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Kapsch TrafficCom

Report on the first half of 2019/20.

Selected key data.

2019/20 and 2018/19: refers to the respective financial year (April 1 until March 31)
H1: first half of a financial year (April 1 until September 30)
Unless otherwise stated, all values in EUR million.

Earnings Data	**2018/19**	**H1 2018/19**	**H1 2019/20**	**+/-**
Revenues	737.8	335.8	359.2	7.0%
Share of ETC segment	75.7%	78.1%	78.3%	0.2%p
Share of IMS segment	24.3%	21.9%	21.7%	-0.2%p
EBITDA [1]	71.5	24.8	26.6	7.2%
EBITDA margin	9.7%	7.4%	7.4%	0.0%p
EBIT [1]	57.0	17.8	8.8	-50.6%
EBIT margin	7.7%	5.3%	2.4%	-2.9%p
Profit before tax	55.1	12.0	3.6	-69.5%
Profit for the period	46.6	8.4	2.3	-72.1%
Profit for the period attributable to equity holders	47.8	9.0	2.3	-74.8%
Earnings per share (EUR) [2]	3.68	0.70	0.18	-74.8%

Business segments	**2018/19**	**H1 2018/19**	**H1 2019/20**	**+/-**
Electronic Toll Collection (ETC)				
Revenues	558.4	262.1	281.2	7.3%
EBIT	64.9	24.8	17.5	-29.5%
EBIT margin	11.6%	9.5%	6.2%	-3.2%p
Intelligent Mobility Solutions (IMS)				
Revenues	179.4	73.7	78.1	5.9%
EBIT	-7.9	-7.0	-8.7	-23.9%
EBIT margin	-4.4%	-9.5%	-11.1%	-1.6%p

Revenues by region	**2018/19**	**H1 2018/19**	**H1 2019/20**	**+/-**
EMEA	58.4%	61.5%	57.5%	-3.9%p
Americas	34.3%	32.0%	38.2%	6.2%p
APAC	7.2%	6.5%	4.3%	-2.2%p

Balance sheet data	**March 31, 2019**		**Sept. 30, 2019**	**+/-**
Total assets [3]	677.7		705.4	4.1%
Total equity [2]	258.7		239.4	-7.5%
Equity ratio [2]	38.2%		33.9%	-4.2%p
Net cash (+)/debt (-) [3,4]	-73.5		-169.0	130.0%
Net gearing [5]	28.4%		70.6%	42.2%p
Net working capital [6]	193.3		212.1	9.7%

Cash flow	**2018/19**	**H1 2018/19**	**H1 2019/20**	**+/-**
Net CAPEX [7]	11.7	2.8	5.9	114.0%
Free cash flow [8]	-57.5	-19.9	-17.8	10.9%

Other information	**2018/19**	**H1 2018/19**	**H1 2019/20**	**+/-**
Employees, end of period	4,981	5,407	4,997	-7.6%
On-board units, in million units	13.46	6.77	6.25	-7.7%

1) In the first half of 2019/20 including EUR 6.5 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect EUR 0.3 million
2) Including non-controlling interests
3) As of September 30, 2019 including lease liabilities amounting to EUR 49.2 million from the initial application of IFRS 16 (increase in net debt and total assets in a similar amount)
4) Cash and cash equivalents + other current financial assets – financial liabilities – lease liabilities
5) Net debt/equity
6) Inventories + trade receivables and other current assets + current contract assets + current tax receivables – trade payables – current contract liabilities – current tax liabilities – current provisions – current other liabilities and deferred income
7) Capital expenditure less proceeds from the disposal of property, plant and equipment and intangible assets
8) Cash flow from operating activities + cash flow from investing activities

Highlights H1 2019/20.

Revenues H1	EBIT H1	Earnings/share H1
EUR 359.2 million	**EUR 8.8 million**	**EUR 0.18**
7.0%	**-50.6%**	**-74.8%**

First half of 2019/20: Investments in growth and one-off effects weigh on profitability.

- Revenues: +7.0%. Americas region grows strongly, EMEA region is stable, APAC region declines.
- EBIT: -50.6%. Good development of the implementation business drives personnel expenses and cost of materials.
- One-off effect of EUR 5.1 million: German passenger vehicle toll (EUR 4.2 million) and toll project in the Czech Republic (EUR 0.9 million).
- EBIT excluding one-off effects: EUR 13.9 million (-21.9%).

Effects of initial application of IFRS 16 as September 30, 2019.

- EBITDA: Increase of EUR 6.8 million
- EBIT: Increase of EUR 0.3 million
- Financial result: Decrease of EUR 0.8 million
- Profit for the period: Decrease of EUR 0.5 million
- Net debt: Increase of EUR 49.2 million
- Balance sheet total: Increase of EUR 48.6 million
- Equity ratio: Decrease of 2.6 percentage points
- Net gearing: Increase of 20.7 percentage points

Termination of two projects for infrastructure charge (“passenger vehicle toll”) in Germany.

- In 2018 Kapsch TrafficCom was awarded the contract for the automatic monitoring of the passenger vehicle toll and another contract, in a joint venture with CTS EVENTIM, to collect the passenger vehicle toll.
- On June 18, 2019, the European Court of Justice (ECJ) ruled contrary to expectations that the passenger vehicle toll in its proposed form violates European law.
- On June 19, 2019, notices of termination were unexpectedly received for both contracts.
- The contracts ended on September 30, 2019.
- Strict confidentiality provisions also apply beyond the termination of the contracts.

Outlook for financial year 2019/20 partially adjusted.

- Expectations for revenues confirmed: The amount in the previous year (EUR 737.8 million) should be exceeded by at least 5%.
- Adjusted: EBIT (excluding one-off effects) should reach around EUR 35 million (fluctuation range: +/- 10%).

Resolutions of the Annual General Meeting.

- Dividend of EUR 1.50 per share (i.e. in total EUR 19.5 million).
- Franz Semmernegg, Kari Kapsch and Harald Sommerer re-elected to the Supervisory Board. Term of office until the end of the Annual General Meeting which decides on the approval of the financial year 2022/23.
- Members of the Executive Board and Supervisory Board discharged for financial year 2018/19.
- Authorization of the Executive Board to purchase, sell and redeem own shares.

Letter from the CEO.

Dear shareholders,

As in past financial years, we must also describe the first half of this year as mixed. While revenue development was thoroughly positive, profitability was disappointing. If we take a closer look, there are good reasons for the decline in profits, so I am not worried, although I am not satisfied either.

