comprehensive income.

Goodwill impairment reviews are undertaken at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a rule, the Group carries out the annual goodwill impairment review in the fourth quarter. In addition, the Group carries out impairment tests during the year if a triggering event occurs that may cause the asset to be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the cash generating units (CGUs) or groups of cash generating units which are expected to benefit from the synergies of the business combination and have reported the goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The impairment loss of goodwill is recognized in the statement of comprehensive income. No write-ups on goodwill are made.

#### 40.4.2 Concessions and rights.

Computer software, trademarks, and similar rights are capitalized on the basis of the costs incurred for acquisition and amortized linearly over their estimated useful lives of 4 to 30 years. Acquired customer agreements (toll contracts, maintenance agreements) are recognized at acquisition costs and amortized over estimated useful lives that generally range between 2 and 10 years.

#### 40.4.3 Research and development costs.

Research expenditures are recognized as an expense. Costs incurred for development projects (relating to the design and testing of new or improved products) are recognized as intangible assets if the following criteria are fulfilled:

a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
b) Management intends to complete the intangible asset and use or sell it;
c) there is an opportunity to use or sell the intangible asset;
d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
e) adequate technical, financial, and other resources are available to complete the development and to use or sell the intangible asset; and
f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense. The costs for producing the intangible asset are capitalized as from the point in time when the above criteria are initially met. Development costs previously recognized as an expense cannot be subsequently capitalized. Capitalized development costs are amortized, as soon as they are available for use, using the straight-line method on the basis of the normal useful life, which generally ranges between 3 and 5 years.

Capitalized development assets are tested for impairment annually in accordance with IAS 36 as long as they are not yet available for use.

### 40.5 Impairment of non-financial assets.

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized for the amount by which the asset’s carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset’s net selling price and its value in use. First, the goodwill is amortized by the amount of the impairment. If the impairment is higher than the carrying amount of the goodwill, the carrying amounts of the other assets of these cash-generating units (CGUs) are proportionately reduced.

The value in use of a cash generating unit corresponds to the present value, calculated using the discounted cash flow method, of the future cash flows which the entity will receive from the cash generating unit. In order to determine the value in use, the expected future cash flows plus taxes based on the post-tax discount rate that reflects the current market expectations with regard to the interest effect and the specific risks of the cash generating units, are discounted to their present values. In the process, the current planning, covering a period of four years (detailed forecast period) and approved by Management, is used as the basis with subsequent transition to perpetuity. The growth rates according to the detailed forecast period are based on historical growh rates and on external studies on the future medium-term market development.

The fair value less costs to sell is determined using an appropriate valuation model which is based on the medium-term planning of the respective cash generating unit. The valuation is made in line with the discounted cash flow calculations and verified through suitable multiples, if available.

The difference between the recoverable amount of assets and their carrying value is reported as profit or loss in the operating result. For assets (other than goodwill) for which an impairment loss has been recognized in the past, a check is carried out on each subsequent balance sheet date to determine if any reversal of impairment is required. Profits are not reported as revenues.

The residual carrying values and useful lives are reviewed at each balance sheet date and adjusted as necessary.

### 40.6 Financial instruments.

Financial instruments include financial assets (such as securities, investments, loans, trade receivables, and cash and cash equivalents) as well as financial liabilities (such as bonds and loans, trade payables, and derivative financial instruments).

Financial instruments are subdivided as follows:
- Financial assets and liabilities at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale financial assets
- Loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within months, otherwise they are classified as non-current.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, an entity has the positive intention and ability to hold until final maturity.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or Management intends to dispose of it within 12 months of the end of the reporting period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### 40.6.1 Securities and investments.
Financial assets recognized under non-current assets and other short-term financial assets include available-for-sale securities and investments and financial assets at fair value through profit or loss.

**Available-for-sale securities and investments (AFS).**
Available-for-sale securities and investments are carried at fair value. Unrealized gains and losses arising from the changes in fair value are recognized in other comprehensive income.

The difference arising on the sale of financial assets between the proceeds and the carrying amounts is taken through profit or loss in the statement of comprehensive income. Additionally, the amount recognized in equity is taken through profit or loss in the statement of comprehensive income. All acquisitions and sales are recognized at the respective date of the transaction, with transaction costs being included in acquisition costs.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets.

If such evidence exists, the Group accounts for such impairment, and the amounts of the available-for-sale financial assets previously recognized in equity are removed from equity and recognized through profit or loss in the statement of comprehensive income. The cumulative loss reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, in subsequent periods, the fair value of the impaired financial instrument increases and such increase is directly related to an event occurring after the impairment was recognized through profit or loss in the statement of comprehensive income, the Group reverses the impairment loss. In the case of debt instruments, the reversal is recognized in the profit for the period in the statement of comprehensive income; in the case of equity instruments, it is recognized directly in equity.

**Financial assets at fair value through profit and loss.**
Financial assets at fair value through profit and loss are carried at fair value. Unrealized gains and losses arising from the changes in fair value of financial assets at fair value through profit or loss are recognized immediately in the statement of comprehensive income.

### 40.6.2 Other investments.

Other available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are initially carried at cost less transaction costs and are recognized at the reporting date less any impairments made.

At each balance sheet date, the Group assesses whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets. If such evidence exists, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of a comparable financial asset. Such impairments must not be reversed.

### 40.6.3 Derivative financial instruments.

Derivatives are only used for economic hedging purposes and not as speculative investments. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into. They are subsequently remeasured at their fair value at each reporting date. The method of recognizing gains or losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Kapsch designates certain derivative financial instruments (swaps, forwards) as collateral against certain cash flow hedge risks associated with a recognized asset, liability or expected and highly probable forecast transaction. Derivatives are currently only used as hedges of cash flows from forecast transactions. There are currently no fair value hedges recognized.

The Group has a group-wide treasury policy in place to generally regulate hedging transactions. Moreover, the Group documents at the inception of each hedging transaction the relationship between hedging instruments and hedged items, as well as the underlying strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the cash flow hedge reserve are shown in note 13. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expenses or in the financial result.

Gains or losses accumulated in equity are reclassified to profit or loss as income or expense in the period when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument (forecast transaction) expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss only when the originally hedged forecast transaction takes place. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

In addition to that, the Group has stand-alone derivatives that are considered as held for trading financial instruments. They are therefore designated as financial instruments held for trading and measured at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive fair values at the balance sheet date are recognized under financial assets and negative fair values under financial liabilities. Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other operating income or other operating expenses or the financial result, depending on the derivative's purpose.

In the case of net investments in a foreign operation, exchange rate differences are recognized in other comprehensive income and are reclassified from equity to profit or loss on the sale or partial disposal of the foreign operation or the repayment of the amounts owed.

In the fiscal year 2013/14, two US Dollar loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the Executive Board of Kapsch TrafficCom AG does not plan for a redemption of these loans in the foreseeable future and since such redemption is not likely to occur. The exchange rate differences arising from these loans are recognized in other comprehensive income (see note 13).

**40.6.4 Loans and receivables.**
Loans and receivables are classified as loans and receivables and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are amounts due from customers of goods sold or services provided in ordinary business dealings. Loans and receivables (e.g. trade receivables, other financial receivables) are initially recognized at fair value plus transaction costs and subsequently at amortized cost using the effective interest method, less allowance for bad debts.

At each balance sheet date, the Group assesses whether there is objective evidence of impairment. Evidence of impairment may include the following: Indications that the debtors or a group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the event was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

**40.6.5 Cash and cash equivalents.**
Cash and cash equivalents fall into the category loans and receivables. Cash and cash equivalents, short-term bank deposits held at call and other bank balances are included in cash and cash equivalents in the presentation of the cash flow statement. Overdrafts are reported in the balance sheet under current financial liabilities.

**40.6.6 Financial liabilities.**
Financial liabilities fall into the category of loans and receivables and are non-derivative financial assets with fixed or determinable payments. They are initially recognized at fair value less transaction costs incurred and subsequently at amortized cost, taking into account the effective interest method. Financial liabilities with a remaining term of up to one year are reported as current liabilities; if the remaining term is longer, they are reported under non-current liabilities. Borrowing costs are recognized as an expense in the statement of comprehensive income on an accrual basis.

**40.7 Leasing.**

**40.7.1 Finance leases – Accounting for agreements from the lessee's perspective.**
Leasing agreements in which the Group as the lessee bears a substantial part of the risks and rewards associated with the use of an asset are accounted for as finance leases.

The respective assets are capitalized under non-current assets at the net present value of minimum lease payments or the fair value of the leased asset, whichever is lower, and are depreciated over their expected useful lives. A liability with regard to finance leases is recognized in the same amount. The difference between the minimum lease payments and the accrued net present value is recognized as interest expense. The interest component is spread over the agreed term of the lease using the effective interest rate method.

**40.7.2 Operating leases – Accounting for agreements from the lessee's perspective.**
Leases in which a substantial part of the risks and rewards associated with the use of an asset are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged as rental expense to the statement of comprehensive income on a straight-line basis over the period of the lease.

### 40.8 Government grants.

Government grants with regard to purchased non-current assets (technical equipment) are deferred and taken through profit or loss over the estimated useful life of the respective asset. Government grants are recognized at their fair value, provided it is sufficiently certain that the Group will comply with all attached conditions and the grant will be received.

Other government grants received as compensation for expenses or losses already incurred are immediately taken through profit or loss.

### 40.9 Inventories.

Inventories are stated at cost or, if lower, at net realizable value. Cost is determined using the moving average price method. Production cost includes all directly attributable expenses and fixed and variable overheads (based on normal operating capacity) incurred in connection with production. It excludes, however, borrowing costs as they cannot be allocated to a qualifying asset. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

### 40.10 Construction contracts.

The Group accounts for construction contracts in accordance with IAS 11. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period according to the percentage of completion of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The construction progress is represented by the ratio of costs incurred by the balance sheet date and the estimated total costs for the respective project.

If the result of the construction contract cannot be reliably determined, contract revenue will only be recognized in the amount of the contract costs incurred which are likely to be recoverable. Contract costs are recognized as expenses in the period in which they occur.

The carrying amount results from comparing the total of accumulated costs incurred by the balance sheet date plus the profit calculated according to the percentage of completion method (prorated) or loss (in full) on the respective construction contract to the invoiced amounts. Depending on maturity, the balance is recognized either under non-current assets, under current assets (amounts due from customers for contract work), or under current liabilities (amounts due to customers for contract work). Any amounts received prior to the rendering of production services are recognized in the consolidated balance sheet as liabilities under prepayments received.

### 40.11 Provisions.

Provisions are recognized in the balance sheet in the event of a current legal or constructive obligation to third parties due to past events when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If such a reliable estimate is not possible, no provisions are set up. Provisions are measured based on the present value of the estimated settlement amount. The settlement amount is the best possible estimate of an expense on the basis of which a current obligation might be settled at the balance sheet date or transferred to a third party. This estimate takes into account future cost increases that are foreseeable and likely to occur on the balance sheet date. If material, the provisions are discounted using a pre-tax interest rate that takes into account current market expectations regarding the interest effect and the risks specific to the obligation. Increases in the provision resulting from pure compounding are recognized as interest expense in the income statement. If they are material, provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions for warranties and liabilities for construction flaws, serial and system problems mainly serve as coverage for obligations for free repairs and replacement deliveries, in accordance with the general sales and delivery conditions or due to individual agreements, and are measured on the basis of the group of obligations, using rates based on past experience regarding direct labor and material costs incurred, overheads, replacement deliveries, or rebates. A provision is recognized for the best estimate of the costs incurred for defects to be rectified under the warranty for products sold before the balance sheet date.

Provisions for onerous contracts are recognized if the expected benefit to be derived from the contract is less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the amount from the fulfillment of the contract or any compensation payments in case of non-performance, whichever is lower. The recognition of impairment losses on assets dedicated to such “onerous” contracts is, however, established prior to the recognition of the provisions for onerous contracts.

**40.12 Employee benefits.**

The Group provides various post-employment benefits to employees and other long-term benefits either based on individual agreements or in accordance with local labor law provisions.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate non-group entity (fund). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and compensation.

The projected unit credit method is used for the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19. According to this method, post-employment costs for employee benefits are recognized in the statement of comprehensive income in such a way that scheduled costs are spread over the employees’ years of service on the basis of an expert opinion by a qualified actuary, who completely remeasures the schemes annually. The obligations for pension payments are calculated at the present value of future benefits using interest rates of high-quality corporate bonds whose term roughly equals the term of the liability. The liability recognized on the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Costs arising from defined benefit plans from pension obligations and termination benefits include the following components:

- Service costs include current as well as past service costs as well as gains or losses from benefit changes or curtailments. Service costs are recognized in profit or loss within staff costs.
- The net interest cost on the defined benefit obligation or plan asset. This component is included in interest expense in the statement of comprehensive income.
- Remeasurements of the net defined benefit obligation or net asset. These are charged or credited to other comprehensive income in the period in which they arise.

Contributions paid by the Group under a defined contribution pension scheme are charged to the statement of comprehensive income under staff costs in the period in which they occur.

For the calculation of liabilities arising from obligations for jubilee bonuses in accordance with IAS 19, the projected unit credit method is used. Jubilee bonuses are special lump-sum payments stipulated in the collective agreement and dependent on compensation and years of service. Eligibility is determined by a certain number of service years. The calculation of liabilities arising from obligations for jubilee bonuses is performed in a similar way as the calculation for liabilities arising from termination benefits. Current service costs are recognized within staff costs, net interest costs are recognized in interest expense in the statement of comprehensive income.

**40.13 Current and deferred income tax.**

The tax expense for the period comprises current and deferred tax. Tax is generally recognized in the statement of comprehensive income. Only taxes that relate to items recognized in other comprehensive income are recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws applicable at the balance sheet date in the countries where the subsidiaries and associates operate and generate taxable income. The local Management is responsible together with the local fiscal representative for the preparation of tax returns, particularly relating to matters subject to interpretations and for setting up provisions, if reasonable, for amounts payable to tax authorities.

Deferred tax assets/liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax assets/liabilities arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither IFRS profit or loss nor taxable profit or loss, it is not accounted for. Likewise, deferred taxes are not recognized if they arise from the initial recognition of goodwill.

Deferred tax assets/liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In addition, it is to be assumed that such temporary differences will be reversed in the foreseeable future.

The carrying value of deferred tax assets is reviewed annually at the balance sheet date and impaired if it is no longer likely that sufficient taxable income will be available to realize such assets partially or in full.

Temporary differences mainly arise in connection with depreciation (amortization) periods of non-current assets, provisions for pension benefits, other post-employment benefits, differences regarding the measurement of receivables and payables, and tax loss carry-forwards.

Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Taking into account the corresponding terms, deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

**40.14 Trade payables and other liabilities.**

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities with a remaining term of up to one year are recognized as current liabilities, those with longer terms are recognized as non-current liabilities. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date.

**40.15 Contingent liabilities.**

Contingent liabilities occur for two reasons. For one, they comprise possible obligations that arise from past events and whose existence will be confirmed by uncertain future events that are at least partly beyond the Group's control. For another, they comprise present obligations that fail to meet general or special recognition standards (i.e. the amount of an obligation cannot be measured with sufficient reliability or an outflow of resources to settle the obligations is not deemed probable).

The Group discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote and a liability does not have to be recognized pursuant to IFRS.

**40.16 Revenue recognition.**

In accordance with IAS 18, revenue is recognized at the fair value of the compensation received or outstanding in the statement of comprehensive income upon delivery and once the significant risks and rewards of owner ship of the goods are transferred to the customer, net of discounts, other price reductions and eliminated sales within the Group.

Revenues from sales of services are recognized in the reporting period in which the services are rendered, by reference to the rate of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenues from sales of maintenance relate to the services under the single maintenance contracts rendered in the respective reporting period.

Revenue for construction contracts (mainly toll collection projects) is recognized in accordance with the percentage-of-completion method provided the conditions under IAS 11 are met.

Other revenue is recognized by the Group as follows:
- Revenue from expenses recharged is recognized on the basis of the accumulated amounts in accordance with the respective agreements
- Interest income is recognized on a time-proportion basis using the effective interest method
- Dividend income is recognized when the right to receive payment is established.