First half of 2019/20:
- *Revenues +7.0%*
- *EBIT -50.6%*

Revenues rose by 7.0% to EUR 359.2 million relative to the comparable period in the previous year, with both segments contributing towards this positive development.

Revenues in the "Electronic Toll Collection" (ETC) segment rose to EUR 281.2 million (+7.3%). In particular, the performance of the implementation business was very good in the Americas (+87.4%) and EMEA (+43.3%) regions. By contrast, revenues from the operation of toll systems decreased (-9.1%), mainly due to the lower scope of service in Poland. After our (old) contract ended on November 2, 2018, Kapsch TrafficCom was contracted to support the operation of the toll system for another 27 months as of November 3, 2018. After two record years, sales of on-board units in North America returned to a normal level. The decline in unit sales led to a drop in component revenues in the Americas (-11.5%) despite a higher-quality product mix. Unit sales also fell in the APAC region, with this partly being due to shifts in the timing of orders.

Revenues in the "Intelligent Mobility Solutions" (IMS) segment rose to EUR 78.1 million (+5.9%). The critical factor here consisted of higher operations revenues in the Americas region and implementation revenues that rose strongly in the APAC region and were able to more than offset a decline in the EMEA region.

The operating result **(EBIT)** was EUR 8.8 million and was thus about half as high as in the comparable period of the previous year (EUR 17.8 million). However, one-off effects must be taken into account here:
- In connection with the German infrastructure charge:
  Due to early termination we had to impair costs to obtain a contract of EUR 4.2 million.
- In connection with the toll project in the Czech Republic:
  Our contract ends in the third quarter of the financial year. Since our employees will not be hired en bloc by the designated operator, we have set up a provision of EUR 0.9 million for severance payments.

Excluding these one-off effects, EBIT in the first half of the year would have been EUR 13.9 million (previous year: EUR 17.8 million).

The main reasons for the lower profitability are investments in future growth, namely in the form of:
- Cost of materials.
  The performance of the implementation business – particularly in the ETC segment – in the first half of 2019/20 was very positive, although it required relatively high material investments (i.e. higher costs of materials). The newly installed systems must, however, be operated later on, which offers additional sales revenue potential for Kapsch TrafficCom.
- Personnel expenses.
  Since business in North America is growing rapidly, the company needed to hire actively in order to take full advantage of the available market potential. In the first half of the year, the number of employees in the USA (excluding the Smart Parking subsidiary Streetline) rose by around 70 to a total of 714.

One major new development starting in financial year 2019/20 is the initial application of the **IFRS 16** "Leases". The changed reporting of leases significantly increases the balance sheet total and net debt as of April 1, 2019, lowering the equity ratio.

IFRS 16 with significant effect on:
- *EBITDA*
- *Net debt*
- *Balance sheet total*
- *Equity ratio*
- *Net gearing*

IFRS 16 has only a minor impact on the EBIT, financial result and profit for the period. Only the EBITDA rises.

At EUR -17.8 million, **free cash flow** was better than in the comparable period of the previous year (EUR -19.9 million). The reclassification of lease payments on account of the new IFRS 16 accounting standard had a positive impact of EUR 6.4 million. Net working capital rose again, but to a lesser extent than in the previous year. Financing granted to the German joint venture with CTS EVENTIM negatively impacted the free cash flow in the first half of 2019/20 by EUR 14.5 million.

On September 30, 2019, **net debt** was EUR 169.0 million. Without the initial application of IFRS 16, it would have been EUR 119.8 million (March 31, 2019: EUR 73.5 million). The increase in the net debt resulted primarily from the dividend payment (EUR 19.5 million) and the negative free cash flow (EUR 17.8 million). The lease payments (EUR 6.4 million), previously included in the free cash flow, must now be explicitly reported in the calculation of the net debt (due to IFRS 16). The equity ratio as of September 30, 2019 was still strong despite the effect of IFRS 16 at 33.9% (March 31, 2019: 38.2%). Net gearing rose to 70.6%, and would have been 50.0% without the application of IFRS 16. The balance sheet total – also mainly due to the initial application of IFRS 16 – rose to EUR 705.4 million (March 31, 2019: EUR 677.7 million).

Solid balance sheet:
> Net gearing: 70.6%
> Equity ratio: 33.9%

Status of German infrastructure charge (passenger vehicle toll).

In 2018 our joint venture with CTS EVENTIM, in which both companies hold 50%, was awarded the contract to collect the passenger vehicle toll. In addition, we were previously engaged as the sole service provider for automatic monitoring of the passenger vehicle toll in a separate awarding procedure.

On June 18, 2019, the European Court of Justice (ECJ) ruled contrary to expectations that the passenger vehicle toll in its planned form violates the principles of the free movement of goods and services. To our surprise, Kapsch TrafficCom received notice of termination of the contract on automatic monitoring the following day. The joint venture with CTS EVENTIM received the termination of the contract on the collection of the passenger vehicle toll. The reasons given for the termination of the contracts were the ruling by the European Court of Justice as well as the alleged poor performance in the submission of the planning documents. Subsequently, the customer also referred to the conduct of the contractors. The notices of termination were issued effective September 30, 2019.

Both contracts for German passenger vehicle toll terminated. Claims will be asserted.

In the event of termination of a contract for "regulatory reasons", particularly on account of a ruling by the European Court of Justice, the contracts for both projects contain special provisions on the compensation of the contractors. If, however, at least one of the performance- or conduct-based reasons for termination given by the customer were acknowledged, the claims for compensation of damages under the corresponding contract could be lower or not apply at all.

Kapsch TrafficCom is currently working on the preparation of the claims from the enforcement contract. By the end of 2019 at the latest, the joint venture must submit the claims from the contract on the collection of the passenger vehicle toll to a final auditor (public accountant).

To clarify the various claims, the first step according to the contracts is a negotiation procedure with the customer. This dispute settlement procedure can take several weeks, but can also be quickly declared unsuccessful by one party. In the event of failure, the two contracts provide for separate arbitration procedures to achieve a final decision. These procedures would be governed by the Rules of Arbitration of the German Institution of Arbitration (Schiedsordnung der Deutschen Institution für Schiedsgerichtsbarkeit, DIS) and would take place in private arbitral tribunals in Berlin. We must reckon with the fact that arbitral awards may not be handed down for a number of years.

Strategy update.

Kapsch TrafficCom has been systematically pursuing the Strategy 2020 adopted in 2015 for many years. Now it is time to take stock and look to the future. I do not believe that a radical change of strategy will be necessary because we have already scrutinized it regularly in the past and adapted it wherever necessary.

Society and global relations change; new business models are brought to the market and partially replace old ones; technological development continues to move ahead rapidly and opens up completely new application areas. Therefore, it is healthy and important to check carefully at certain intervals: What are the megatrends relevant for us and how can we respond? What role can the company assume in the future? How do we have to develop and what solutions, services, technologies and business models will gain or lose importance?

Kapsch TrafficCom would like to shape these and make a positive contribution to society. Only in this way can we be successful over the long term. We expect to publish the results of our strategy process in the middle of 2020.

Outlook.

The outlook for financial year 2019/20 originally published by Kapsch TrafficCom contained a similar projection as in the previous year: A weaker first half-year should be followed by a strong second half-year. This forecast should remain true. The outlook for the annual revenues can be confirmed from today's perspective: The amount in the previous year (EUR 737.8 million) should be exceeded by at least 5%.

We did have to revise the expectation for EBIT in the current financial year. From today's perspective, a figure of around EUR 35 million (excluding one-off effects and with a fluctuation range of +/- 10%) should be achieved. Previously, the company assumed that EBIT (adjusted for one-off effects) would exceed the comparable figure in the previous year (EUR 57 million) by at least 5%. The main reasons for this adjustment are related to the loss of major projects in Germany and to growth in North America. As mentioned above, the margins in the first half of the year were significantly below expectations there. Therefore, we were not able to build up any buffer that could offset the loss of the project in the Czech Republic in the third quarter. On the contrary, the costs hurt the results. The extent and the fact that this circumstance would last for a longer period of time became visible in October (when tangible preliminary results for the second quarter were available) and surprised us.

Outlook 2019/20:
> Revenues: Exceed previous year amount by at least 5%
> EBIT (excl. one-off effects): EUR 35 million (fluctuation range +/- 10%)

The departure of the United Kingdom from the EU (Brexit) is once again around the corner. In the meantime, hardly any turn in this chaotic process can produce a surprise. However it turns out, Brexit should not have any significant impact on the results for Kapsch TrafficCom, as our local revenues there are in the single-digit million range.

Even if we are currently, at first glance, in a difficult phase, this does not change my positive attitude. Naturally, we must work through the forthcoming loss of the project in the Czech Republic, create capacities for additional, sustainable growth in North America and carefully manage costs. Our market position continues to be strong, however, as we are among the drivers of innovation and there is sufficient business in the market. I am therefore persuaded that we will exit the current period of weakness and be stronger over the long term.

Sincerely,

Georg Kapsch
Chief Executive Officer

Annual General Meeting.

The Annual General Meeting of Kapsch TrafficCom AG took place on September 10, 2019. The following resolutions were adopted:

- Payout of a dividend of EUR 1.50 per share. This equates to a total distribution of EUR 19.5 million.
  Ex-dividend date was September 13, 2019, the dividend payment date was September 18, 2019.
  - Shares present for the vote: 77.8% (of a total of 13,000,000 shares, each with one vote)
  - Approved by: > 99% (votes against: 0, abstentions: 500 votes)

- Formal approval of the actions of the members of the Executive Board for the financial year 2018/19.
  - Shares present for the vote: 77.8%
  - Approved by: > 99% (votes against: 707, abstentions: 3,883 votes)

- Formal approval of the actions of the members of the Supervisory Board for the financial year 2018/19.
  - Shares present for the vote: 77.8%
  - Approved by: > 99% (votes against: 707, abstentions: 3,483 votes)

- Appointment of PwC Wirtschaftsprüfung GmbH, Vienna, as the auditor and Group auditor for the financial year 2019/20.
  - Shares present for the vote: 77.8%
  - Approved by: > 99% (votes against: 13,505, abstentions: 0 votes)

- Election of Dr. Franz Semmernegg, Dr. Kari Kapsch and Dr. Harald Sommerer to the Supervisory Board. The term of office will end at the end of the Annual General Meeting deciding on the formal approval for the financial year 2022/23.

  Election of Dr. Franz Semmernegg
  - Shares present for the vote: 77.8%
  - Approved by: > 96% (votes against: 369,250, abstentions: 110 votes)

  Election of Dr. Kari Kapsch
  - Shares present for the vote: 77.8%
  - Approved by: > 99% (votes against: 25,730, abstentions: 110 votes)

  Election of Dr. Harald Sommerer
  - Shares present for the vote: 77.8%
  - Approved by: > 99% (votes against: 10,453, abstentions: 0 votes)

- Authorization of the Management Board
  a. to purchase own shares both on the stock exchange and over-the-counter up to a total of 10% of the share capital, also by excluding the shareholders' pro rata disposal rights,
  b. to determine a method of selling or using shares in a manner other than via the stock exchange or a public offer and also to exclude the shareholders' pro rata subscription rights (exclusion of subscription rights),
  c. to decrease the share capital of the Company by redeeming own shares without further resolution by the Annual General Meeting.
  - Shares present for the vote: 77.8%
  - Approved by: > 99% (votes against: 1,140, abstentions: 1,116 votes)

Capital markets.

Share price performance.

Price of stock in the first half of 2019/20.
The closing prices of the stock in the first half of financial year 2019/20 ranged between EUR 30.15 and EUR 36.00.

The stock opened at EUR 29.60 on April 1, 2019. This price was also the lowest intraday price in the reporting period. On May 17, 2019, Kapsch TrafficCom announced that its earnings before interest and taxes (EBIT) for the past financial year were expected to exceed expectations. As a result of this news, the stock price rose, although the reference index (ATX Prime) fell slightly. On May 24, the stock reached EUR 36.50, its intraday high during the reporting period.