**40.17 Critical judgments in the application of accounting policies.**

As a non-financial entity, the Group does not have a major investment portfolio and currently holds only one significant AFS financial instrument (Q-Free ASA, Norway); refer to note 18. Against this backdrop, no fixed rates or time bands were defined to establish whether a "significant" or a "prolonged" decline in accordance with IAS 39.61 exists. As a consequence, the Group measures equity instruments classified as "available for sale" on an individual basis, taking particularly into account qualitative criteria (e.g. volatility of equity instruments held, trading volume, or adverse developments of the issuer). It is especially with instruments of lower liquidity and/or high volatility that higher percentages (of up to 30%) are used to establish whether a decline in value is considered to be "significant".

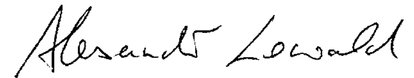
**40.18 Segment information.**

The reporting on operating segments is consistent with the internal reporting provided to the chief operating decision-maker (management approach). The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The Executive Board has been identified as the chief operating decision-maker.

Authorized for issue:
Vienna, on June 4, 2018

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member



Alexander Lewald
Executive Board member

# *Management Report.*

*Kapsch TrafficCom AG on the Consolidated Financial Statements as of March 31, 2018.*

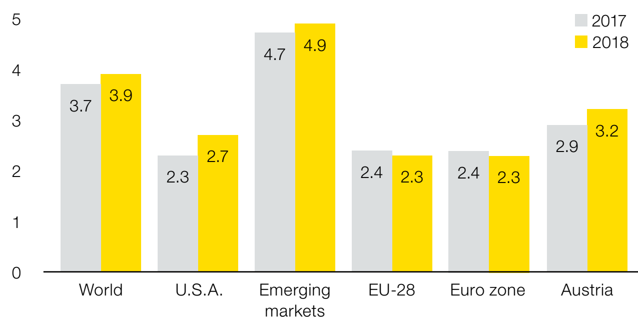
## 1 Economic Climate.

### 1.1 General economic situation.

Global economic growth at 3.7%.

**Global economy.**
In 2017, global economic activity developed more dynamically than expected. Compared to the previous year, the expansion rate of aggregate output accelerated from 3.2% to 3.7%. Unlike before, both the advanced economies and the emerging and developing countries benefited from this rise in momentum. World trade also received a noticeable boost. Having expanded by only 1.3% in 2016, the overall volume of goods and services exchanged worldwide rose by 3.6% in the year under review. In a longer-term context, this constitutes the highest growth rate since 2011 despite a recent increase in protectionist tendencies. As for 2018, economists expect business activity to follow a stable growth path. While global GDP is forecast to go up by 3.9% according to the latest IMF report, worldwide trading volumes should expand by 3.2% based on current WTO estimates.

**GDP growth 2017/18.**
(in %)




US economic growth again over 2-percent mark.

**U.S.A.**
In the United States, GDP growth exceeded the 2% level in 2017. Despite uncertainties over the political course of the new administration, the current phase of economic expansion, already the third-longest in US history, is expected to continue well into 2018. The tax reform implemented in late 2017 is set to have a positive impact on growth, albeit only in the short term. Most notably, US companies are likely to expand their investment activities in light of the reduction in the corporate tax rate from 35% to 21%. Overall, the US economy is estimated to grow by 2.7% in 2018.

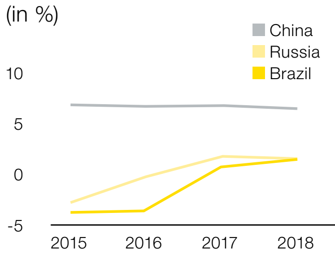
GDP of emerging and developing countries rose by 4.7%.

**Emerging Markets and Developing Economies.**
Economic activity in the emerging and developing economies firmed up in 2017, with aggregate GDP increasing by 4.7%. Asia continued to be the main driver of growth on a regional level. In China, for instance, the projected economic deceleration did not materialise in the year under review due to strong external demand. Instead, Chinese output went up by 6.8% in 2017, after having expanded by 6.7% in the preceding year. As far as the ASEAN-5 region (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) is concerned, economic growth amounted to 5.3%. India's development, by contrast, was slightly less dynamic than before as the economy had to adjust to a recent currency reform. In 2018, Asia is set to remain the fastest-growing region worldwide, even though geopolitical tensions in the Eastern part pose a downside risk.

Russian economy out of recession.

2017 marked a year of continued stabilisation for the Commonwealth of Independent States (CIS), driven primarily by Russia's economic recovery. Following two years of recession, the largest regional economy picked up by 1.8%. First and foremost, this development can be attributed to the recovery in oil prices in the second half of the year. In order to ensure the stabilisation of the oil market, OPEC and ten non-OPEC producers led by Russia agreed to extend output cuts until the end of 2018. While the oil-exporting states of the MENAP region (Middle East and North Africa, Afghanistan and Pakistan) benefited from the upward trend in prices as well, their economic performance was subdued in 2017. Contrary to the global trend, GDP growth weakened to 2.5% owing to a lack of fiscal adjustment.

**GDP growth 2015–18.**
(in %)




Economic output of the EU-28 rose by 2.4%.

Latin America returned to a growth path in 2017. The main reason for this was the end of a two-year recession in Brazil, the leading economy in the region. Besides, solid growth rates of over 2% were registered in Argentina and Mexico, although the threat of NAFTA renegotiations continues to loom over the latter economy. The gradual recovery in commodity prices had a positive impact not only on Latin America, but also on many states in Sub-Saharan Africa. While growth in this region strengthened to 2.7% in 2017, it was still far below its potential because of persistent political uncertainties.

**Europe.**
The European economy was marked by a broad-based recovery in 2017 and appears to have overcome the financial and sovereign debt crisis. More specifically, the combined GDP of the EU-28 was 2.4% higher than in the preceding year. The main reasons for this were an increase in private consumption and a growing level of corporate investment thanks to improved business expectations. Not only did the large economies like Germany (+2.2%) and France (+1.8%) perform well, but also the countries in the southern periphery showed satisfactory results. The developments on the European labour market were also positive. While the unemployment rate in the EU-28 had exceeded 12% at the peak of the sovereign debt crisis, it amounted to just above 7% at the beginning of 2018.

Maintain an open monetary policy in the euro zone.

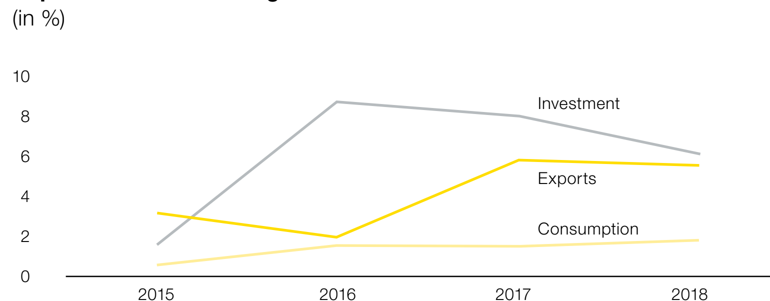
Growth in the euro zone was as dynamic in 2017 as in the EU as a whole, with aggregate GDP going up by 2.4%. The positive economic sentiment persisted in the first months of 2018, even though the uncertain outcome of the ongoing Brexit negotiations and the secessionist movement in Spain pose downside risks. The inflation rate in the euro zone amounted to 1.5% in 2017, thus remaining below the European Central Bank's (ECB) medium-term target of 2%. Against this background, the ECB held on to its expansionary monetary policy and kept the prime interest rate at its historic low. The decision to cut the monthly pace of bond purchases in half as of January 2018 could be seen as a first sign of a trend reversal in monetary policy, though.

Economic activity in Central and Eastern Europe (CEE) also gathered pace in 2017, driven by rising wage levels and household incomes. On a national level, the Romanian (+6.9%), Polish (+4.6%) and Slovenian economy (+4.6%) performed particularly well, whereas crisis-torn Ukraine saw only modest recovery.

Strongest GDP growth in Austria since 2007 (+2.9%).

**Austria.**
In Austria, national GDP expanded by 2.9%, which constitutes the highest growth rate since 2007. Foreign trade counted among the main drivers of growth, benefiting from the favourable global environment. As for the perspectives for 2018, experts forecast a GDP increase of 3.2%. The average annual inflation rate stood at 2.1%, thus well above the level in the euro zone. For 2018, an inflation rate of 1.9% is expected. Given a steady rise in employment over the course of the year, the unemployment rate slipped below the 6% mark according to the Eurostat definition. 2018 looks set to see a continuation of this positive trend. The budget deficit decreased to 0.8% of GDP in the year under review.

**Export and investment growth in Austria 2015–18.**
(in %)



## 1.2 Market for intelligent transportation systems.

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.

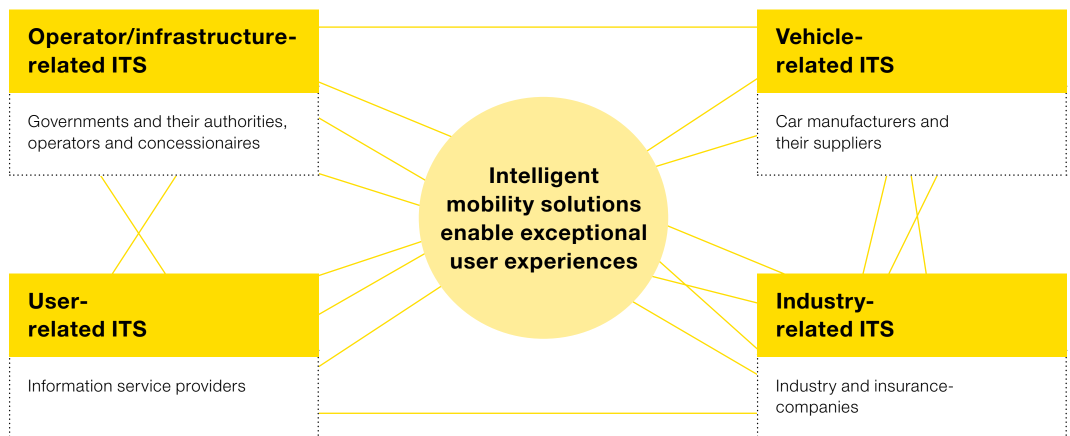
**Customer segments.**
Kapsch TrafficCom has developed its own understanding and its own view of the ITS market in order to define and develop its own market positioning. From this perspective, the ITS market was divided into four customer segments and the corresponding primary addressees were identified:

**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.

The megatrends of mobility, urbanization and climate protection are impacting and changing the ITS market.

**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.

**Mobility.** With increasing affluence, the desire for mobility and the associated demands on transportation systems also increase. Mobility is increasingly viewed as a basic need or a necessity. The transportation systems that have been developed to meet this need vary considerably around the world. The number of cars per 1,000 residents therefore serves as an indicator to assess the development level and untapped potential in many countries: While the U.S.A. has an average of about 800 cars, the ratio in South American countries falls to just 314 (Argentina) cars, and the figure is even significantly lower in some African countries. If the emerging countries like China (154 cars/1,000 residents) or Brazil (249 cars/1,000 residents) continue the process of catching up to more developed nations economically, it can be assumed that individual transportation will experience strong growth as well.

**Urbanization.** The share of people living in cities is rising. While this applied to only 2% of the world's population in the year 1800, the year 2007 marked the first time when over half of all people on the planet resided in cities. Forecasts predict that the share of the urban population will rise to 60% by 2030. By then, the global middle class will have grown by more than two billion people, mainly in emerging countries. Since many of these people also want to afford a car, a strong increase in revenues is expected. Some analysts estimate that the global automobile fleet will double (2017: 1.2 billion) over the period 2017-2030, assuming sustained growth momentum. These developments pose fundamental challenges to urban transport infrastructure and require investment in intelligent, sustainable transport systems and mobility solutions.

**Climate protection.** More than one quarter of the energy consumption and $CO_2$ emissions in Europe can be attributed to the transportation sector, and 20% to road traffic alone. Today, 64% of all kilometers driven are traveled in urban areas. In Vienna, roughly one-third of transportation-related $CO_2$ emissions result from the search for parking alone. The total number of kilometers driven in urban areas per year should almost triple between 2010 and 2050, rising from 25.8 billion to 67.1 billion. City residents in the year 2050 will then spend 106 hours per year in traffic jams. In addition to the statutory requirements for the automotive industry intended to decrease $CO_2$ emissions, substantial improvements require changes to user behavior and, above all, intelligent transportation control systems.

The maintenance and expansion of the road network requires new financing models.

**Expansion and financing of transportation networks.** The basic need for mobility, the growing population, increasing urbanization, as well as the increasing volume of freight traffic in global economic exchange show the limits of today's transport systems. The road network must be developed, especially in emerging countries, and highways built decades ago no longer meet requirements. The willingness and ability of governments to invest in the expansion of transport networks is linked, among other things, to reliable financing options.

According to studies, global investment in transport infrastructure will grow at an average annual rate of 5% in the period 2015-2025. The largest share is accounted for by investments in roads. The highest growth rates for transport infrastructure investments are forecast for sub-Saharan Africa, while by far the highest investments are made in the APAC region.

In consideration of tight state budgets, alternative financing models with the participation of private investors will continue to increase in importance in the coming years. Toll collection systems and traffic management systems will take on greater importance in the future to ensure the economical operation of highways.

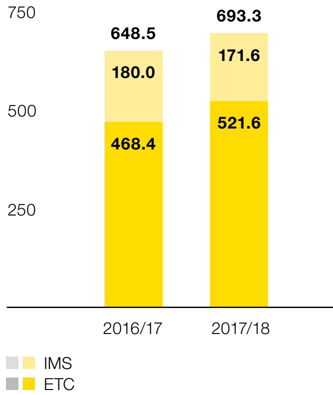
Transport industry in a radical change.

**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.

## 2 Economic situation of Kapsch TrafficCom.

### 2.1 Business performance.

**Revenue growth by 6.9%.**
(in EUR million)




Kapsch TrafficCom Group increased revenues by 6.9% from EUR 648.5 million to EUR 693.3 million in fiscal year 2017/18. This was mainly due to strong growth (11.4%) in the Electronic Toll Collection (ETC) segment, which more than compensated for the decline in revenues (-4.7%) in the Intelligent Mobility Solutions (IMS) segment.

Some of the highlights of the past fiscal year:

- In September 2017, the joint venture between Kapsch TrafficCom and Zambian Lamise Trading Limited received a nation-wide concession agreement from the Zambian government covering the design, construction and operation of systems and solutions for traffic surveillance, vehicle speed enforcement and vehicle inspection as well as vehicle registration. The various service components will be provided gradually during the start-up phase of a 17-year contract. In the first three years of operation, the joint venture is expected to generate revenues in the order of EUR 90 million to EUR 110 million.

- In October 2017, Kapsch TrafficCom was awarded the contract for the construction, technical equipping, and technical support of the nation-wide toll collection system for trucks over 3.5 tons and the introduction of the eVignette for passenger cars in Bulgaria. The satellite-supported system developed by Kapsch TrafficCom for vehicle survey and toll collection is used for this purpose. The project, which will run for 19 months (from January 2018), comprises the delivery and construction of 500 terminals for the registration and issue of electronic toll stickers, 100 enforcement vehicles, 100 weight-in-motion systems, 100 toll portals as well as a data center and back offices. The infrastructure must be built within seven months. The contract value amounts to BGN 149.9 million (approx. EUR 76.6 million).

- In the US state of Maryland, Kapsch TrafficCom was commissioned by the traffic authorities to replace and maintain all road toll collection systems on the combined lanes, cash-only lanes and express lanes managed by them. The contract includes the replacement of all tolling equipment by 2020 as well as six years of operation and maintenance. In addition, there is an option to extend the contract for another four years. The project volume of the basic contract amounts to more than EUR 55 million.

- In Poland, where Kapsch TrafficCom operates the nation-wide toll collection system, the existing contract expires in November 2018. Although a tendering process for the expansion and operation of the nation-wide truck tolling system was already underway, the Polish government decided to have the tolling system operated by a government agency in the future. Consequently, the tender was stopped. Management expects that certain services will be outsourced despite being run by the state. In any case, the company is striving to continue its activities in Poland.

- The contract for Kapsch TrafficCom's operation of a nation-wide toll collection system in the Czech Republic was extended for further three years in 2016 (i.e., until the end of 2019). In May 2018, the Czech competition authority canceled the tender. Kapsch TrafficCom will continue to try to remain a strong partner for the Czech government in the collection of truck tolls.

- In July 2017, Kapsch TrafficCom took over the remaining shares of the Mexican transportation telematics company Simex. Kapsch TrafficCom had already been in possession of 33% of the company since 2012. With more than 30 years on the market and 255 employees, the company is one of the important companies on the Mexican market involved in intelligent transportation systems.

- In addition, Kapsch TrafficCom acquired a minority interest in Traffic Technology Services, U.S.A., in 2017. The company develops and distributes software solutions in the area of networked vehicles. Furthermore, the minority interest in ParkJockey Global, Inc., U.S.A., was increased. This company provides intelligent parking solutions for parking garages and other off-street parking spaces.

- Kapsch TrafficCom S.A.S. was founded in Colombia in 2017 and a shell company was acquired in Norway and renamed Kapsch TrafficCom Norway AS at the beginning of 2018.

### 2.2 Earnings situation.

Kapsch TrafficCom's revenues reached EUR 693.3 million in fiscal year 2017/18, an increase of EUR 44.8 million (6.9%) compared to the previous year.

The EMEA region (Europe, Middle East, Africa) accounted for 63.7% of revenues. The Americas region (North, Central and South America) generated 30.2% of group revenues. The APAC region (Asia-Pacific) contributed 6.1% to revenues.

Kapsch TrafficCom's operating result (EBIT) was EUR 50.1 million, 16.7% below the previous year (EUR 60.1 million). The EBIT margin fell to 7.2% (previous year: 9.3%). A one-off effect ("badwill") of EUR 3.0 million (difference between the purchase price for the transportation business acquired from Schneider Electric and the net assets acquired, according to purchase price allocation) had a positive effect in the previous year. The operating currency result (which can only be influenced to a limited extent) amounted to EUR -5.2 million in 2017/18 and was thus EUR 9.9 million lower than in the previous year. The "Smart Urban Mobility" and "Connected Vehicles" segments, which should be seen as investments in future growth, also had a negative impact on group results.

The operating result before depreciation and amortization (EBITDA) fell from EUR 77.8 million in the previous year to EUR 64.9 million.

**Revenues and earnings from operating activities (EBIT) by segment.**

**Electronic Toll Collection (ETC).** This segment includes projects for the construction, maintenance and operation of systems that include electronic toll collection for the payment of tolls without stopping at a toll station, but also manual toll collection systems. As a rule, these are projects put out to tender and awarded by public authorities or private concessionaires. These are systems on individual road sections or nation-wide road networks. After installation, components for the expansion or adaptation of the systems are often delivered at a later date.

**Revenues.** In fiscal year 2017/18, revenues in the ETC segment rose by 11.4% from EUR 468.4 million to EUR 521.6 million.

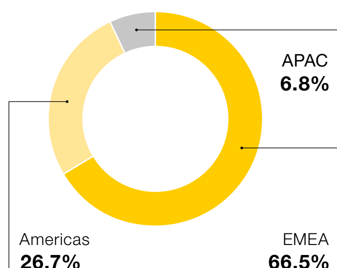
The largest revenue contribution of EUR 346.8 million (2016/17: EUR 307.1 million) was again generated in the EMEA region this fiscal year with nation-wide toll collection projects in the Czech Republic, Poland, Belarus, Austria and South Africa. In the construction projects, the further expansion of truck tolling systems in Austria and Poland made a major contribution to the increase in revenues. The project we were awarded this year to establish a nation-wide toll collection system in Bulgaria has also already made a positive contribution to revenues. Component revenues in the EMEA region were roughly at the previous year's level.

Revenues in the Americas region increased to EUR 139.3 million in the previous fiscal year (2016/17: EUR 122.4 million). Among other things, the projects acquired in the course of the takeover of the Mexican traffic telematics company Simex contributed to this positive development.

In light of the high proportion of new construction projects in the previous year, revenues in the APAC region fell to EUR 35.5 million (2016/17: EUR 39.0 million). Due in particular to the Sydney Harbour Bridge and tunnel construction project, revenues were down this fiscal year due to the high degree of project completion in the previous year.

A new record number of 12.7 million on-board units were sold in fiscal year 2017/18 (2016/17: 11.7 million units). Increases were recorded in particular in the U.S.A. (over 7.4 million units, compared with 6.2 million in the previous year), Denmark and Morocco, while revenue figures in Norway, Chile and Russia fell compared with the same period last year.

**Revenue distribution ETC.**




**Segment Electronic Toll Collection (ETC).**

| in EUR million | 2016/17 | 2017/18 | +/- |
|---|---|---|---|
| **Revenue** | **468.4** | **521.6** | **11.4%** |
| Design & Build | 96.9 | 138.9 | 43.3% |
| Operations | 269.0 | 278.1 | 3.4% |
| Components | 102.6 | 104.7 | 2.0% |
| **EBIT** | **65.5** | **53.5** | **-18.3%** |

**EBIT.** The operating result fell by 18.3% compared to the same period of the previous year and reached a value of EUR 53.5 million (2016/17: EUR 65.5 million). The decline was due to lower earnings contributions from operating projects — particularly in the EMEA region — which could not be offset by higher earnings contributions from component sales and construction projects. Earnings in this segment were also impacted by lower revenues for construction projects in the APAC region.

**Intelligent Mobility Solutions (IMS).** This segment includes projects for the construction, maintenance and operation of systems for traffic monitoring, traffic control and traffic safety. Projects for the control of commercial vehicles and electronic vehicle registration as well as intelligent parking solutions and systems for intermodal mobility are also allocated to this segment, as are systems and services for the operational monitoring of public transport and environmental facilities.

**Revenues.** In the IMS segment, revenues declined slightly from EUR 180.0 million to EUR 171.6 million in fiscal year 2017/18. This was mainly due to the expiration of non-core projects acquired from Schneider Electric's transportation business in 2016 and the decline in component sales in the EMEA region.

Revenues in the EMEA region amounted to EUR 95.1 million, compared to EUR 100.6 million in the same period of the previous year. This development was mainly due to lower component sales in Austria and could not be compensated by the start of the project to establish a traffic management system in Zambia.

There was also a small decline in revenues from EUR 72.9 million to EUR 69.8 million in the Americas region. This was also mainly due to the decline in revenues from operating projects in Brazil.

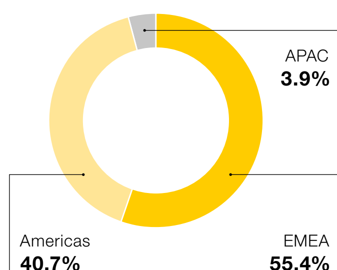
In the APAC region, revenues increased slightly from EUR 6.5 million to EUR 6.8 million, mainly due to operating projects in New Zealand.

**Segment Intelligent Mobility Solutions (IMS).**

| in EUR million | 2016/17 | 2017/18 | +/- |
|---|---|---|---|
| **Revenue** | **180.0** | **171.6** | **-4.7%** |
| Design & Build | 87.5 | 83.4 | -4.7% |
| Operations | 80.4 | 78.9 | -1.8% |
| Components | 12.1 | 9.3 | -23.3% |
| **EBIT** | **-5.4** | **-3.4** | **36.3%** |

**EBIT.** The operating result amounted to EUR -3.4 million and was better than in the same period of the previous year (2016/17: EUR -5.4 million). The improvement was mainly due to the positive development of operating projects in the Americas region. This development is all the more positive as the absence of the positive one-off effect ("badwill") of EUR 2.1 million from the KTT acquisition was more than offset in this segment.

**Revenue distribution IMS.**




**Revenues by region.**

| in EUR million | 2016/17 | 2017/18 | +/- |
|---|---|---|---|
| **EMEA** | **407.7** | **441.9** | **8.4%** |
| Design & Build | 64.1 | 104.7 | 63.2% |
| Operations | 294.7 | 291.6 | -1.1% |
| Components | 48.8 | 45.6 | -6.6% |
| **Americas** | **195.4** | **209.1** | **7.0%** |
| Design & Build | 91.8 | 96.3 | 4.9% |
| Operations | 48.7 | 57.2 | 17.5% |
| Components | 54.8 | 55.5 | 1.3% |
| **APAC** | **45.4** | **42.3** | **-6.9%** |
| Design & Build | 28.4 | 21.3 | -25.1% |
| Operations | 5.9 | 8.1 | 37.5% |
| Components | 11.1 | 12.8 | 16.1% |
| **Total** | **648.5** | **693.3** | **6.9%** |

**Significant items in the overall results.**

Cost of material and other production services increased in line with revenues by EUR 37.7 million to EUR 279.8 million (2016/17: EUR 242.1 million). The ratio of material and other production services to revenues rose from 37.3% to 40.4%.

Personnel expenses increased by 6.1%, or EUR 13.7 million, to EUR 237.9 million (2016/17: EUR 224.2 million), partly due to the increase in the average number of employees (+360 to 5,134). At 34.3%, the personnel ratio (ratio of personnel expenses to revenues) was virtually unchanged compared to the previous year (34.6%).

The expense for scheduled depreciation decreased by EUR 2.9 million to EUR 14.8 million (2016/17: EUR 17.7 million). There were no extraordinary depreciation or impairment losses in the fiscal year.

Other operating expenses were at the previous year's level (EUR 134.9 million compared to EUR 134.4 million in 2016/17). The ratio of other operating expenses to revenues fell significantly compared to the previous year from 20.7% to 19.5%. Particular increases were recorded in exchange rate losses from operating activities and IT expenses, while legal and consulting fees declined.

The proportional operating result from joint ventures relating to the joint venture in Zambia was shown in EBIT for the fiscal year and amounted to EUR 0.5 million (2016/17: n/a).

The financial result deteriorated in the current fiscal year from EUR 0.4 million in the previous year to EUR -5.2 million. The main reason was a decline in currency gains of EUR -4.6 million, primarily in connection with the US dollar (USD) and the South African rand (ZAR).

The result from other joint ventures and associated companies amounted to EUR -0.7 million (2016/17: EUR 0.1 million); this can be attributed to the result and devaluation of the investment in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico, following the purchase of the remaining shares.

As a result of these developments, earnings before taxes fell by 27.1% to EUR 44.2 million (2016/17: EUR 60.6 million).

Profit for the period fell by 34.3% to EUR 28.0 million. The profit attributable to the shareholders of the company amounted to EUR 28.7 million, corresponding to earnings per share of EUR 2.21 (2016/17: EUR 3.35).

### 2.3 Financial situation.

**The balance sheet total** of Kapsch TrafficCom as at March 31, 2018 amounted to EUR 621.1 million, EUR 27.6 million lower than on the balance sheet date of the previous year (EUR 648.8 million).

Primarily due to current depreciation, among "Non-current assets," "Property, plant and equipment" declined by EUR 1.7 million to EUR 21.4 million (previous year: EUR 23.1 million) and "Intangible assets" declined by EUR 1.2 million to EUR 70.8 million (previous year: EUR 72.0 million). This was offset by a significant increase in shares in associated companies and joint ventures from EUR 5.4 million to EUR 7.5 million due to the acquisition of a 50% stake in Intelligent Mobility Solutions Ltd., Zambia, and the acquisition of the remaining shares in Simex, Mexico, which was thus regrouped into the fully consolidated companies.

"Other non-current financial assets and investments" increased by EUR 4.8 million to EUR 23.2 million (previous year: EUR 18.4 million). This is mainly due to the acquisition of minority interests in Traffic Technology Services Inc., U.S.A., and further minority interests in ParkJockey Global Inc., U.S.A. "Non-current assets" increased by EUR 7.5 million to EUR 135.7 million (previous year: EUR 128.2 million).

"Inventories" remained almost unchanged at EUR 38.9 million (previous year: EUR 39.3 million).

"Trade receivables and other current assets" decreased by EUR 7.5 million to EUR 254.4 million (previous year: EUR 261.9 million) since March 31, 2017.

"Cash and cash equivalents" decreased by EUR 29.5 million to EUR 181.8 million (previous year: EUR 211.3 million). This is primarily due to the fact that the corporate bond was repaid on schedule in the past fiscal year and new financial liabilities were not taken up to the same extent.

Corporate bond redeemed on schedule.

**On the liabilities side of the balance sheet**, there was the biggest change in financial liabilities. Due to the above-mentioned scheduled repayment of the corporate bond, "Current financial liabilities" decreased by EUR 71.2 million. "Non-current financial liabilities" increased by EUR 44.3 million to EUR 141.8 million, mainly due to a new loan of EUR 50.0 million with a term of 6 years. The favorable refinancing of the corporate bond was thus achieved.

"Non-current provisions" decreased slightly by EUR 1.1 million to EUR 8.9 million. "Other non-current liabilities" decreased significantly by EUR 6.2 million to EUR 4.3 million compared to the previous year. This was mainly due to the reclassification of a long-term receivable from the purchase of Kapsch Telematic Services GmbH, Vienna, in the amount of EUR 3.5 million to current liabilities as well as the earn-out payment of EUR 3.0 million from the purchase of Kapsch Telematic Services spol. s r.o., Czech Republic.

"Trade payables" amounted to EUR 58.3 million (previous year: EUR 55.9 million) and thus rose slightly by EUR 2.3 million. "Other liabilities and deferred income" rose by EUR 9.3 million to EUR 112.8 million (previous year: EUR 103.5 million). "Current provisions" fell significantly to EUR 9.6 million (previous year: EUR 17.6 million), which is related to the reduction of provisions for legal disputes in the U.S.A.

Despite acquisitions and dividend payments, equity exceeded the previous year's level.

**Equity** as at March 31, 2018 was EUR 229.9 million, and thus was EUR 2.6 million higher than at the end of the last fiscal year. The increase was based on the overall result of EUR 22.0 million less the dividend payment of EUR 19.5 million. The equity ratio rose from 35.0% to 37.0%.

Despite the dividend payment, the balance sheet shows a net credit of EUR 16.2 million.

Net working capital decreased to EUR 239.2 million as at March 31, 2018 (March 31, 2017: EUR 247.9 million).

### 2.4 Financial situation.

**Net cash flow from operating activities** amounted to EUR 41.8 million in the reporting period (previous year: EUR 55.0 million). At EUR 56.1 million (previous year: EUR 94.9 million), the earnings before changes in net working capital declined significantly due to the decline in "Non-current liabilities and provisions" and the increase in non-current receivables, however, the changes in net working capital led to a significantly higher receipt of payments than in the same period of the previous year. On the one hand, "Trade receivables and other current assets" were reduced by EUR 12.0 million (previous year: increase of EUR 6.2 million). On the other hand, "Trade payables and other current liabilities" increased by a total of EUR 5.1 million (previous year: decrease of EUR 14.0 million). The decline in current provisions of EUR 8.1 million was only able to counteract the distinctly positive cash effects of the net working capital to a minor extent.

While interest income and interest payments remained at the previous year's level, income tax payments increased to EUR 22.0 million (previous year: EUR 16.5 million), a significant portion of which was paid to Kapsch Group due to Austrian group taxation.

**Net cash flow from investing activities** amounted to EUR -20.0 million in fiscal year 2017/18 and was thus significantly more positive than in the previous year (EUR -37.9 million). This is mainly due to the fact that payments of EUR -22.8 million (net, after deduction of "Cash and cash equivalents" of acquired companies) for the acquisition of KTT and some other companies were included in 2016/17. In this fiscal year, this item was only EUR -1.0 million. This is due to the complete acquisition of Simex, Mexico, in which the Group previously held only 33%. In contrast, payments for the purchase of securities and investments and other non-current financial assets increased this year to EUR -6.4 million, and payments for the purchase of shares in companies consolidated at equity to EUR -4.0 million. At EUR -8.8 million, net investments in property, plant and equipment and intangible assets were again slightly below the previous year's figure of EUR -12.3 million.

Free cash flow of EUR 33.1 million.

**Free cash flow** (net cash flow from operating activities minus net investments) was again positive at EUR 33.1 million, but nevertheless slightly below the previous year's figure of EUR 42.6 million, mainly due to the development of cash flow from operating activities. The slightly lower level of investment, in turn, had a positive impact on free cash flow compared with the previous year.

**Net cash flow from financing activities** amounted to EUR -46.9 million (previous year: EUR 49.6 million). Current financial liabilities were reduced by EUR -79.9 million, in particular due to the scheduled repayment of the corporate bond in November 2017 and the dividend payment (EUR -19.5 million). This was offset by the item "Increase in non-current financial liabilities" of EUR 50.0 million, which is attributable to a new long-term loan being taken out.

**Cash and cash equivalents** fell by EUR 29.5 million, however, at EUR 181.8 million as of March 31, 2018 (March 31, 2017: EUR 211.3 million), they were at a level that also offers scope for future project and acquisition-related challenges.

## 3 Miscellaneous company information.

### 3.1 Research and development.

**Established patent strategy with:**
- Solution centers
- Corporate technology-function

The established structure with Solution Centers and a Corporate Technology function ensures the streamlined orientation of innovation processes.