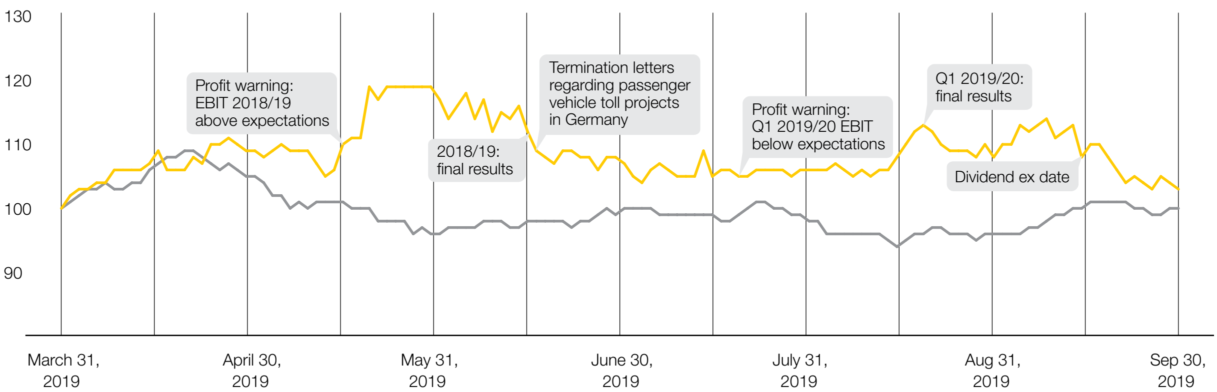
Market cap end of H1 2019/20:
EUR 403.0 million

On June 18, 2019, the day of the annual press conference, the European Court of Justice (ECJ) ruled that the German infrastructure charge ("passenger vehicle toll") in its proposed form violated European law. The next day, Kapsch TrafficCom surprisingly received notices of termination for both contracts in connection with the passenger vehicle toll. As a result of this, the stock price fell from EUR 34.90 (closing price on the day before the ECJ ruling) to EUR 32.80 (receipt of the notices of termination). Afterwards, the price fluctuated in a range of +/- 5%. It did not move outside of this range either after the profit warning on July 20, 2019, or as a result of the ex-dividend markdown of EUR 1.50 on September 13, 2019 (ex-dividend date). Only on September 25 and September 30 did the stock price fall below this range. The stock closed (on both days) at EUR 31.00.

Share price in H1 2019/20:
+2.8%

The Kapsch TrafficCom stock rose 2.8% in the first half of 2019/20. The benchmark, the ATX Prime, lost 0.5% during the same period.

Development of Kapsch TrafficCom shares and ATX Prime.



Stock data.

In EUR, unless otherwise stated	H1 2018/19	H1 2019/20
Earnings per share	0.70	0.18
High (intraday)	41.60	36.50
Low (intraday)	33.45	29.60
Closing price on September 30,	35.80	31.00
Share performance	-10.1%	2.8%
Ø trading volume (shares, double counting)	8,462	8,615

Analysts and liquidity providers.

Analysts.
In the last twelve months, the following financial institutions published reports on the share (in alphabetical order):
> Erste Group Bank
> Kepler Cheuvreux
> ODDO BHF; ODDO SEYDLER BANK/Frankfurt Main Research (FMR)
> Raiffeisen Centrobank

Liquidity providers.
Raiffeisen Centrobank acts as Specialist, the following institutions as Market Maker for the Kapsch TrafficCom share (as of September 30, 2019):
> Erste Group Bank
> Hudson River Trading Europe
> Kepler Cheuvreux
> ODDO SEYDLER BANK

Investor Relations activities in the first half of 2019/20.

In the first half of the financial year, Kapsch TrafficCom again engaged with capital market participants at several opportunities:
> Investor conferences and roadshows: Bucharest, Madrid, Munich, New York, Paris (2), Warsaw, Zagreb, Zürs
> Numerous directly arranged meetings, telephone conversations and e-mails

In total, apart from the Annual General Meeting, the presentation of results and group presentations at events, the company communicated directly with capital market participants about 100 times on a bilateral basis or in small groups.

Dividend.

The Annual General Meeting followed the proposal of the Executive Board and the Supervisory Board to pay out a dividend of EUR 1.50 per share. This corresponds to a total dividend payment of EUR 19.5 million and was in line with the company's dividend policy. Dividend payment date was September 18, 2019.

History of dividend payments.

Year	Dividend per share	Earnings per share in the previous financial year	Payout ratio
2016	EUR 1.50	EUR 2.39	62.7%
2017	EUR 1.50	EUR 3.35	44.7%
2018	EUR 1.50	EUR 2.21	68.0%
2019	EUR 1.50	EUR 3.68	40.8%

Contact details for investors.

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

Management Report H1 2019/20.

Economic conditions impacting the Group.

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 addresses the market for intelligent transportation systems (ITS).

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:

1. **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.
2. **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.
3. **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.
4. **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 trends and drivers.
Kapsch TrafficCom has identified the most important trends and drivers in the currently addressed markets as follows:
> Development and financing of transport networks.
> Mobility.
> Urbanization.
> Environmental protection.

Further information can be found in the Group Management Report 2018/19.

Technologies and concepts.
The transportation industry is undergoing radical change with new technologies and concepts such as electric mobility, mobility as a service (MaaS), networked vehicles, and applications based on “Big Data”. This is increasingly leading to convergence in the ITS market segments, which calls for intelligent, holistic mobility solutions.

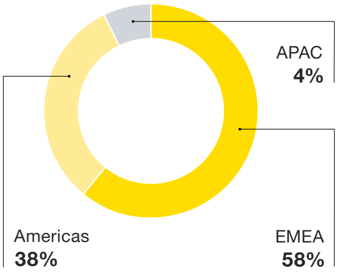
Market positioning.
The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related ITS segment. Vehicle- and user-oriented ITS continue to gain in importance. Kapsch TrafficCom also continuously monitors developments in industry-oriented ITS.

Kapsch TrafficCom strives to play a leading role in intelligent, integrated mobility solutions.

Financial performance indicators.

Revenue and income situation.

Revenues per region.



In the first half of the current financial year, Kapsch TrafficCom's revenues reached EUR 359.2 million, and were thus 7.0% higher compared to the same period in the previous year. This positive development was attributable to both segments. The Electronic Toll Collection (ETC) segment increased by 7.3% to EUR 281.2 million and the Intelligent Mobility Solutions (IMS) segment saw a rise of 5.9% to EUR 78.1 million.

The growth in the Americas region (North, Central and South America) was very pleasing, with an increase of 27.5% to EUR 137.2 million. In the EMEA region (Europe, Middle East, Africa), revenues of EUR 206.7 million were at the previous year's level. Revenues only dropped in the APAC region (Asia-Pacific) – to EUR 15.4 million (-29.6%).