Solution Centers cover a special market/solution segment. Their task is to define products and solutions for their area of responsibility, to develop them and also market them in close coordination with the sales regions. In addition, the sales regions are to be supported in the smooth implementation of customer-specific solutions.

Corporate Technology is a cross-functional organization that supports the Solution Centers. The most important goal is the identification and evaluation of promising new technologies. This is a key factor in staying competitive. In addition, Corporate Technology develops and integrates solutions, which are created based on products and solutions from several Solution Centers, and provides them with tools, processes, common services and modules as well as support in IPR matters.

**Focused patent strategy:**
- Patent monitoring
- Freedom of action
- Improved market knowledge

In fiscal year 2017/18, Kapsch TrafficCom further optimized its patent portfolio by focusing on areas of high strategic importance. The current patent portfolio comprises 197 patent families with more than 1,443 individual patents. In the fiscal year, four new patent families in the toll area were filed for registration.

In order to counteract the risk of patent infringements in the future by expanding business activities into new regions and new business fields, a mandatory patent analysis was included in the development process. This measure ensures that the relevant patent landscape and any existing intellectual property rights are examined before development work begins. In addition, the world-wide patent monitoring system was further expanded. Patent applications from competitors and relevant technology segments are analyzed in order to gain a better overview of competitors' strategies.

Kapsch TrafficCom has significant development sites in Austria, Sweden, Argentina, the U.S.A., Canada and Spain. Further development resources are located in Italy, South Africa and Chile. As of March 31, 2018, Kapsch TrafficCom employed 761 research and development engineers (previous year: 714). Kapsch TrafficCom's development expenses in fiscal year 2017/18 amounted to approximately EUR 103.0 million (prior year: approximately EUR 85.4 million), which corresponds to about 15% (prior year: about 13%) of total revenues. Development costs can be broken down as follows: costs for customer-specific developments amounted to EUR 59.8 million (previous year: EUR 44.2 million), while costs for product management, IPR management, development support and generic developments totaled EUR 43.3 million (previous year: EUR 41.1 million).

### 3.2 Non-financial performance indicators.

Kapsch TrafficCom Group prepares a separate consolidated non-financial report that complies with the legal requirements of Section 267a Austrian Commercial Code (UGB). It is part of the annual report 2017/18.

### 3.3 Risk report.

**Risk management.**
Risk management is positioned as its own function within the financial department of Kapsch TrafficCom AG. The main focus of risk management is on project risk management and enterprise risk management (ERM).

Risk management entails the identification and analysis of risks and opportunities.

*Project management* encompasses both external customer projects as well as internal development projects and begins in each case during the offer or initiation phase. An analysis of all relevant risks and opportunities is prepared based on institutionalized processes and supplies the basis for decisions as well as timely planning and implementation of controlling measures.

*Enterprise risk management (ERM)* involves the analysis of major project-related risks of Kapsch TrafficCom as well as strategic, technological, organizational, financial, legal and IT risks. Reports are submitted to the Executive Board, the Audit Committee of the Supervisory Board and the first reporting level on a quarterly basis. The ERM approach is aimed at the early identification, assessment and control of the risks that may materially influence the achievement of the strategic and operational goals of the company. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the corporate management.

The material risks and opportunities of the Group and the respective risk management measures are briefly explained below.

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

**Industry-specific risks.**

*Volatility of new orders.* An important part of the revenue of Kapsch TrafficCom is earned in the segment of Electronic Toll Collection (ETC). This segment includes projects for the installation of nation-wide, regional or route-specific toll systems as well as the technical and commercial operation of toll systems. The awarding of these projects, including their operation, generally takes place on the basis of invitations to tender. Whether or not Kapsch TrafficCom eventually receives the order is subject to a number of uncertain factors inside and outside the Group's area of influence. For example invitations to tender for such large projects can be postponed or withdrawn due to political changes or due to complaints or lawsuits by unsuccessful bidders. There is also a risk that Kapsch TrafficCom may not win with its bids for new projects due to technological, financial, formal or other reasons.

Already successful acquisition of a single, nation-wide deployment contract in the ETC segment can have a strong impact on Kapsch TrafficCom's revenue growth, both in the current and subsequent fiscal years.

The continuous expansion into new business areas that are compatible with the core business of Kapsch TrafficCom is intended not only to increase revenue but also to smooth over revenue spikes in the interest of more stable revenue development. This is to be achieved through increasing geographic diversification, by further broadening the customer and product portfolios, and by increasing the share of revenue from operations (technical and commercial operations of systems usually built by the company). The latter is usually commissioned on a long-term basis and is therefore characterized by better predictable revenues. In previous fiscal years, it has also been possible to continuously increase the revenue from installation projects of smaller scope. Valuable contributions came here from the segment of Intelligent Mobility Solutions (IMS) and from the geographic regions of the U.S.A. and Australia.

Technical challenges and tight schedules produce typical project risks.

*Risks of project execution.* In connection with the installation of systems, Kapsch TrafficCom is generally contractually obligated to issue performance and delivery date guarantees. Because electronic toll systems and intelligent mobility solutions are frequently ambitious and technologically complex systems that must be implemented within a strict time frame, missed deadlines and/or system and product defects can occur. Unexpected project modifications, a temporary shortage of skilled workers, quality problems, technical problems and performance problems with suppliers or consortium partners may also have a negative impact on the adherence to delivery dates. If the contractual services are not fulfilled or if deadlines are exceeded, penalties and damages usually have to be paid, in some cases even damages for lost toll revenue. Deadlines far exceeded are often covered by contract clauses that can allow the customer to terminate the contract early. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or failed implementation of a project could also reduce the chances of success in future tenders. There is also the risk that projects of Kapsch TrafficCom cannot be realized at the previously calculated costs. Due to the strong social opposition to toll systems that is sometimes encountered, the risk of a late or limited start to toll collection exists in many projects, which can have further consequences on payment flows and revenue in the operation project.

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

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

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

**Strategic risks.**

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

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

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

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

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

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

**Financial risks.**

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

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

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

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

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

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

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

Kapsch TrafficCom is taking attractive measures to counteract personnel risk.

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

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

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

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

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

The early identification of opportunities opens up new potential.

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

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

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

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of traffic management because measures such as toll collection, road pricing and the establishment of environmental zones or access restrictions are increasingly being employed as controlling instruments of environmental and traffic policy. In the ETC segment as well as with IMS, this is creating opportunities to further develop and market the portfolio according to the new requirements.

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up new opportunities for expanding the functionality of existing systems. Opportunities are available to attract new customers or to serve both public contractors and end customers with new concepts. Special mention should be made of opportunities in the areas of "tolling as a service", parking space management and inter-modal mobility.

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

**Overall assessment of the risk situation.**
From the current perspective, no risks have been identified that could endanger the continued operations of Kapsch TrafficCom. Through the increasing geographic diversification and continued broadening of the product and solution portfolio with select new IMS solutions, the business model of Kapsch TrafficCom has been expanded without necessitating a departure from the core business field. The concentration of risk in individual regions and individual large products is continuously reduced in this way.

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

The reliability of the internal control system is evaluated by Internal Audit.

Kapsch TrafficCom began many years ago to analyze and document the existing accounting-related internal control processes. The results to date were presented to the Supervisory Board for evaluation and discussion in the quarterly meetings of the Audit Committee. Internal Audit ensures through audits, especially in the subsidiaries of Kapsch TrafficCom AG, that a reliable and functional control system is implemented.

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was improved again in the 2017/18 fiscal year, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

The central elements of the ICS process include regular checks of the established principle of dual control and the segregation of duties as well as defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control and Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission).

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

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

The internal control system is implemented locally and monitored centrally.

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

### 3.5 Disclosures according to Section 267 and Section 243a subsection 1 Austrian Commercial Code.

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2018. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. On March 31, 2018, there were no other shareholders who held more than 10% of the voting rights in Kapsch TrafficCom AG.

No shares with special control rights exist. No restrictions exist with respect to the exercising of the voting right by employees with capital participation. There are no special provisions regarding the appointment and recall of the members of the Executive Board and the Supervisory Board or modification of the articles of association. Neither authorized capital nor conditional capital currently exists at the company, which empowers the Executive Board to issue shares with the approval of the Supervisory Board and without (renewed) consideration by the annual general meeting. Conventional “change of control” clauses, which may lead to termination of the contract, relate to financing agreements, such as the promissory note bond (“Schuldscheindarlehen”) and the EUR 50 million financing concluded in the past fiscal year, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

### 3.6. Corporate Governance Report.

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

## 4 Outlook and objectives.

**Outlook 2018/19:**
> Revenues +10%
> EBIT +10%

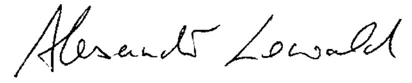
**Revenues.** In the fiscal year 2018/19 revenues are to be increased by around 10%, whereas business dynamics should increase as the year progresses. Positive factors include the establishment of the nation-wide toll system in Bulgaria, dynamic business in the U.S.A. and revenues in connection with the new joint venture in Zambia.

**EBIT.** In terms of profitability, the company also expects EBIT to increase by around 10% in 2017/18.

**Medium-term (around 4 years):**
> EBIT margin >10%

**Medium-term Goals.** Kapsch TrafficCom plans to grow in both segments. At the same time, the goal is to raise the Group's EBIT margin to a sustainable level of over 10%. To this end, EBIT in the ETC business is to be maintained well above 10% and EBIT in the IMS business is to be continuously improved. In a good environment an IMS EBIT of up to 8% appears feasible from today's perspective.

Vienna, June 4, 2018



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

# Auditor’s Report.

## *Report on the Consolidated Financial Statements.*

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

**Audit Opinion.**
We have audited the consolidated financial statements of Kapsch TrafficCom AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at March 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

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

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

We considered the following matters as key audit matters for our audit:

1. Impairment test of goodwill
2. Estimates and assumptions regarding the recognition of revenue from construction contracts

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

### 1 Impairment test of goodwill.

**Description.**
The consolidated financial statements contain goodwill in the amount of EUR 47,630k under the item intangible assets, of which TEUR 11,783 is allocated to the CGU ETC-Americas and TEUR 21,316 to the CGU ETC-EMEA. The Group carries out an impairment test at least once a year and additionally, if a triggering event occurs (impairment test in accordance with IAS 36).

The impairment testing of goodwill requires significant estimates by management regarding the future market development and the probability of winning individual major contracts during the planning period. This is particularly true for implementation projects with regard to toll collection systems in the ETC segment, where new orders are very volatile and contracts are generally awarded based on invitations to tender, which usually is associated with certain uncertainties. In addition, there is significant area of judgement involved in the valuation, in particular with regard to the discount rate and the long-term growth rate. For the consolidated financial statements, there is a risk of an overstatement of goodwill.

**Audit approach and findings.**
We have evaluated the reasonableness of forward-looking estimates and significant assumptions as well as the calculation model used, involving our internal valuation experts.

We first gained an understanding of the planning logic and the planning process as well as the impairment process (identification and definition of cash-generating units, determination of the recoverable amount, analysis of impairment, determination of discount rate and growth rate as well as calculation model).

We have examined whether the assumptions used in the budget are in line with the plans drawn up by the Executive Board and approved by the Supervisory Board and we have analyzed and critically assessed the essential drivers for future development (such as sales, expenses, project planning, investments, changes in working capital). The assumptions regarding the discount rate and the growth rate were checked by means of external market and industry data, and the impairment model was tested for mathematical accuracy. Further, we have assessed the appropriateness of the disclosures on impairment testing provided in the notes. This included, in particular, the sensitivity analyses performed to assess the risk of possible deviations from sales and earnings assumptions as well as from the used discount and growth rates.

The valuation model used by the entity is appropriate to carry out an impairment test as required by IFRS (impairment test in accordance with IAS 36). The assumptions and parameters used in the valuation are appropriate. The disclosures required by the relevant standards are complete and appropriate.

**Reference to related disclosures.**
The Group's disclosures on goodwill are set out in note 16 "Intangible assets" and note 40.4.1 "Goodwill" in section 40 "Accounting and valuation methods".

## 2 Estimates and assumptions regarding the recognition of revenue from construction contracts.

**Description.**
The major part of the Group's revenue and earnings contribution reported during the fiscal year comes from the project business. Receivables from construction contracts as of March 31, 2018 amount to TEUR 76,966 and liabilities to TEUR 31,486. In the fiscal year 2017/18 revenue from constructions contracts was generated in the amount of TEUR 300,320.
The Group uses the percentage of completion method according to IAS 11 in accounting for its construction contracts, whereby the degree of completion is determined from the ratio of the costs already incurred to the estimated total costs for the respective contract. This requires an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts, which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the contract margin.
Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Group usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.
Due to the material impact of the major projects, in particular during the construction phase, on the Group's financial position and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the project revenue, the Group result and the project-related balance sheet items contain a material misstatement.

**Audit approach and findings.**
Within the framework of our risk-based audit approach, we have gained an understanding of the processes and internal controls relevant for the accounting of construction contracts and tested the effectiveness of selected internal controls. This mainly related to internal controls in connection with the approval of order calculations for new contracts, approval of ongoing cost updates and status reports on major projects. In performing our substantive audit procedures, we have requested the IAS 11 valuations for the largest constructions contracts of the Group and recalculated the IAS 11 balances on the basis of the planned revenue and costs, the costs incurred up to the balance sheet date and invoiced revenues for those contracts. Based on samples we looked at project requests, customer contracts, Supervisory Board minutes, the project budgeting tool as well as detailed cost estimates for individual significant projects and held discussions with the project managers and the management team regarding the status of the project, project risks and planning assumptions.

In assessing the appropriateness of the estimates, a particular focus was on the review of the regular update of plan assumptions, in particular on the planned cost to complete and the project margin. In doing so, we have made use of historical experience regarding the accuracy of estimates of large-scale projects carried out in the past. We have examined the appropriateness of the disclosures on uncertainties with regard to estimation and examined the calculation of the sensitivity figures in the case of deviating margins by 10% regarding the major projects.

The valuation methods and underlying assumptions for the valuation of construction contracts are appropriate. The disclosures required by the relevant standards are complete and appropriate.

**Reference to related disclosures.**
The Group's information on constructions contracts can be found in the notes 3.1 "Percentage of completion method for contract work" in section 3 "Material accounting estimates and assumptions with regard to accounting policies", notes 21 "Trade receivables and other current assets" and 28 "Other liabilities and deferred income", as well as in note 40.10 "Construction contracts" in section 40 "Accounting policies".

**Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements.**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements.**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:
- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements.

**Comments on the Management Report for the Group.**
Pursuant to the Austrian Commercial Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

**Opinion.**
In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

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

## Other Information.

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

We were appointed as statutory auditor at the ordinary general meeting dated September 6, 2017 and engaged by the supervisory board on February 22, 2018. We have audited the Group for an uninterrupted period since 2006.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU-Regulation) and that we remained independent of the audited company in conducting the audit.

## Responsible Engagement Partner.

Responsible for the proper performance of the engagement is Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, June 4, 2018

PwC Wirtschaftsprüfung GmbH

signed:

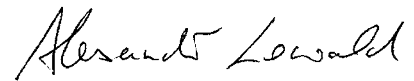
Peter Pessenlehner
Austrian Certified Public Accountant

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

## *Pursuant to §124 subsection 1 Stock Exchange Act 2018.*

We declare to the best of our knowledge that the consolidated financial 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, June 4, 2018



Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

# Financial Statements.

*Kapsch TrafficCom AG as of March 31, 2018.*


Balance sheet as at March 31, 2018 ... 100
Income statement for the fiscal year 2017/18 ... 102
Notes to the financial statements for fiscal year 2017/18 ... 103
Management Report as of March 31, 2018 ... 119
Auditor's Report ... 133
Statement of all Members of the Executive Board ... 140

**Kapsch TrafficCom AG, Vienna**

# Balance sheet as at March 31, 2018
## (Translation)

**Assets**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | EUR | EUR | EUR '000 | EUR '000 |
| **A. Fixed assets** | | | | |
| I. Intangible assets | | | | |
| 1. Industrial property and similar rights and assets, and licenses in such rights and assets | | 8,941,797.20 | | 7,310 |
| 2. Prepayments and construction in process | | 704,524.59 | | 0 |
| | | 9,646,321.79 | | 7,310 |
| II. Tangible assets | | | | |
| 1. Investments in leasehold buildings | | 990,940.49 | | 1,462 |
| 2. Technical equipment and machinery | | 105,688.50 | | 153 |
| 3. Other equipment, factory and office equipment | | 1,475,889.12 | | 1,424 |
| 4. Prepayments made and assets under construction | | 804,139.48 | | 0 |
| | | 3,376,657.59 | | 3,039 |
| III. Financial assets | | | | |
| 1. Shares in affiliated companies | | 153,421,287.67 | | 149,146 |
| 2. Loans to affiliated companies | | 54,592,657.36 | | 53,489 |
| *thereof with a remaining maturity of more than one year* | *41,311,760.29* | | *40,161* | |
| 3. Participating interests | | 17,325,986.37 | | 11,683 |
| 4. Loans to companies in which the Company has a participating interest | | 1,530,207.90 | | 0 |
| *thereof with a remaining maturity of more than one year* | *1,530,207.90* | | *0* | |
| 5. Securities | | 4,375.00 | | 4 |
| | | 226,874,514.30 | | 214,322 |
| | | 239,897,493.68 | | 224,671 |
| **B. Current assets** | | | | |
| I. Inventories | | | | |
| 1. Merchandise | | 5,129,396.34 | | 5,362 |
| 2. Services not yet invoiced | | 23,334,157.43 | | 1,201 |
| 3. Prepayments made | | 5,539,943.65 | | 5,831 |
| | | 34,003,497.42 | | 12,394 |
| II. Receivables and other assets | | | | |
| 1. Trade receivables | | 18,363,867.30 | | 4,859 |
| *thereof with a remaining maturity of more than one year* | *0.00* | | *0* | |
| 2. Receivables from affiliated companies | | 95,875,853.53 | | 139,543 |
| *thereof with a remaining maturity of more than one year* | *1,562,913.32* | | *6,533* | |
| 3. Receivables from companies in which the Company has a participating interest | | 309,741.25 | | 140 |
| *thereof with a remaining maturity of more than one year* | *309,741.25* | | *140* | |
| 4. Other receivables and assets | | 6,756,265.55 | | 5,818 |
| *thereof with a remaining maturity of more than one year* | *0.00* | | *0* | |
| | | 121,305,727.63 | | 150,360 |
| III. Cash on hand, cash at banks | | 79,154,582.08 | | 102,555 |
| | | 234,463,807.13 | | 265,309 |
| **C. Prepaid expenses and deferred charges** | | 1,066,232.93 | | 1,262 |
| **D. Deferred tax assets** | | 2,319,364.91 | | 2,579 |
| | | 477,746,898.65 | | 493,821 |

**Kapsch TrafficCom AG, Vienna**

# Balance sheet as at March 31, 2018 (Translation)

**Shareholders' equity and liabilities**

| | March 31, 2018 | | March 31, 2017 | |
|---|---|---|---|---|
| | EUR | EUR | EUR '000 | EUR '000 |
| **A. Shareholders' equity** | | | | |
| I. Share capital called up and paid in | | 13,000,000.00 | | 13,000 |
| *Share capital subscribed* | *13,000,000.00* | | *13,000* | |
| II. Capital reserves | | | | |
| Appropriated | | 117,400,000.00 | | 117,400 |
| III. Unappropriated retained earnings | | 147,445,071.14 | | 136,490 |
| *thereof prior period unappropriated retained earnings brought forward* | *116,989,805.92* | | *92,965* | |
| | | 277,845,071.14 | | 266,890 |
| **B. Investment grants** | | 57,773.12 | | 134 |
| **C. Accruals and provisions** | | | | |
| 1. Accruals for severance payments | | 5,280,185.00 | | 5,246 |
| 2. Other accruals and provisions | | 10,724,004.62 | | 15,479 |
| | | 16,004,189.62 | | 20,725 |
| **D. Accounts payable** | | | | |
| *thereof with a remaining maturity of less than one year* | *40,850,026.89* | | *108,801* | |
| *thereof with a remaining maturity of more than one year* | *142,989,837.88* | | *97,271* | |
| 1. Bonds and promissory note bonds | | 74,923,837.88 | | 146,451 |
| *thereof convertible* | *0.00* | | *0* | |
| *thereof with a remaining maturity of less than one year* | *0.00* | | *70,818* | |
| *thereof with a remaining maturity of more than one year* | *74,923,837.88* | | *75,633* | |
| 2. Bank loans and overdrafts | | 72,853,462.56 | | 26,425 |
| *thereof with a remaining maturity of less than one year* | *4,997,462.56* | | *4,997* | |
| *thereof with a remaining maturity of more than one year* | *67,856,000.00* | | *21,428* | |
| 3. Prepayments received | | 1,113,330.41 | | 81 |
| *thereof with a remaining maturity of less than one year* | *1,113,330.41* | | *81* | |
| *thereof with a remaining maturity of more than one year* | *0.00* | | *0* | |
| 4. Trade payables | | 2,988,235.93 | | 2,409 |
| *thereof with a remaining maturity of less than one year* | *2,988,235.93* | | *2,409* | |
| *thereof with a remaining maturity of more than one year* | *0.00* | | *0* | |
| 5. Payables to affiliated companies | | 27,765,879.05 | | 25,876 |
| *thereof with a remaining maturity of less than one year* | *27,765,879.05* | | *25,876* | |
| *thereof with a remaining maturity of more than one year* | *0.00* | | *0* | |
| 6. Other liabilities | | 4,195,118.94 | | 4,830 |
| *thereof taxes* | *67,502.10* | | *60* | |
| *thereof social security payables* | *718,563.31* | | *672* | |
| *thereof with a remaining maturity of less than one year* | *3,985,118.94* | | *4,620* | |
| *thereof with a remaining maturity of more than one year* | *210,000.00* | | *210* | |
| | | 183,839,864.77 | | 206,072 |
| | | 477,746,898.65 | | 493,821 |

**Kapsch TrafficCom AG, Vienna**

# Income statement for the fiscal year 2017/18 (Translation)

| | 2017/18 | | 2016/17 | |
|---|---|---|---|---|
| | EUR | EUR | EUR '000 | EUR '000 |
| 1. Net sales | | 151,384,691.32 | | 160,967 |
| 2. Change in services not yet invoiced | | 22,133,260.76 | | -1,836 |
| 3. Other operating income | | | | |
| a) Income from the retirement of fixed assets excluding financial assets | | 1,666.67 | | 2 |
| b) Income from the reversal of accruals and provisions | | 2,496,551.67 | | 4,690 |
| c) Other | | 8,167,956.96 | | 9,534 |
| | | 10,666,175.30 | | 14,226 |
| 4. Cost of materials and other purchased services | | | | |
| a) Cost of materials | | -31,124,736.29 | | -14,949 |
| b) Cost of purchased services | | -51,685,012.17 | | -50,309 |
| | | -82,809,748.46 | | -65,258 |
| 5. Personnel expenses | | | | |
| a) Wages | | -64,626.36 | | -284 |
| b) Salaries | | -28,617,002.22 | | -26,840 |
| c) Social benefits | | -8,097,873.16 | | -8,716 |
| *thereof expenses for pensions* | *-145,588.78* | | *-158* | |
| *thereof expenses for severance payments and contributions to staff provision funds* | *-677,749.04* | | *-1,287* | |
| *thereof expenses for statutory social security, payroll-related taxes and mandatory contributions* | *-7,059,524.39* | | *-7,079* | |
| | | -36,779,501.74 | | -35,840 |
| 6. Depreciation and amortization of fixed tangible and intangible assets | | -3,628,619.78 | | -3,657 |
| 7. Other operating expenses | | -47,801,419.90 | | -38,050 |
| *thereof taxes not included in line 16* | *-246,308.66* | | *-276* | |
| **8. Subtotal of lines 1 to 7** | | 13,164,837.50 | | 30,552 |
| 9. Income from participating interests | | 22,172,087.62 | | 23,316 |
| *thereof from affiliated companies* | *22,172,087.62* | | *23,316* | |
| 10. Other interest and similar income | | 5,177,472.29 | | 4,727 |
| *thereof from affiliated companies* | *5,005,892.73* | | *4,563* | |
| 11. Income from the disposal and write-up of fixed financial assets | | 50,013.51 | | 2,241 |
| 12. Expenses on fixed financial assets | | -1,026,240.71 | | -5,967 |
| *thereof write-offs* | *-1,026,240.71* | | *-5,967* | |
| 13. Interest and similar expenses | | -3,346,401.69 | | -4,118 |
| **14. Subtotal of lines 9 to 13** | | 23,026,931.02 | | 20,199 |
| **15. Profit before taxation (subtotal of lines 8 and 14)** | | 36,191,768.52 | | 50,751 |
| 16. Taxes on income | | -5,736,503.30 | | -7,226 |
| *thereof recharged to group parent* | *-5,339,941.69* | | *-9,737* | |
| *thereof deferred taxes* | *-259,311.99* | | *2,579* | |
| **17. Profit after taxation** | | 30,455,265.22 | | 43,525 |
| **18. Net income for the year** | | 30,455,265.22 | | 43,525 |
| 19. Prior period unappropriated retained earnings brought forward | | 116,989,805.92 | | 92,965 |
| **20. Unappropriated retained earnings** | | 147,445,071.14 | | 136,490 |

# Notes to the financial statements for fiscal year 2017/18
(Translation)

## A. General principles

The financial statements as at March 31, 2018 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code (UGB) as amended.

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

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

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

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

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

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

## B. Group relations

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

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

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

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

## C. Accounting and valuation methods

The previously applied accounting and valuation methods have been maintained.

### 1. Fixed assets

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

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

### Intangible assets

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

In the fiscal year, intangible assets in the amount of EUR 3,805,753.07 (prior year: EUR 0.00k) were acquired from affiliated companies.

### Tangible assets

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

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

No write-downs were charged in the fiscal year.

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

### Financial assets

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

### Write-ups to fixed assets

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

## 2. Current assets

### 2.1. Inventories

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

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

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

### 2.2. Receivables and other assets

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

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

### 2.3. Cash on hand, cash at banks

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

### 3. Prepaid expenses and deferred charges

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

### 4. Deferred tax assets

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

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

### 5. Accruals and provisions

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

The **accruals for severance payments** and **the provisions for anniversary bonuses** were calculated as stated in the AFRAC opinion 27 "Accruals for pensions and severance payments, provisions for anniversary bonuses and comparable obligations falling due in the long term under the provisions of the Austrian Commercial Code" (June 2016, available in German only) pursuant to accepted actuarial methods in accordance with IAS 19 using the projected unit credit method.

A discount rate of 1.45% (prior year: 1.45%) was used for the calculation of the provisions for anniversary bonuses and a discount rate of 1.35% (prior year: 1.35%) for the calculation of accruals for severance payments. A rate of 2.5% (prior year: 2.5%) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables Pagler & Pagler AVÖ 2008-P (prior year: AVÖ 2008-P). Staff turnover rates were determined based on the period of service.

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

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

## 6. Accounts payable

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

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

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

## D. Comments on items in the balance sheet

### A s s e t s

### Fixed assets

Movements in fixed assets:

| | Acquisition cost | | | |
|---|---|---|---|---|
| | Balance April 1, 2017 | Additions | Disposals | Balance March 31,2018 |
| | EUR | EUR | EUR | EUR |
| **I. Intangible assets** | | | | |
| 1. Industrial property and similar rights and assets, and licenses in such rights and assets | 19,343,039.02 | 4,259,340.64 | 5,809.48 | 23,596,570.18 |
| 2. Prepayments and construction in process | 0.00 | 704,524.59 | 0.00 | 704,524.59 |
| | 19,343,039.02 | 4,963,865.23 | 5,809.48 | 24,301,094.77 |
| **II. Tangible assets** | | | | |
| 1. Investments in leasehold buildings | 5,197,786.98 | 0.00 | 0.00 | 5,197,786.98 |
| 2. Technical equipment and machinery | 2,314,533.66 | 42,764.48 | 0.00 | 2,357,298.14 |
| 3. Other equipment, factory and office equipment | 6,374,217.80 | 493,591.83 | 90,779.73 | 6,777,029.90 |
| 4. Prepayments made and assets under construction | 0.00 | 804,139.48 | 0.00 | 804,139.48 |
| | 13,886,538.44 | 1,340,495.79 | 90,779.73 | 15,136,254.50 |
| **III. Financial assets** | | | | |
| 1. Shares in affiliated companies | 154,813,677.46 | 4,288,403.74 | 13,125.00 | 159,088,956.20 |
| 2. Loans to affiliated companies | 53,488,456.05 | 1,104,201.31 | 0.00 | 54,592,657.36 |
| 3. Participating interests | 17,649,952.78 | 6,668,919.63 | 0.00 | 24,318,872.41 |
| 4. Loans to companies in which the Company has a participating interest | 0.00 | 1,530,207.90 | 0.00 | 1,530,207.90 |
| 5. Securities | 4,375.00 | 0.00 | 0.00 | 4,375.00 |
| | 225,956,461.29 | 13,591,732.58 | 13,125.00 | 239,535,068.87 |
| | 259,186,038.75 | 19,896,093.60 | 109,714.21 | 278,972,418.14 |

| | Accumulated amortization/depreciation | | | | Net book value | |
|---|---|---|---|---|---|---|
| | Balance April 1, 2017 | Additions | Disposals | Balance March 31, 2018 | Balance March 31, 2018 | Balance March 31, 2017 |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| **I. Intangible assets** | | | | | | |
| 1. Industrial property and similar rights and assets, and licenses in such rights and assets | 12,033,223.45 | 2,627,359.01 | 5,809.48 | 14,654,772.98 | 8,941,797.20 | 7,309,815.57 |
| 2. Prepayments and construction in process | 0.00 | 0.00 | 0.00 | 0.00 | 704,524.59 | 0.00 |
| | 12,033,223.45 | 2,627,359.01 | 5,809.48 | 14,654,772.98 | 9,646,321.79 | 7,309,815.57 |
| **II. Tangible assets** | | | | | | |
| 1. Investments in leasehold buildings | 3,735,804.87 | 471,041.62 | 0.00 | 4,206,846.49 | 990,940.49 | 1,461,982.11 |
| 2. Technical equipment and machinery | 2,160,973.16 | 90,636.48 | 0.00 | 2,251,609.64 | 105,688.50 | 153,560.50 |
| 3. Other equipment, factory and office equipment | 4,950,258.87 | 439,582.67 | 88,700.76 | 5,301,140.78 | 1,475,889.12 | 1,423,958.93 |
| 4. Prepayments made and assets under construction | 0.00 | 0.00 | 0.00 | 0.00 | 804,139.48 | 0.00 |
| | 10,847,036.90 | 1,001,260.77 | 88,700.76 | 11,759,596.91 | 3,376,657.59 | 3,039,501.54 |
| **III. Financial assets** | | | | | | |
| 1. Shares in affiliated companies | 5,667,668.53 | 0.00 | 0.00 | 5,667,668.53 | 153,421,287.67 | 149,146,008.93 |
| 2. Loans to affiliated companies | 0.00 | 0.00 | 0.00 | 0.00 | 54,592,657.36 | 53,488,456.05 |
| 3. Participating interests | 5,966,645.33 | 1,026,240.71 | 0.00 | 6,992,886.04 | 17,325,986.37 | 11,683,307.45 |
| 4. Loans to companies in which the Company has a participating interest | 0.00 | 0.00 | 0.00 | 0.00 | 1,530,207.90 | 0.00 |
| 5. Securities | 0.00 | 0.00 | 0.00 | 0.00 | 4,375.00 | 4,375.00 |
| | 11,634,313.86 | 1,026,240.71 | 0.00 | 12,660,554.57 | 226,874,514.30 | 214,322,147.43 |
| | 34,514,574.21 | 4,654,860.49 | 94,510.24 | 39,074,924.46 | 239,897,493.68 | 224,671,464.54 |

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

| | In the following fiscal year | | In the next 5 fiscal years | |
|---|---|---|---|---|
| | EUR | Prior year EUR '000 | EUR | Prior year EUR '000 |
| Obligations from rental and lease agreements | 3,991,951.10 | 6,546 | 17,447,365.09 | 19,712 |

**Financial assets**

**Loans**

Loans amounting to EUR 13,280,897.07 (prior year: EUR 13,328k) granted to affiliated companies have a residual term of less than one year.