The operating result (EBIT) of EUR 8.8 million was significantly (-50.6%) below the comparable figure of the previous year. The EBIT margin fell to 2.4% (previous year: 5.3%). The major reasons for this were:

- One-off effects in connection with the German infrastructure charge:
  Due to early termination, costs to obtain a contract amounting to EUR 4.2 million had to be impaired.
- One-off effects in connection with the toll project in the Czech Republic:
  Legal steps were taken on account of the questionable circumstances surrounding the awarding of the new toll system. Since the Kapsch TrafficCom employees will also not be hired fully by the designated operator, we had to set up a provision of EUR 0.9 million for severance payments.
- Higher cost of materials and staff on account of the growing implementation business, particularly in the ETC segment in North America.

The operating currency effects (net) were positive in the first half of the current financial year at EUR 1.1 million (previous year: EUR +0.7 million). Without the initial application of the IFRS 16 standard, the EBIT would have been EUR 0.3 million lower and the EBITDA EUR 6.8 million lower.

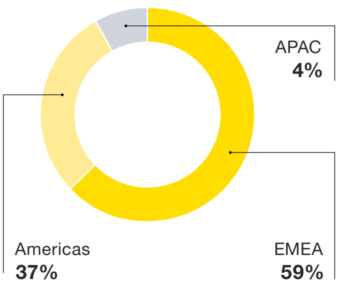
The financial result of EUR -4.4 million in the first half of 2019/20 was better than in the comparable period of the previous year (EUR -5.8 million). The change in the reporting of interest expenses due to the application of IFRS 16, from other operating expenses to financial result, totaled EUR -0.8 million. The lower market valuation of the equity investment in Q-Free ASA, Norway, led to a loss of EUR 1.7 million. The currency effects totaled EUR -0.4 million (previous year: EUR -5.1 million).

In the first half of 2019/20, an income tax rate of 25% (previous year: 30%) was used. It was applied to the consolidated result before income taxes, without taking into account the (already taxed) proportional result from associated companies and joint ventures. This resulted in income tax expenses of EUR 1.3 million (previous year: EUR 3.6 million).

The profit for the period in the first half of the current financial year therefore decreased by 72.1% to EUR 2.3 million (previous year: EUR 8.4 million).

The segments developed as follows in the first half of 2019/20:

ETC revenues per region.



ETC revenues: EUR 281.2 million (+7.3%).

Electronic Toll Collection (ETC).

Revenues. Revenues in the ETC segment increased by 7.3% to EUR 281.2 million and contributed 78.3% to total revenues, as in the previous year.

The largest revenue contribution of EUR 166.0 million was again generated in the EMEA region with nation-wide toll projects in the Czech Republic, Poland, Belarus and Austria as well as projects in South Africa (previous year: EUR 165.1 million), with lower operating revenues being offset by higher implementation revenues. The lower operations revenues are mainly attributable to the toll project in Poland. In the first half of the previous year, an old contract with a larger scope of service was still in force. However, the volume of implementation projects rose relative to the comparable period in the previous year (+43.3%), primarily due to the German infrastructure projects, until termination in June 2019.

Revenues in the Americas region increased substantially to EUR 102.9 million in the first half of the year (+35.1%). The drivers were revenues from the implementation of toll systems, primarily in the USA, which increased by 87.4%. Component revenues fell by 11.5%, however. After two record years, sales of on-board units in North America returned to a normal level. A higher-quality product mix was not able to offset the decline in units.

In the APAC region, there was a decline in revenues of EUR 8.6 million to EUR 12.2 million relative to the comparable period of the previous year. A portion of the implementation projects, above all in Australia, have already reached an advanced stage or the final phase. Therefore, revenues from implementation projects fell compared to the previous year. Component revenues in Australia fell in the first half of 2019/20 when compared to the previous year due to deferrals in the delivery of components.

In the first half of 2019/20, 6.25 million on-board units were sold (previous year: 6.77 million units). Increases were mainly seen in Spain and South Africa, while sales figures declined in the USA after two record years, and due to timing deferrals in Australia, relative to the comparable period. As a result, component revenues also fell by 10.3%.

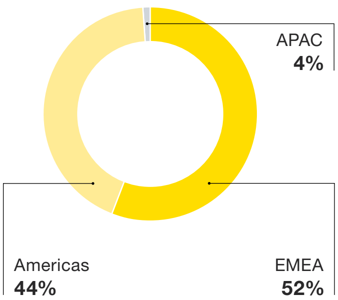
Revenues per business type in this segment were as follows:

in EUR million	H1 2018/19	H1 2019/20	+/-
Revenues	**262.1**	**281.2**	**7.3%**
Implementation	73.6	110.5	50.1%
Operations	133.4	121.2	-9.1%
Components	55.1	49.5	-10.3%
EBIT	**24.8**	**17.5**	**-29.5%**

EBIT. The EBIT in the ETC segment totaled EUR 17.5 million, a 29.5% drop relative to the first half of 2018/19. The cost of materials and other production services rose faster than revenues due to the increase in implementation business, which requires a relatively high material investment. Amortization and depreciation increased due to the application of IFRS 16, which led to a change from other operating expenses to depreciation (EUR 5.3 million) and interest (EUR 0.5 million), and the impairment of assets amounting to EUR 3.8 million in connection with the passenger vehicle toll projects in Germany. Rental expenses decreased, mainly due to the application of IFRS 16, by EUR 4.7 million; marketing and advertising costs fell by EUR 1.2 million, while travel and IT expenses rose by EUR 1.1 million and EUR 1.0 million, respectively. The exchange rate gains and losses from operating activities (net) resulted in EUR +1.3 million and were EUR 0.5 million lower than in the previous year.

ETC-EBIT: EUR 17.5 million (-29.5%).

IMS revenues per region.



IMS revenues: EUR 78.1 million (+5.9%).

Intelligent Mobility Solutions (IMS).

Revenues. Revenues in the IMS segment increased by 5.9% to EUR 78.1 million and contributed 21.7% to total revenues, as in the previous year.

Revenues in the EMEA region decreased by 1.5%, but revenues rose by 9.2% in the Americas region and doubled to EUR 3.2 million in the APAC region. In the Americas region, it was possible to increase operations revenues by 17.1% to EUR 14.9 million and implementation revenues to EUR 18.1 million (+4.2%).

Revenues per business type in this segment were as follows:

in EUR million	H1 2018/19	H1 2019/20	+/-
Revenues	**73.7**	**78.1**	**5.9%**
Implementation	30.3	32.0	5.8%
Operations	38.4	40.7	6.0%
Components	5.0	5.3	5.8%
EBIT	**-7.0**	**-8.7**	**-23.9%**

IMS-EBIT:
EUR -8.7 million (-23.9%).