## Shares in affiliated companies and participating interests

## Supplementary disclosures pursuant to Section 238 No. 2 UGB

| Figures as at March 31, 2018 | Share | Shareholders' equity | Result of fiscal year | FN |
|---|---|---|---|---|
| | % | EUR '000 | EUR '000 | |
| **a) Shares in affiliated companies** | | | | |
| Kapsch TrafficCom AB, Jönköping, Sweden | 100.00 | 30,334 | 5,913 | 1) |
| Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina | 95.00 | 1,898 | -837 | 1) |
| Kapsch Components GmbH & Co KG, Vienna | 100.00 | 10,880 | 6,786 | 1) |
| Kapsch Components GmbH, Vienna | 100.00 | 121 | 6 | 1) |
| Kapsch TrafficCom B.V., Amsterdam, Netherlands | 100.00 | 104,246 | 537 | 1) |
| Kapsch Telematic Services GmbH, Vienna | 93.00 | 30,173 | 12,891 | 2) |
| Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czechia | 100.00 | 1,682 | 782 | 1) |
| KTC Italy S.r.l., Bologna, Italy | 100.00 | -98 | -542 | 1) |
| Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria | 100.00 | 105 | -23 | 1) |
| Kapsch TrafficCom Ltd., Manchester, Great Britain | 100.00 | 953 | 6 | 1) |
| Artibrain Software Entwicklungsgesellschaft mbH, Vienna | 100.00 | 51 | 0 | 1) |
| Kapsch TrafficCom Russia o.o.o., Moscow, Russia | 100.00 | 472 | -214 | 1) |
| Kapsch TrafficCom d.o.o., Ljubljana, Slovenia | 100.00 | 0 | 1 | 1) |
| Kapsch TrafficCom France SAS, Paris, France | 30.19 | 251 | 43 | 1) |
| ETC (Pty) Ltd., Cape Town, South Africa | 25.00 | -19,502 | -1,640 | 1) |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa | 100.00 | 10,571 | 66 | 1) |
| Kapsch TrafficCom Kazakhstan LLC, Astana, Kasachstan | 100.00 | 68 | 1 | 1) |
| KTS Beteiligungs GmbH (formerly Jibesoev GmbH), Vienna | 100.00 | 1,068 | 627 | 3) |
| Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates | 49.00 | 56 | 1 | 1) |
| Kapsch Telematic Services IOOO, Minsk, Belarus | 99.00 | 6,713 | 3,937 | 1) |
| Kapsch TrafficCom Lietuva, Lithuania | 51.00 | 27 | 2 | 1) |
| Kapsch TrafficCom KGZ, Kyrgyzstan | 100.00 | 10 | 3 | 1) |
| Kapsch TrafficCom Transportation S.A.U., Madrid, Spain | 100.00 | 12,201 | 2,294 | 1) |
| tolltickets GmbH, Rosenheim, Germany | 65.00 | -483 | -506 | 1) |
| Fluidtime Mobility Software GmbH, Vienna | 75.50 | 21 | -713 | 1) |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico | 52.11 | 5,591 | 591 | |
| **b) Participating interests** | | | | |
| Q-Free ASA, Trondheim, Norway | 15.41 | 44,115 | -8,642 | 3) |
| Traffic Technology Service Inc. Beaverton, USA | 14.67 | 3,815 | -596 | 3) |
| Intelligent Mobility Solutions Limited Lusaka, Zambia | 50.00 | 3,479 | 983 | 1) |

1) Figures as at March 31, 2018 (IFRS)
2) Figures as at March 31, 2018 (UGB)
3) Figures as at December 31, 2017

In connection with the acquisition of 3% of the shares in Kapsch Telematic Services GmbH, Vienna, an outstanding variable purchase price component exists that depends on the earnings before interest and taxes (EBIT) of the KTS Group, net of non-controlling interests, of the fiscal years 2015-2018. This outstanding component amounts to a maximum of EUR 3.5 million (due for payment in July 2018 at the latest).

For the acquisition of 75.5% of the shares in FLUIDTIME Data Services GmbH, Vienna, a variable purchase price based on the financial statements as at December 31, 2019 (or, when the balance sheet date changes, as at March 31, 2020) was agreed and depends on net sales and net result. The variable purchase price amounts to a maximum of EUR 715,000.00.

Per purchase agreement dated June 28, 2016, Kapsch TrafficCom AG acquired two call options for the purchase of a further 10% each of the shares in tolltickets GmbH, Rosenheim, Germany.

The calculation of the purchase price for the shares, which are acquired by the purchaser exercising the respective option, was contractually agreed to be performed using a calculation formula based on the EBIT of tolltickets GmbH, Rosenheim, Germany, for the respective reference fiscal year.

For the acquisition of 50 % of the shares in Intelligent Mobility Solutions Limited, Zambia, a variable purchase price in the amount of USD 4,675,000 (EUR 3,794,334.88) was agreed which depends on winning a further concession agreement in Zambia.

With regard to the participating interest in Q-free ASA, Trondheim, Norway, the existence of a permanent diminution in value was established in the fiscal year 2017/18 due to the continuing negative development of the share price, resulting in a write-down in the amount of EUR 1,026,240.71 on the share price at the balance sheet date.

## Current assets

### Inventories

Prepayments in the amount of EUR 4,845,743.82 (prior year: EUR 5,384k) relate to prepayments made to affiliated companies.

Valuation allowances in the amount of EUR 7,230,374.82 (prior year: EUR 8,608k) were set up for inventories.

### Receivables

Receivables from affiliated companies pertain to trade receivables in the amount of EUR 62,372,489.65 (prior year: EUR 97,521k), loan receivables in the amount of EUR 29,871,799.05 (prior year: EUR 36,092k) and dividend receivables in the amount of EUR 3,631,564.83 (prior year: EUR 5,930k).

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

Other receivables include income in the amount of EUR 5,145,595.36 (prior year: EUR 5,391k) that will affect cash flow only after the balance sheet date.

### Deferred tax assets

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

Deferred taxes include long-term temporary differences in the amount of EUR 2,242,210.22 (prior year: EUR 2,454k).

## Shareholders' equity and liabilities

### Shareholders' equity

### Disclosures on share capital

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

### Authorized capital

The authorized capital amounts to EUR 0 as of March 31, 2018 (prior year: EUR 0k).

### Proposed appropriation of retained earnings

The Company intends to distribute a dividend in the amount of EUR 19,500,000 (prior year: EUR 19,500k) and to carry forward the remaining amount to the next fiscal year.

### Amount subject to a prohibition of profit distribution

According to Section 235 UGB, unappropriated retained earnings in the amount of EUR 2,319,364.91 (prior year: EUR 2,579k) resulting from deferred tax assets are not available for distribution.

**Investment grants**

Kapsch TrafficCom AG, Vienna, received an investment grant from the lessor for the adaptation of the new location at Euro Plaza. The grant included in the item investment grants relates to the following items of fixed assets:

| | Balance April 1, 2017 | Utilization | Balance March 31, 2018 |
|---|---|---|---|
| | EUR | EUR | EUR |
| Leasehold improvements | 134,453.79 | 76,680.67 | 57,773.12 |

**Accruals and provisions**

**Other accruals and provisions** include the following items:

| | March 31, 2018 EUR | March 31, 2017 EUR '000 |
|---|---|---|
| Outstanding project costs and risks | 5,296,447.69 | 10,062 |
| Invoices not yet received (excl. projects) | 792,391.39 | 199 |
| Personnel accruals (including vacation accruals of EUR 1,891,765.96; prior year: EUR 1,646k) | 4,242,202.52 | 3,572 |
| Warranties and liabilities for construction flaws, as well as production and system defects | 264,611.25 | 302 |
| Other accruals and provisions | 128,351.77 | 1,344 |
| | 10,724,004.62 | 15,479 |

**Accounts payable**

Of the payables, promissory note bonds in the amount of EUR 31,500,000.00 (prior year: EUR 31,500k) and bank loans and overdrafts in the amount of EUR 16,068,000.00 (prior year: EUR 7,140k) have a remaining maturity of more than 5 years.

In June 2016, five promissory note bonds in the following amounts were issued:

EUR 26,000,000.-- 5 years with a fixed interest rate of 1.22%
EUR 4,500,000.-- 5 years with a variable interest rate
EUR 23,000,000.-- 7 years with a variable interest rate
EUR 8,500,000.-- 10 years with a fixed interest rate of 2.26%, as well as
USD 14,500,000.-- 5 years with a variable interest rate

Payables to affiliated companies pertain to trade payables with the exception of liabilities resulting from tax allocation in the amount of EUR 5,662,605.14 (prior year: EUR 9,464k).

Other liabilities include expenses in the amount of EUR 3,520,153.30 (prior year: EUR 3,721k) that will affect cash flow only after the balance sheet date.

## Collateral securities

The export promotion loan recognized in the amount of EUR 1,425,462.56 as well as the loan for acquisitions in the amount of EUR 21,428,000.-- are secured by bill of exchange.

## Contingent liabilities

| | March 31, 2018<br>EUR | March 31, 2017<br>EUR |
|---|---:|---:|
| Assumption of liabilities on behalf of subsidiaries | 57,756,928.34 | 54,014,437.11 |
| Bank guarantees for the performance of contracts relating to major projects | 73,897,419.95 | 76,725,420.04 |
| Payment guarantees | 477,702.14 | 407,826.30 |
| Performance bonds | 264,201,202.18 | 292,554,275.80 |
| Other guarantees (security deposits, bid bonds and sureties) | 571,773.77 | 812,050.61 |
| | 396,905,026.38 | 424,514,009.86 |

In addition, Kapsch TrafficCom AG, Vienna, provided performance bonds for export transactions and projects of Kapsch TrafficCom AB, Jönköping, Sweden, in a contract value of EUR 39.0 million (prior year: EUR 42.1 million).

A letter of subordination exists vis-à-vis Electronic Toll Collection (PTY) Ltd., Centurion, South Africa, in the amount of EUR 13,280,897.00.

With regard to the subsidiary Kapsch Telematic Services Sp. Z.o.o., Warsaw, Poland, as well as its subsidiary Kapsch Road Services Sp. Z.o.o., Warsaw, Poland, the Company – on April 1, 2018 and April 2, 2018 – declared to financially support these companies for a period of at least 15 months from the date of the statement.

## Derivative financial instruments

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

| Category | Amount | | Fair value in EUR | | Book value | Balance sheet item |
|---|---|---|---|---|---|---|
| Type of financial instrument | Nominal amount | Number | Positive | Negative | | |
| | | | | | | |
| Currency-related products | | | | | | |
| Currency forward contracts | 1,030,000 GBP | 1 | 12,178.61 | | n/a | n/a |
| Currency forward contracts | 450,000 GBP | 1 | | 851.77 | 851.77 | other accruals and provisions |
| Interest rate-related products | | | | | | |
| Interest rate swap | 7,500,000 USD | 1 | 153,935.54 | n/a | n/a | |

The fair value corresponds to the market value.

## E. Comments on income statement items

### Breakdown of net sales

| **By field of activity**: | 2017/18<br>EUR | 2016/17<br>EUR '000 |
|---|---|---|
| Electronic Toll Collection (ETC) | 140,076,447.29 | 146,473 |
| Intelligent Mobility Solutions (IMS) | 11,308,244.03 | 14,494 |
| | 151,384,691.32 | 160,967 |

| **By region**: | 2017/18<br>EUR | 2016/17<br>EUR '000 |
|---|---|---|
| Domestic | 34,487,499.81 | 30,434 |
| European Union | 82,592,709.44 | 89,276 |
| Foreign | 34,304,482.07 | 41,257 |
| | 151,384,691.32 | 160,967 |

The item **salaries** includes expenses from changes in provisions for anniversary bonuses in the amount of EUR 220,504.63 (prior year: income in the amount of EUR 76k).

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

| | 2017/18<br>EUR | 2016/17<br>EUR '000 |
|---|---|---|
| Expenses for severance payments | 342,063.67 | 950 |
| Contributions to staff provision funds | 335,685.37 | 337 |
| | 677,749.04 | 1,287 |

### Expenses for the auditor

Expenses for the auditor amount to EUR 209,398.00 (prior year: EUR 234k) and are broken down as follows:

| | 2017/18<br>EUR | 2016/17<br>EUR '000 |
|---|---|---|
| Audit of the financial statements | 53,230.00 | 54 |
| Other assurance services | 88,846.00 | 138 |
| Other services | 67,322.00 | 42 |
| | 209,398.00 | 234 |

## Taxes on income

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

Liabilities resulting from tax allocation amount to EUR 5,662,605.14 (prior year: EUR 9,464k), with the tax rate applicable to deferred taxes being 25%.

# F. Other disclosures

## Disclosures on board members and staff

The average number of staff during fiscal year 2017/18 was 420 including 414 salaried employees and 6 waged workers (prior year: 408 salaried employees, 17 waged workers).

In fiscal year 2017/18, total remuneration of the management board amounted to EUR 2,255,155.59 (prior year: EUR 2,175k), expenses for severance payments and pensions for managing directors amounted to EUR 112,133.87 (prior year: EUR 125k).

With regard to supervisory board members, remuneration (including travel expenses) in the amount of EUR 122,458.81(prior year: EUR 122k) was recognized as expenses.

The following persons served on the management and supervisory board:

### Management Board

Georg Kapsch (Chairman)
André Laux
Alexander Lewald

### Supervisory Board

Franz Semmernegg (Chairman)
Kari Kapsch (Deputy Chairman)
Sabine Kauper
Harald Sommerer

delegated by the Works Council:

Christian Windisch
Martin Gartler

**Subsequent events**

In order to finance its subsidiaries in the US, Kapsch TrafficCom B.V., Amsterdam, received an additional capital contribution amounting to USD 15 million on May 9, 2018.

A share of 1% in Intelligent Mobility Solutions Limited, Zambia, was acquired on May 18, 2018.

Kapsch TrafficCom was informed at the beginning of May 2018 that the Czech competition authority UOHS had stopped the tender for a nationwide truck toll system in the Czech Republic. Kapsch TrafficCom operates the current toll system and will continue to fulfill its obligations. The existing toll contract will run until the end of 2019 at the latest.

Vienna, June 4, 2018

The Management Board:

| signed: | signed: | signed: |
|---|---|---|
| Georg Kapsch | André Laux | Alexander Lewald |

# ***Management Report***
*(Translation)*

# *Kapsch TrafficCom AG, Vienna*
# *as at March 31, 2018*

## 1 General economic situation

### Global economy

In 2017, global economic activity developed more dynamically than expected. Compared to the previous year, the expansion rate of aggregate output accelerated from 3.2% to 3.7%. Unlike before, both the advanced economies and the emerging and developing countries benefited from this rise in momentum. World trade also received a noticeable boost. Having expanded by only 1.3% in 2016, the overall volume of goods and services exchanged worldwide rose by 3.6% in the year under review. In a longer-term context, this constitutes the highest growth rate since 2011 despite a recent increase in protectionist tendencies. As for 2018, economists expect business activity to follow a stable growth path. While global GDP is forecast to go up by 3.9% according to the latest IMF report, worldwide trading volumes should expand by 3.2% based on current WTO estimates.

### U.S.A.

In the United States, GDP growth exceeded the 2% level in 2017. Despite uncertainties over the political course of the new administration, the current phase of economic expansion, already the third-longest in US history, is expected to continue well into 2018. The tax reform implemented in late 2017 is set to have a positive impact on growth, albeit only in the short term. Most notably, US companies are likely to expand their investment activities in light of the reduction in the corporate tax rate from 35% to 21%. Overall, the US economy is estimated to grow by 2.7% in 2018.

### Emerging Markets and Developing Economies

Economic activity in the emerging and developing economies firmed up in 2017, with aggregate GDP increasing by 4.7%. Asia continued to be the main driver of growth on a regional level. In China, for instance, the projected economic deceleration did not materialise in the year under review due to strong external demand. Instead, Chinese output went up by 6.8% in 2017, after having expanded by 6.7% in the preceding year. As far as the ASEAN-5 region (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) is concerned, economic growth amounted to 5.3%. India's development, by contrast, was slightly less dynamic than before as the economy had to adjust to a recent currency reform. In 2018, Asia is set to remain the fastest-growing region worldwide, even though geopolitical tensions in the Eastern part pose a downside risk.

2017 marked a year of continued stabilisation for the Commonwealth of Independent States (CIS), driven primarily by Russia's economic recovery. Following two years of recession, the largest regional economy picked up by 1.8%. First and foremost, this development can be attributed to the recovery in oil prices in the second half of the year. In order to ensure the stabilisation of the oil market, OPEC and ten non-OPEC producers led by Russia agreed to extend output cuts until the end of 2018. While the oil-exporting states of the MENAP region (Middle East and North Africa, Afghanistan and Pakistan) benefited from the upward trend in prices as well, their economic performance was subdued in 2017. Contrary to the global trend, GDP growth weakened to 2.5% owing to a lack of fiscal adjustment.