EBIT. EBIT in the IMS segment totaled EUR -8.7 million in the first half of 2019/20 and was below the previous year's figure of EUR -7.0 million. The cost of materials and other production services rose in line with revenues, whereas staff costs increased disproportionately, mainly in the USA. Amortization and depreciation mainly increased due to the application of IFRS 16, which led to a change from other expenses to depreciation (EUR 1.2 million) and interest. Other operating expenses fell by EUR 2.4 million, with rental expenses dropping by EUR 0.7 million due to IFRS 16. However, there were operating losses in the Smart Urban Mobility business unit, as well as weaker sales development and therefore a lower EBIT in Africa.

Financial situation.

The balance sheet total as of September 30, 2019 amounted to EUR 705.4 million (March 31, 2019: EUR 677.7 million).

Assets.
IFRS 16 was applied for the first time in financial year 2019/20 (on April 1, 2019). As a result, right-of-use assets for lease agreements are capitalized as property, plant and equipment, and depreciated on a scheduled basis. Lease liabilities must be recognized for the lease agreements. In the case of subleasing agreements, that are classified as finance lease, there is no capitalization of property, plant and equipment, but rather receivables.

The carrying amount of property, plant and equipment as of September 30, 2019 was EUR 47.2 million above the balance sheet value as of March 31, 2019. This increase largely relates to the initial application of IFRS 16, which required the recognition of right-of-use assets from lease agreements in the amount of EUR 50.8 million as of April 1, 2019. "Other non-current financial assets and investments" rose by EUR 12.8 million compared to the amount as of March 31, 2019 and largely related to the financing provided by Kapsch TrafficCom to a joint venture. The other non-current assets of EUR 7.3 million reported on the balance sheet as of March 31, 2019 mainly related to costs to obtain a contract. In connection with the termination of the contracts for the German infrastructure charge, EUR 4.2 million had to be impaired in the first half of 2019/20, and as a result of the final purchase price allocation of Intelligent Mobility Solutions Ltd., Zambia, in August 2019 the other non-current assets were not recognized as an asset.

The item "Trade receivables and other current assets" fell significantly relative to March 31, 2019. The decrease by a total of EUR 53.1 million largely resulted from a payment in connection with the implementation of the nation-wide vehicle and truck toll system in Bulgaria and lower trade receivables in Austria. By contrast, "contract assets" rose by EUR 39.0 million, which was largely due to projects in the USA and in Bulgaria.

"Cash and cash equivalents" decreased by EUR 13.6 million compared to March 31, 2019, mainly due to the dividend payment (EUR 19.5 million) and the negative free cash flow in the first half of 2019/20.

Liabilities and equity.
Appropriate lease liabilities were reported due to the initial application of IFRS 16. As of September 30, 2019, non-current lease liabilities amounted to EUR 36.1 million and current lease liabilities amounted to EUR 13.1 million. On April 1, 2019, the date of initial application, these liabilities amounted to EUR 40.5 million and EUR 12.4 million, respectively.

Current financial liabilities rose in the first half of 2019/20 by EUR 38.6 million to EUR 68.5 million. Trade payables fell, in particular in Austria. Other liabilities and deferred income declined, particularly in Bulgaria and the USA.

Equity fell by EUR 19.3 million to EUR 239.4 million compared to the balance sheet date of March 31, 2019. The main reasons for this are the paid-out dividend of EUR 19.5 million and the reduction in minority interests of EUR 1.7 million due to the final purchase price allocation of Intelligent Mobility Solutions Ltd., Zambia. The equity ratio as of September 30, 2019 was 33.9% (March 31, 2019: 38.2%). The decline in equity just described and the increase in the balance sheet total due to the initial application of IFRS 16 were responsible for this. The equity ratio would have been 36.5% without the initial application of the new accounting standard.

Cash flow.
Cash flow from operating activities in the first half of the current financial year was positive at EUR 2.7 million (previous year: EUR -14.1 million). It should be mentioned that lease payments (EUR -6.4 million) are reported in the cash flow from financing activities as of financial year 2019/20. Furthermore, at EUR -17.4 million, the change in net working capital in the first half of 2019/20 was lower than in the same period of the previous year (EUR -32.9 million). Two effects were critical for this: "Trade receivables and other current assets"—including "contract assets"—fell by EUR 14.2 million (previous year: increase of EUR 31.1 million). At the same time, "trade payables and other current liabilities"—including "contract liabilities"—dropped by EUR 23.7 million (previous year: increase of EUR +4.1 million).

Cash flow from investing activities amounted to EUR -20.5 million in the first half of 2019/20 and was thus significantly more negative than in the first half of 2018/19 (EUR -5.8 million). There were two main reasons for this: Net investments, mostly in the USA, Canada and Zambia, increased by a total of EUR 3.1 million. In addition, EUR 14.5 million in financing was provided to a joint venture in Germany.

Free cash flow, defined as cash flow from operating activities plus cash flow from investing activities, amounted to EUR -17.8 million in the first half of financial year 2019/20 and was thus slightly more positive than in the comparable period of the previous year (EUR -19.9 million). The aforementioned reclassification of lease payments (first half of 2019/20: EUR 6.4 million) due to the initial application of IFRS 16 must be taken into account.

The cash flow from financing activities totaled EUR 5.0 million in the first half of the year (previous year: EUR -26.1 million). This is primarily due to the increase in current financial liabilities by EUR 33.1 million. Lease payments totaled EUR -6.4 million in the first half of 2019/20. As already mentioned above, these were part of the cash flow from operating activities in the previous year.

Cash and cash equivalents as of September 30, 2019 totaled EUR 81.1 million (March 31, 2019: EUR 94.7 million).

Key figures as of September 30, 2019.
Net working capital totaled EUR 212.1 million (March 31, 2019: EUR 193.3 million).

Net debt reached EUR 169.0 million (March 31, 2019: EUR 73.5 million), which corresponded to a net gearing of 70.6% (March 31, 2019: EUR 28.4%). The increase in the net debt resulted primarily from the initial application of IFRS 16 (EUR -49.2 million), the negative free cash flow (EUR -17.8 million) and the dividend payment (EUR -19.5 million). Without the application of IFRS 16, the net debt would have been EUR 119.8 million and the net gearing 50.0%.

Information on major transactions with related parties.

With effect as of May 31, 2019, the affiliated company Kapsch CarrierCom AG, including its subsidiaries, and the operating business unit of the affiliated company Kapsch PublicTransportCom were sold to S&T AG and are not reported as related party since then.

With the exception of the details included in the consolidated financial statements 2018/19 and the information included in note 15, there were no other transactions with related parties that had a significant impact on the financial position or operating result during the first half of the financial year.

Acquisitions and major events.

On May 1, 2019, Mr. Alfredo Escribá Gallego was appointed to the Executive Board of Kapsch TrafficCom AG. He will hold this office for a term of five years. Mr. Escribá followed former Chief Technology Officer (CTO) Alexander Lewald, who left the company amicably.

On June 18, 2019, the European Court of Justice (ECJ) ruled contrary to expectations that the passenger vehicle toll in its planned form violates the principles of the free movement of goods and services. To our surprise, Kapsch TrafficCom received notice of termination of the contract on automatic monitoring the following day. The joint venture with CTS EVENTIM received the termination of the contract on the collection of the passenger vehicle toll. The reasons given for the termination of the contracts were the ruling by the European Court of Justice and the alleged poor performance of the contractors in the submission of the planning documents. The notices of termination were issued effective September 30, 2019.

Kapsch TrafficCom is currently working on the preparation of the claims from the contract on the monitoring of the passenger vehicle toll. By the end of 2019 at the latest, the joint venture must submit the claims from the contract on the collection of the passenger vehicle toll to a final auditor (public accountant) for review. To clarify the various claims, the first step according to the contracts is a negotiation procedure with the customer. In the event of failure, the two contracts provide for separate arbitration procedures to achieve a final decision.

Kapsch TrafficCom Dominican Republic S.R.L., Dominican Republic, was founded on May 25, 2019 and is a subsidiary of Kapsch TrafficCom AG (99%) and Kapsch TrafficCom Chile S.A., Chile (1%).

Furthermore, Kusa Kokutsha (Pty.) Ltd., South Africa, was founded on August 26, 2019.

In June 2019, the consortium Consorcio KRIV, Columbia, was formed. Since Kapsch TrafficCom has control over the relevant activities of this consortium, it is fully consolidated.

Risk reporting.

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

The material risks of Kapsch TrafficCom are as follows:

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

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

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

The major risks faced by the Group are addressed in Section 3.3 of the Group Management Report 2018/19. In the first half of 2019/20 changes in risks in connection with the passenger car toll projects in Germany occurred and are addressed in note 17. No significant new risks or uncertainties are expected to emerge over the remainder of financial year 2019/20.

Outlook for the second half of the current financial year.

The outlook for financial year 2019/20 originally published by Kapsch TrafficCom contained a similar projection as in the previous year: A weaker first half-year should be followed by a strong second half-year. This forecast should remain true. The outlook for the annual revenues can be confirmed from today's perspective: The amount in the previous year (EUR 737.8 million) should be exceeded by at least 5%.

Management did have to revise the expectation for EBIT in the current financial year, however. From today's perspective, a figure of around EUR 35 million (excluding one-off effects and with a fluctuation range of +/- 10%) should be achieved. Previously, the company assumed that EBIT (adjusted for one-off effects) would exceed the comparable figure in the previous year (EUR 57 million) by at least 5%. The main reasons for this adjustment are related to the loss of the major projects in Germany and to the growth in North America. The margins in the first half of the year were significantly below expectations there. Consequently, it was not possible to build up any buffer that could offset the loss of the project in the Czech Republic in Q3. On the contrary, the costs hurt the results. The extent and the fact that this circumstance would last for a longer period of time came as a surprise.

Outlook 2019/20:

> Revenues: Previous year revenue should be exceeded by at least 5%
> EBIT (excl. one-off effects): EUR 35 million (fluctuation range +/- 10%)

For Kapsch TrafficCom, the forthcoming departure of the United Kingdom from the EU (Brexit) should have no significant impact on results. Kapsch TrafficCom's revenues in the UK are in the single-digit million range.

Vienna, November 18, 2019

The Executive Board

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alfredo Escribá Gallego
Executive Board member

Statement of all Members of the Executive Board.

Pursuant to § 125 subsection 1 Stock Exchange Act 2018.

We declare to the best of our knowledge that the condensed consolidated interim 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, November 18, 2019

The Executive Board

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alfredo Escribá Gallego
Executive Board member

Condensed Consolidated Interim Financial Information

as of September 30, 2019.)*

Kapsch TrafficCom – Consolidated statement of comprehensive income.

All amounts in k EUR	Note	H1 2018/19	H1 2019/20 [1]
Revenues	(4)	335,839	359,232
Other operating income	(5)	5,507	5,170
Changes in finished and unfinished goods and work in progress		3,885	1,765
Cost of materials and other production services		-140,528	-156,856
Staff costs		-120,157	-130,083
Amortization and depreciation	(6)	-7,009	-13,606
Impairment charges	(6)	0	-4,200
Other operating expenses	(7)	-60,008	-51,776
Proportional result of associates and joint ventures [2]	(10)	268	-857
Operating result		**17,797**	**8,789**
Finance income		1,972	2,567
Finance costs		-7,810	-6,977
Financial result		**-5,838**	**-4,410**
Proportional results from associates and joint ventures as financial investment	(10)	0	-732
Result before income taxes		**11,960**	**3,647**
Income taxes	(8)	-3,568	-1,309
Result for the period		**8,392**	**2,338**
Attributable to equity holders of the company		9,047	2,277
Non-controlling interests		-655	61
		8,392	**2,338**
Earnings per share from the result for the period attributable to the equity holders of the company (in EUR)			
diluted and undiluted [3]		0.70	0.18
Other comprehensive income for the period			
Currency translation differences		-3,208	-1,569
Currency translation differences from net investments in foreign operations		2,685	1,486
Fair value adjustments of cash flow hedges		61	0
Income tax relating to items subsequently to be reclassified to the result for the period		-671	-372
Total items subsequently to be reclassified to the result for the period		**-1,134**	**-455**
Total items subsequently not to be reclassified to the result for the period		**0**	**0**
Other comprehensive income for the period net of tax		**-1,134**	**-455**
Total comprehensive income for the period		**7,258**	**1,883**
Attributable to equity holders of the company		8,442	1,921
Non-controlling interests		-1,184	-37
		7,258	**1,883**

1) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.
2) The proportional result of associates and joint ventures also includes gains from the revaluation of investments in the amount of EUR 79 k in financial year 2018/19.
3) Earnings per share relate to 13.0 million shares.

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

Kapsch TrafficCom – Consolidated balance sheet.