Latin America returned to a growth path in 2017. The main reason for this was the end of a two-year recession in Brazil, the leading economy in the region. Besides, solid growth rates of over 2% were registered in Argentina and Mexico, although the threat of NAFTA renegotiations continues to loom over the latter economy. The gradual recovery in commodity prices had a positive impact not only on Latin America, but also on many states in Sub-Saharan Africa. While growth in this region strengthened to 2.7% in 2017, it was still far below its potential because of persistent political uncertainties.

**Europe**

The European economy was marked by a broad-based recovery in 2017 and appears to have overcome the financial and sovereign debt crisis. More specifically, the combined GDP of the EU-28 was 2.4% higher than in the preceding year. The main reasons for this were an increase in private consumption and a growing level of corporate investment thanks to improved business expectations. Not only did the large economies like Germany (+2.2%) and France (+1.8%) perform well, but also the countries in the southern periphery showed satisfactory results. The developments on the European labour market were also positive. While the unemployment rate in the EU-28 had exceeded 12% at the peak of the sovereign debt crisis, it amounted to just above 7% at the beginning of 2018.

Growth in the eurozone was as dynamic in 2017 as in the EU as a whole, with aggregate GDP going up by 2.4%. The positive economic sentiment persisted in the first months of 2018, even though the uncertain outcome of the ongoing Brexit negotiations and the secessionist movement in Spain pose downside risks. The inflation rate in the euro area amounted to 1.5% in 2017, thus remaining below the European Central Bank's medium-term target of 2%. Against this background, the ECB held on to its expansionary monetary policy and kept the prime interest rate at its historic low. The decision to cut the monthly pace of bond purchases in half as of January 2018 could be seen as a first sign of a trend reversal in monetary policy, though.

Economic activity in Central and Eastern Europe (CEE) also gathered pace in 2017, driven by rising wage levels and household incomes. On a national level, the Romanian (+6.9%), Polish (+4.6%) and Slovenian economy (+4.6%) performed particularly well, whereas crisis-torn Ukraine saw only modest recovery.

**Austria**

In Austria, national GDP expanded by 2.9%, which constitutes the highest growth rate since 2007. Foreign trade counted among the main drivers of growth, benefiting from the favourable global environment. As for the perspectives for 2018, experts forecast a GDP increase of 3.2%. The average annual inflation rate stood at 2.1%, thus well above the level in the eurozone. For 2018, an inflation rate of 1.9% is expected. Given a steady rise in employment over the course of the year, the joblessness rate slipped below the 6% mark according to the Eurostat definition. 2018 looks set to see a continuation of this positive trend. The budget deficit decreased to 0.8% of GDP in the year under review.

## 1.1 Market for intelligent transportation systems.

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.

**Customer segments**

Kapsch TrafficCom divides the ITS market according to customer segments and the key users. 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/authority-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 (AVIS). They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles (CVO), as well as traffic safety and security. Addressees are mainly car manufacturers and their suppliers. 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 address 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 segment ITS. Vehicle- and user-oriented ITS continue to gain in importance. Kapsch TrafficCom also continuously monitors developments in industry-oriented ITS.

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.** With increasing affluence, the desire for mobility and the associated demands on transportation systems also increase. Mobility is increasingly viewed as a basic need or a necessity. The transportation systems that have been developed to meet this need vary considerably around the world. The number of cars per 1,000 residents therefore serves as an indicator to assess the development level and untapped potential in many countries: While the U.S.A. has an average of about 800 cars, the ratio in South American countries falls to just 314 (Argentina) cars, and the figure is even significantly lower in some African countries. If the emerging countries like China (154 cars/1,000 residents) or Brazil (249 cars/1,000 residents) continue the process of catching up to more developed nations economically, it can be assumed that individual transportation will experience strong growth as well.

**Urbanization.** The share of people living in cities is rising. While this applied to only 2% of the world's population in the year 1800, the year 2007 marked the first time when over half of all people on the planet resided in cities. Forecasts predict that the share of the urban population will rise to 60% by 2030. By then, the global middle class will have grown by more than two billion people, mainly in emerging countries. Since many of these people also want to afford a car, a strong increase in revenues is expected. Some analysts estimate that the global automobile fleet will double (2017: 1.2 billion) over the period 2017-2030, assuming sustained growth momentum. These developments pose fundamental challenges to urban transport infrastructure and require investment in intelligent, sustainable transport systems and mobility solutions.

**Climate protection.** More than one quarter of the energy consumption and $CO_2$ emissions in Europe can be attributed to the transportation sector and 20% to road traffic. Today, 64% of all kilometers driven are traveled in urban areas. In Vienna, roughly one-third of transportation-related $CO_2$ emissions result from the search for parking alone. The total number of kilometers driven in urban areas per year should almost triple between 2010 and 2050, rising from 25.8 billion to 67.1 billion. City residents in the year 2050 will then spend 106 hours per year in traffic jams. In addition to the statutory requirements for the automotive industry intended to decrease $CO_2$ emissions, substantial improvements require changes to user behavior and, above all, intelligent transportation control systems.

**Expansion and financing of transportation networks.** The basic need for mobility, the growing population, increasing urbanization, as well as the increasing volume of freight traffic in global economic exchange show the limits of today's transport systems. The road network must be developed, especially in emerging countries, and highways built decades ago no longer meet requirements. The willingness and ability of governments to invest in the expansion of transport networks is linked, among other things, to reliable financing options.

According to studies, global investment in transport infrastructure will grow at an average annual rate of 5% in the period 2015-2025. The largest share is accounted for by investments in roads. The highest growth rates for transport infrastructure investments are forecast for sub-Saharan Africa, while by far the highest investments are made in the APAC region.

In consideration of tight state budgets, alternative financing models with the participation of private investors will continue to increase in importance in the coming years. Toll collection systems and traffic management systems will take on greater importance in the future to ensure the economical operation of highways.

**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.

## 2 Economic situation of Kapsch TrafficCom AG

### 2.1 General situation

In fiscal year 2017/18, Kapsch TrafficCom AG generated net sales in the amount of EUR 151.4 million, meaning a decrease of 6.0% year on year (2016/17: EUR 161.0 milion). The Electronic Toll Collection (ETC) segment contributed 92.5% to the generated net sales, representing the core business with tolls collected. The Intelligent Mobility Solutions (IMS) segment contributed 7.5% in the reporting period.

In Austria, about 2,200 km of motorways and expressways are equipped with fully electronic toll systems for trucks above a maximum authorized vehicle weight of 3.5 tons, with Kapsch TrafficCom delivering the complete central and roadside infrastructure for almost 490 toll stations and now about 1 million on-board units (GO boxes) since 2004. As in the previous year, the average toll transaction rate generated in Austria remained at the high prior-year percentage of 99.8%. On 27 September 2011, the Company reached a basic agreement with ASFINAG Maut Service GmbH to renew the current operation and maintenance agreement for the nationwide electronic truck toll collection system in Austria until the end of 2018, with the renewal until June 2018 having already been ultimately confirmed by ASFINAG Maut Service GmbH.

On November 29, 2016, ASFINAG (motorway and expressway financing company) in Austria awarded Kapsch TrafficCom AG the contract for construction and technical operation of the "GO Maut 2.0 Toll Technology" (Austria-wide toll system for vehicles over 3.5 ton). The contract also includes technical operation for ten years with the option of five times an extension of one year each. The road infrastructure is modernized and the headquarters (RSE proxy) updated to the latest technological state of the art. Modern technological standards are used as the benchmark. In the future, a control bridge will be sufficient for roadside checks; in addition to radio beacons and cameras for license plate evaluation, this will also include an optical vehicle classification system. With this system, it is possible to determine the vehicle class and axle number of vehicles subject to tolls with even greater accuracy during moving traffic. Implementation is geared toward maximizing domestic value creation.

Kapsch TrafficCom AG was awarded the contract for supplying the Advanced Traffic Management System DYNAC for the cross-border programme "CHARM" by Rijkswaterstaat (the Dutch authority for infrastructure construction and management) on 18 August 2015 and by Highways England (the English authority for infrastructure construction and management) on 7 October 2015. CHARM is a joint program of the English and Dutch authorities, aiming to comprehensively modernize and consolidate traffic management on the highways within 26 months. The order volume amounts to approx. EUR 60 million and also includes services for a period of up to 13 years after successful implementation of the system.

In October 2017, Kapsch TrafficCom AG was awarded the contract for the construction, technical equipping, and technical support of the nationwide toll collection system for trucks over 3.5 tons and the introduction of the eVignette toll sticker for passenger cars in Bulgaria. The project, which will run for 19 months, comprises the delivery and construction of 500 terminals for the registration and issue of electronic toll stickers, 100 enforcement vehicles, 100 weight-in-motion systems, 100 toll portals as well as a data center and back offices. The infrastructure must be built within seven months. The satellite-supported system developed by Kapsch TrafficCom for vehicle survey and toll collection is used for this purpose.

In Poland, where Kapsch TrafficCom Group operates the nationwide toll collection system, the existing contract expires in November 2018. Although a tendering process for the expansion and operation of the nationwide truck tolling system was already underway, the Polish government decided to have the tolling system operated by a government agency in the future. Consequently, the tender was stopped. Management expects that certain services will be outsourced despite being run by the state. In any case, the Group is striving to continue its activities in Poland.

The contract for Kapsch TrafficCom Group's operation of a nationwide toll collection system in the Czech Republic was extended for a further three years in 2016 (i.e., until the end of 2019). In May 2018, the Czech competition authority canceled the tender. Kapsch TrafficCom Group will continue to try to remain a strong partner for the Czech government in the collection of truck tolls.

The following significant events and changes under corporate law took place during the 2017/18 fiscal year:

In July 2017, Kapsch TrafficCom AG took over the remaining shares of the Mexican transportation telematics company Simex. The sub-subsidiary Kapsch TrafficCom Canada Inc., Canada had already been in possession of 33% of the company since 2012. With more than 30 years on the market and 255 employees, the company is one of the important companies on the Mexican market involved in intelligent transportation systems.

Kapsch TrafficCom S.A.S. was founded in Colombia in 2017 and a shell company was acquired in Norway and renamed Kapsch TrafficCom Norway AS at the beginning of 2018.

## 2.2 Earnings situation

Net sales of Kapsch TrafficCom AG reached EUR 151.4 million in the fiscal year 2017/18 – thus down by 6.0% on the previous year (EUR 161.0 million). The Intelligent Mobility Solutions (IMS) segment exhibited a decrease in net sales from EUR 14.5 million in the previous year to EUR 11.3 million. The Electronic Toll Collection (ETC) segment generated net sales in the amount of EUR 140.1 million (previous year EUR 146.5 million).

In comparison with the previous year, personnel expenses increased by EUR 1.0 million from EUR 35.8 million to EUR 36.8 million. The average number of staff fell from 425 to 420 in the fiscal year under review.

Other operating expenses were up by EUR 9.8 million from EUR 38.1 million to EUR 47.8 million.

The operating result (EBIT) of Kapsch TrafficCom AG amounts to EUR 13.2 million in the reporting year compared to EUR 30.6 million in the previous year.

The financial result of EUR 23.0 million (previous year: EUR 20.2 million) was mainly attributable to the income from investments.

## 2.3 Assets and liabilities

The balance sheet total of EUR 477.7 million at the balance sheet date March 31, 2018 decreased by EUR 16.1 million compared to the end of the fiscal year 2016/17 (March 31, 2017: EUR 493.8 million).

At EUR 277.8 million, equity exceeded the amount of EUR 266.9 million as at March 31, 2017. As a result of the decrease in the balance sheet total, Kapsch TrafficCom AG's equity ratio increased from 54.0% as at March 31, 2017 to 58.2% as at March 31, 2018.

On the assets side, inventories increased from EUR 12.4 million to EUR 34.0 million due to services not yet invoiced.

The group receivables (incl. borrowings) decreased from EUR 193.0 million in the previous year to EUR 150.5 million in the reporting year 2017/18.

Liquid funds decreased from EUR 102.6 million to EUR 79.2 million, resulting – among other things – from the repayment of a bond amounting to EUR 70.8 million in November 2017.

On the liabilities side of the balance sheet, long-term liabilities rose from EUR 103.1 million in the previous year to EUR 149.4 million as at the balance sheet date March 31, 2018.

At EUR 5.0 million, short-term bank loans and overdrafts remained stable at the balance sheet date March 31, 2018 compared to EUR 5.0 million in the previous year. Group liabilities as at March 31, 2018 increased by EUR 1.9 million as compared to the previous year (EUR 25.9 million). Other liabilities decreased due to the repayment of a corporate bond from EUR 75.5 million in the previous year to EUR 5.1 million as at the balance sheet date March 31, 2018.

## 2.4 Financial position

The net cash flow from operating activities amounted to EUR 20.5 million after EUR 61 million in the comparative prior-year period.

The net cash flow from investing activities in the amount of EUR -41k decreased significantly on the previous year (EUR -83.5 million) mainly due to the large amounts arising from business acquisitions and capital increases of subsidiaries in the previous year.

The net cash flow from financing activities in the amount of EUR -43.9 million (previous year EUR 66.6 million) resulted from the repayment of bonds and financial liabilities, the payment of the dividend as well as the taking out of an operating loan. In total, cash and cash equivalents decreased from EUR 102.6 million as at March 31, 2017 to EUR 79.2 million as at March 31, 2018.

# 3 Other company information

## 3.1 Research and development

The established structure with Solution Centers and a Corporate Technology function ensures the streamlined orientation of innovation processes.

Solution Centers cover a special market/solution segment. Their task is to define products and solutions for their area of responsibility, to develop them and also market them in close coordination with the sales regions. In addition, the sales regions are to be supported in the smooth implementation of customer-specific solutions.

Corporate Technology is a cross-functional organization that supports the Solution Centers. The most important goal is the identification and evaluation of promising new technologies. This is a key factor in staying competitive. In addition, Corporate Technology develops and integrates solutions, which are created based on products and solutions from several Solution Centers, and provides them with tools, processes, common services and modules as well as support in IPR matters.

In fiscal year 2017/18, Kapsch TrafficCom Group further optimized its patent portfolio by focusing on areas of high strategic importance. The current patent portfolio comprises 197 patent families with more than 1,443 individual patents. In the fiscal year, four new patent families in the toll area were filed for registration.

In order to counteract the risk of patent infringements in the future by expanding business activities into new regions and new business fields, a mandatory patent analysis was included in the development process. This measure ensures that the relevant patent landscape and any existing intellectual property rights are examined before development work begins. In addition, the worldwide patent monitoring system was further expanded. Patent applications from competitors and relevant technology segments are analyzed in order to gain a better overview of competitors' strategies.

In the fiscal year 2017/18, Kapsch TrafficCom AG invested approximately EUR 36.2 million in research and development (previous year: approx. EUR 37.9 million).

## 3.2 Non-financial performance indicators

### Sustainability management

Kapsch TrafficCom AG feels particularly obligated to the central aspects of sustainability, not least because of the object of the company. With our products and solutions, we make an active contribution to environmentally and resource friendly organization of traffic systems and therefore to a sustainable development of our society. Moreover, we also work strictly in our own sphere of action to minimize our consumption of resources and possible effects on the environment.

### Systematic sustainability focus

Kapsch TrafficCom AG understands sustainability as a continuous process. In past years the process of systematizing all agenda concerning this matter has been started. The fifth sustainability report was published in 2017; it is available on the company's website (www.kapschtraffic.com) under the heading "Investor Relations".

The sustainability report satisfies the requirements for writing sustainability reports of the Global Reporting Initiative (GRI) pursuant to GRI 3.1 Application Level C and represents our progress report for the United Nations Global Compact (UNGC).

The report provides detailed information about the central areas of activity:

- Sustainable safeguarding of the company's success
- Products with added value for the environment and society
- Protection of the environment and resources
- Competent team
- Social responsibility

Indicators to measure success and goals for the following periods were defined for each area of activity. All agenda concerning this matter are coordinated by a sustainability officer, who reports directly to the Board of Directors. In the following, selected areas of activity will be described in more detail.

**Innovative products with added value for the environment and society**

The products and solutions for Intelligent Transportation Systems from Kapsch TrafficCom AG make an active contribution to climate change. They allow those in traffic to reach their destination quickly, efficiently and by saving resources. In order that these demands can also be met in the best possible way in the future as well, Kapsch TrafficCom AG is investing heavily in research and development.

A comprehensive guide should guarantee that environmental, economic, social, health and safety aspects are taken into consideration in the best possible and structured way in the development and design of the products. The contents of the guide are to be incorporated into the technical specifications or project tenders.

**Quality**

The high standards for quality, safety and processes are of great important in all company units of Kapsch TrafficCom AG. Kapsch TrafficCom AG defines its processes in an integrated HSSEQ management system (Health-Safety-Security-Environment-Quality). The basis for this is the certifications pursuant to ISO 9001: Quality management (since 2002) as well as according to OHSAS 18001: Occupational safety management and ISO 14001: Environmental management (since 2005).

Kapsch TrafficCom AG has anchored the necessary measures to safeguard the standards related to this in internal processes and constantly checks these. The certificate pursuant to ISO 27001 defines the necessary information security management. The ISO 20000 for IT Service Management ensures a high quality of service in the field of technical operation.

The HSSEQ Circle set up meets once a quarter to discuss the status of the objectives and measures from the areas of Health & Safety, Quality, Environment and Information Security with the divisions, as well as to implement measures to guarantee further improvements.

**Protection of the environment and resources**

The consumption of raw materials and the emission of climate-relevant emissions are connected with the company's commercial activity. Kapsch TrafficCom AG is constantly working intensively to minimize these effects. The majority of these effects result from the business activity of the subsidiary company Kapsch Components, which is responsible for production as well as the vehicle fleet of the entire group of companies.

**More attractive and responsible employer**

In the fiscal year 2017/18, Kapsch TrafficCom AG employed an average of 420 employees (previous year: 425 persons). On March 31, 2018 there were 428 employees (previous year: 420) employed.

A lot is devoted to personnel and organizational development at Kapsch TrafficCom AG because the qualifications and commitment of the employees are seen as decisive requirements for the company's success. In the fiscal year 2016/17 each employee had an average of 3 training and further training days. Besides specialist training and further training, social skills were also conveyed in the training programs from Kapsch TrafficCom AG. Moreover, a job rotation program, a customized offer for junior managers as well as annual performance reviews are offered.

Kapsch TrafficCom AG pays contributions for the employees of the companies in the Group in Austria into an external pension fund pursuant to an established contributions scheme. The amount of these contributions depends on income and on the company's return on sales.

Kapsch TrafficCom AG is aware of the contribution of employees to the success of the company and therefore provides a profit-sharing bonus to a maximum total of 5% of the profit before tax of Kapsch TrafficCom Group. Country-specific upper limits should ensure that allocation is based on purchasing power parity. Allocation is per head and independent of income, and is limited to EUR 1,500 per employee.

Thanks in particular to a flexible work time model, women are provided with support at Kapsch TrafficCom AG to reconcile career and family. There are also co-operative programs with schools, universities and universities of applied sciences which aim to increase the proportion of women at Kapsch TrafficCom AG, among other thing. Kapsch TrafficCom AG also takes part in programs for the advancement of women in engineering, for example "FIT Frauen in die Technik" or "FemTech". In order to generally ensure that women are granted the same opportunities, a committee for equal treatment has also been set up.

**Responsibility to society**

Besides the legal requirements and internal guidelines, the code of conduct of Kapsch Group defines binding principles for ethical, moral and legally correct behaviour for all company units, and therefore also for the employees of Kapsch TrafficCom AG. The code of conduct can be found at www.kapsch.net.

Moreover, within the framework of internal risk management, all business units on which Kapsch TrafficCom AG has a significant influence will be investigated with regard to their corruption risks. A system of internal guidelines provides a framework for action which should prevent corruption risks.

In accordance with the company values, Kapsch TrafficCom AG assumes social responsibility which goes well beyond its operative sphere of action and is predominantly organized via Kapsch Group. The focus of this commitment to society is made up of the promotion of health and development as well as support for educational, art and cultural institutions. A selection of supported projects and initiatives will be presented below.

**Promotion of educational institutions and social projects**

Kapsch Group has been committed for a long time to building bridges between business and research or educational institutions. For example, we promote the "Universitäre Gründerservice Wien" and the "INiTS Award". This award is given to final theses and dissertations which can be implemented into company practice. In order to also be able to cover the demand for highly qualified employees in the future, we primarily promote engineering and science-based institutions and projects. Among other things, this includes the Institute for Electrical Engineering and Information Technology at the TU Vienna, the FH Technikum Vienna, the FH Campus Vienna and the FH Vienna with the masters course "Executive Management". With the "Kapsch Karrierelounge" range of events for several years, students have been invited to address technical issues within the framework of project work or special presentations.

Kapsch TrafficCom values and promotes work by charitable institutions like the Institute for Cooperation in Development Projects (ICEP). This independent private initiative — based in Austria — makes a significant contribution to the global fight against poverty. The ICEP supports education-based projects which permanently improve the living conditions of people in developing countries.

For years Kapsch Group has also supported the activities of "Doctors Without Borders", an internationally recognized and globally acting organization which helps people who lack sufficient medical care. Since 2013 there has also been a grant agreement between the St. Anna Children's Cancer Research and Kapsch Group: Research work is supported within the scope of the project "Next Generation Sequencing". The aim of this project is to gain information about human genetic material and thereby to obtain knowledge about the genetic changes which are connected with the course of disease and therapy. Kapsch supports this complex project with the conviction that in doing so the chances of children recovering from cancer can be increased significantly.

Kapsch Group actively observes its social responsibility and promotes selected local, regional and global cultural and social projects and institutions. In doing so, Kapsch is well aware of the importance of the sustainability and durability of this support. For example, since 1992 there has been a general partnership with the Vienna Concert Hall, which is constantly tapping into new layers of the public with unconventional programs, without losing long-term friends of the Hall. The "Wien modern" festival – one of the world's most famous contemporary music festivals — has been promoted by Kapsch since 1989.

In 2016, with the establishment of the Kapsch Contemporary Art Prize in cooperation with the mumok in Vienna, another initiative to promote young artists was started, which allows up-and-coming talent a first appearance in front of the international public.

## 3.3 Risk report

Risk management is positioned as its own function within the financial department of Kapsch TrafficCom AG. The main focus of risk management is on project risk management and enterprise risk management (ERM).

The *project management* encompasses both external customer projects as well as internal development projects and begins in each case during the offer or initiation phase. An analysis of all relevant risks and opportunities is prepared based on institutionalized processes and supplies the basis for decisions as well as timely planning and implementation of controlling measures.

*Enterprise risk management (ERM)* involves the analysis of major project-related risks of Kapsch TrafficCom as well as strategic, technological, organizational, financial, legal and IT risks, and reports are submitted to the Executive Board, the audit committee of the Supervisory Board and the first reporting level on a quarterly basis. The ERM approach is aimed at the early identification, assessment and control of the risks that may materially influence the achievement of the strategic and operational goals of the company. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the Management of the company.

The material risks and opportunities of the Group and the respective risk management measures are briefly explained below.

**Industry-specific risks**

***Volatility of new orders***

An important part of the revenue of Kapsch TrafficCom is earned in the segment of Electronic Toll Collection (ETC). This segment includes projects for the installation of nationwide, regional or route-specific toll systems as well as the technical and commercial operation of toll systems. The awarding of these projects, including their operation, generally takes place on the basis of invitations to tender. Whether or not Kapsch TrafficCom eventually receives the order is subject to a number of uncertain factors inside and outside the Group's area of influence. For example invitations to tender for such large projects can be postponed or withdrawn due to political changes or due to complaints or lawsuits by unsuccessful bidders. There is also a risk that Kapsch TrafficCom may not win with its bids for new projects due to technological, financial, formal or other reasons.

Already successful acquisition of a single, nationwide deployment contract in the ETC segment can have a strong impact on Kapsch TrafficCom's revenue growth, both in the current and subsequent fiscal years.

The continuous expansion into new business areas that are compatible with the core business of Kapsch TrafficCom is intended not only to increase revenue but also to smooth over revenue spikes in the interest of more stable revenue development. This is to be achieved through increasing geographic diversification, by further broadening the customer and product portfolios, and by increasing the share of revenue from operations (technical and commercial operations of systems usually built by the company). The latter is usually commissioned on a long-term basis and is therefore characterized by better predictable revenues. In previous fiscal years, it has also been possible to continuously increase the revenue from installation projects of smaller scope. Valuable contributions came here from the geographic regions of the U.S.A. and Australia and the segment of Intelligent Mobility Solutions (IMS).

***Risks of project execution***

In connection with the installation of systems, Kapsch TrafficCom is generally contractually obligated to issue performance and delivery date guarantees. Because electronic toll systems and intelligent mobility solutions are frequently ambitious and technologically complex systems that must be implemented within a strict time frame, missed deadlines and/or system and product defects can occur. Unexpected project modifications, a temporary shortage of skilled workers, quality problems, technical problems and performance problems with suppliers or consortium partners may also have a negative impact on the adherence to delivery dates. If the contractual services are not fulfilled or if deadlines are exceeded, penalties and damages usually have to be paid, in some cases even damages for lost toll revenue. Deadlines far exceeded are often covered by contract clauses that can allow the customer to terminate the contract early. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or failed implementation of a project could also reduce the chances of success in future tenders. There is also the risk that projects of Kapsch TrafficCom cannot be realized at the previously calculated costs. Due to the strong social opposition to toll systems that is sometimes encountered, the risk of a late or limited start to toll collection exists in many projects, which can have further consequences on payment flows and revenue in the operation project.

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

***Long-term contracts with public agencies***

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

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

## Strategic risks

### *Ability to innovate*

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

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

### *Acquisition and integration of companies as part of the Group's growth*

One of the strategic goals of Kapsch TrafficCom is to grow internationally both organically and through selected acquisitions or the establishment of joint ventures. In the course of these acquisitions, it is necessary to overcome a number of challenges in order to achieve the desired goals and synergies and to realize the expected opportunities from the acquisition of new technologies and market know-how.

### *Country risk*

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

## Financial risks

### *Foreign exchange risk*

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

### *Interest rate risk*

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

### *Liquidity risk*

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

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

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

***Credit risk***

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

**Personnel risk**

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

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

**Legal risk**

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

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

**IT risks**

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

**Opportunities**

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

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

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

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of traffic management because measures such as toll collection, road pricing and the establishment of environmental zones or access restrictions are increasingly being employed as controlling instruments of environmental and traffic policy. In the ETC segment as well as with IMS, this is creating opportunities to further develop and market the portfolio according to the new requirements.

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up new opportunities for expanding the functionality of existing systems. Opportunities are available to attract new customers or to serve both public contractors and end customers with new concepts. Special mention should be made of opportunities in the areas of "tolling as a service", parking space management and inter-modal mobility.

***Other opportunities***

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

**Overall assessment of the risk situation**

From the current perspective, no risks have been identified that could endanger the continued operations of Kapsch TrafficCom. Through the increasing geographic diversification and continued broadening of the product and solution portfolio with select new IMS solutions, the business model of Kapsch TrafficCom has been expanded without necessitating a departure from the core business field. The concentration of risk in individual regions and individual large products is continuously reduced in this way.

### 3.4 Internal control system (ICS) with respect to the accounting process

Kapsch TrafficCom AG began many years ago to analyze and document the existing accounting-related internal control processes. The results to date were presented to the Supervisory Board for evaluation and discussion in the quarterly meetings of the Audit Committee. Internal Audit ensures through audits, especially in the subsidiaries of Kapsch TrafficCom AG, that a reliable and functional control system is implemented.

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was improved again in the 2017/18 fiscal year, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

The central elements of the ICS process include regular checks of the established principle of dual control and the segregation of duties as well as defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control and Enterprise Risk Management Integrated Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

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

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

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

### 3.5 Disclosures according to Section 267 Commercial Code in connection with Section 243a (1) Commercial Code

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2018. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. On March 31, 2018, there were no other shareholders who held more than 10% of the voting rights in Kapsch TrafficCom AG.

No shares with special control rights exist. No restrictions exist with respect to the exercising of the voting right by employees with capital participation. There are no special provisions regarding the appointment and recall of the members of the Executive Board and the Supervisory Board or modification of the articles of association. Neither authorized capital nor conditional capital currently exists at the company, which empowers the Executive Board to issue shares with the approval of the Supervisory Board and without (renewed) consideration by the annual general meeting. Conventional "change of control" clauses, which may lead to termination of the contract, relate to financing agreements, such as the promissory note bond ("Schuldscheindarlehen") and the EUR 50 million financing concluded in the past financial year, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

### 3.6. Corporate Governance Report.

According to C-rule 61 of the Austrian Corporate Governance Code, it is pointed out that the corporate governance report can be accessed on the internet at www.kapschtraffic.com in the section "Investor Relations/ Corporate Governance/Corporate Governance".

## 4. Outlook and objectives

In the fiscal year 2018/19, net sales are planned to further increase. Positive factors are, for example, the development of the nationwide toll system in Bulgaria.

Kapsch TrafficCom AG plans to grow in both segments. At the same time, the goal is being pursued of raising the Group's EBIT margin to a sustainable level above 10%. For this purpose, the EBIT in the ETC business is to be kept well above 10% and that in the IMS business continuously improved. If the environment is good, from today's perspective an IMS EBIT of up to 8% seems feasible.

Vienna, June 4, 2018
Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

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

# Auditor's Report

## Report on the Financial Statements

### Audit Opinion

We have audited the financial statements of Kapsch TrafficCom AG, Vienna, which comprise the balance sheet as at March 31, 2018, the income statement for the fiscal year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

### Basis for Opinion

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

### Key Audit Matters

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

We have structured key audit matters as follows:

- Description
- Audit approach and findings
- Reference to related disclosures

## 1. Valuation of participating interests

- *Description*

As a holding company, Kapsch TrafficCom AG, Vienna, holds material shares in affiliated companies (book values in the amount of EUR 153.421k) as at March 31, 2018, and also a participating interest in the amount of EUR 10,657k in Q-Free ASA, Trondheim, Norway, which is listed on the Oslo stock exchange.

Pursuant to Section 204 (2) UGB, participating interests are to be written down in case a diminution in value occurs that is expected to be permanent.
Testing participating interests for write-downs requires management to make significant estimates as to the future market development and the probability of winning individual major contracts during the planning period. Moreover, there is significant area of judgement involved in the valuation, in particular with regard to the discount rate and the long-term growth rate. With regard to the financial statements, there is a risk of an overstatement of participating interests.
Management believes that no permanent diminution in value applies to shares in affiliated companies as at March 31, 2018 and that, consequently, no write-downs are required.

As regards the participating interest in Q-Free ASA, Trondheim, Norway, the existence of a permanent diminution in value resulting from the continuing negative development of the share price was established, resulting in a write-down in the amount of EUR 1,026k on the share price as at the balance sheet date.

- *Audit approach and findings*

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

With regard to the participating interest in Q-Free ASA, Trondheim, Norway, we checked whether a permanent diminution in value resulting from the share price trend of recent months exists and recalculated the market value based on securities account statements and share price data.

The valuation model used by the entity is appropriate to assess the recoverability of the investment balances. The assumptions and parameters used in the valuation are appropriate.

- *Reference to related disclosures*

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

## 2. Estimates and assumptions in project accounting

- *Description*

A significant part of net sales in the fiscal year is generated from the project business. Services not yet invoiced as at March 31, 2018 amount to EUR 23,334k and project-related accruals amount to EUR 5,296k. Projects related to the implementation of toll collection systems, in particular, require an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the project margin. Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Group usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.
Due to the material impact of the major projects, in particular during the construction phase, on the Company's financial position and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the project revenue, the result and the project-related balance sheet items contain a material misstatement.

- *Audit approach and findings*

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

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

- *Reference to related disclosures*

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### Comments on the Management Report for the Company

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

*Opinion*

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

*Statement*

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

**Other information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

We were appointed as statutory auditor at the ordinary general meeting dated September 6, 2017. We were engaged by the supervisory board on February 8, 2018. We have audited the Company for an uninterrupted period since 2002.

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

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU-Regulation) and that we remained independent of the audited company in conducting the audit.

**Responsible Engagement Partner**

Responsible for the proper performance of the engagement is Mr. Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, June 4, 2018

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

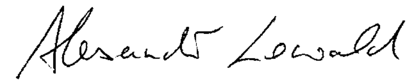
This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited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

# Statement of all Members of the Executive Board.

*Pursuant to §124 subsection 1 Stock Exchange Act 2018.*

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

Vienna, June 4, 2018



Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

**Disclaimer.**

Certain statements contained in this annual 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 annual 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.

In order to signalize that general references made to individuals in this annual report apply equally to women and men, male and female gender forms have been used in part.

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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.

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