All amounts in k EUR	Note	March 31, 2019	Sept. 30, 2019 [1]
ASSETS			
Property, plant and equipment	(9, 18)	21,956	69,159
Intangible assets	(9)	82,874	82,499
Interests in associates and joint ventures	(10)	19,973	18,401
Other non-current financial assets and investments	(11)	15,861	28,674
Non-current contract assets	(11)	16,847	11,289
Non-current lease receivables	(18)	0	1,404
Other non-current assets		7,334	269
Deferred tax assets		18,462	19,641
Non-current assets		**183,307**	**231,336**
Inventories		64,054	68,219
Trade receivables and other current assets	(11)	209,419	156,278
Current contract assets	(11)	122,555	161,549
Current lease receivables	(18)	0	501
Current tax receivables		2,573	4,986
Other current financial assets	(11)	1,135	1,448
Cash and cash equivalents	(11)	94,652	81,093
Current assets		**494,389**	**474,075**
TOTAL ASSETS		**677,696**	**705,411**
EQUITY			
Share capital		13,000	13,000
Capital reserve		117,509	117,509
Retained earnings and other reserves		126,656	109,076
Capital and reserves attributable to equity holders of the company		**257,165**	**239,585**
Non-controlling interests		1,507	-232
TOTAL EQUITY		**258,672**	**239,353**
LIABILITIES			
Non-current financial liabilities	(11, 12)	139,330	133,854
Non-current lease liabilities	(18)	0	36,054
Liabilities from post-employment benefits to employees		26,125	25,462
Non-current provisions	(13)	6,681	5,501
Non-current contract liabilities	(11)	5,213	1,868
Other non-current liabilities	(11)	1,346	774
Deferred tax liabilities		5,103	1,488
Non-current liabilities		**183,799**	**205,002**
Current financial liabilities	(11, 12)	29,934	68,518
Current lease liabilities	(18)	0	13,145
Trade payables	(11)	89,560	75,955
Current contract liabilities	(11)	26,905	28,422
Current provisions	(13)	14,734	10,996
Current tax liabilities		2,292	3,099
Other liabilities and deferred income	(11)	71,800	60,920
Current liabilities		**235,225**	**261,056**
TOTAL LIABILITIES		**419,024**	**466,058**
TOTAL EQUITY AND LIABILITIES		**677,696**	**705,411**

[1] The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures as at March 31, 2019.

Kapsch TrafficCom – Consolidated statement of changes in equity.

All amounts in k EUR	Attributable to equity holders of the company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Retained earnings		
Carrying amount as of March 31, 2019	**13,000**	**117,509**	**-48,762**	**175,418**	**1,507**	**258,672**
Effects from acquisition of shares in subsidiaries (see note 3)					-1,678	-1,678
Effects from capital changes in a subsidiary					-24	-24
Dividend				-19,500	0	-19,500
Result for the period				2,277	61	2,338
Other comprehensive income for the period:						
Currency translation differences			-356		-98	-455
Carrying amount as of September 30, 2019	**13,000**	**117,509**	**-49,119**	**158,195**	**-232**	**239,353**
Carrying amount as of March 31, 2018	**13,000**	**117,509**	**-47,050**	**147,515**	**-1,045**	**229,930**
Adjustments due to new IFRS 9 standard				-650		-650
Deferred taxes on adjustments due to new IFRS 9 standard				146		146
Reclassification from other reserves to retained earnings			-86	86		0
Carrying amount as of April 1, 2018 adjusted	**13,000**	**117,509**	**-47,136**	**147,097**	**-1,045**	**229,425**
Effects from acquisition of shares in subsidiaries					3,426	3,426
Effects from capital contribution in a subsidiary					325	325
Dividend				-19,500	0	-19,500
Result for the period				9,047	-655	8,392
Other comprehensive income for the period:						
Currency translation differences			-665		-529	-1,194
Fair value adjustments of cash flow hedges			61			61
Carrying amount as of September 30, 2018	**13,000**	**117,509**	**-47,740**	**136,644**	**1,522**	**220,935**

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. Each share entitles the holder to one vote. At the reporting date of September 30, 2019 Kapsch TrafficCom AG does not hold any treasury shares.

Kapsch TrafficCom – Consolidated cash flow statement.

All amounts in k EUR	Note	H1 2018/19	H1 2019/20 [5]
Operating result		**17,797**	**8,789**
Scheduled depreciation and amortization		7,009	13,606
Impairment charges		0	4,200
Change in obligations for post-employment benefits		318	-663
Change in other non-current liabilities and provisions [2]		-1,750	-4,834
Change in other non-current receivables and assets [1]		703	5,781
Change in non-current trade receivables		77	0
Change in non-current trade payables		-127	-309
Net payments of income taxes		-2,615	-5,948
Interest received		413	430
Interest payments		-1,638	-2,255
Other (net)		-1,358	1,382
Cash flow from earnings		**18,829**	**20,178**
Change in net working capital:			
Change in trade receivables and other current assets [1]		-31,091	14,156
Change in inventories		-7,158	-4,164
Change in trade payables and other current payables [2]		4,137	-23,683
Change in current provisions		1,165	-3,737
Change in net working capital		**-32,947**	**-17,429**
Cash flow from operating activities		**-14,118**	**2,749**
Purchase of property, plant and equipment	(9)	-2,474	-4,195
Purchase of intangible assets	(9)	-932	-2,004
Purchase of securities, investments and other non-current financial assets		-2,172	-14,584
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(3)	3	0
Payments for the acquisition of shares in at-equity-consolidated entities and joint operations	(10)	-952	-19
Proceeds from the disposal of property, plant and equipment and intangible assets		647	294
Proceeds from the disposal of securities and other financial assets		69	0
Cash flow from investing activities		**-5,811**	**-20,509**
Free cash flow [3]		**-19,929**	**-17,760**
Contributions from shareholders in a subsidiary		325	0
Dividend paid to parent company's shareholders		-19,500	-19,500
Payments for the acquisition of non-controlling interests		-5,000	-1,000
Increase in non-current financial liabilities	(12)	45	2,193
Increase in current financial liabilities	(12)	1,263	33,132
Decrease in current financial liabilities	(12)	-3,251	-3,444
Lease payments	(18)	0	-6,363
Cash flow from financing activities		**-26,119**	**5,017**
Cash and cash equivalents at beginning of year		181,835	94,652
Net increase/decrease in cash and cash equivalents [4]		-46,047	-12,743
Exchange gains/losses		-2,258	-816
Cash and cash equivalents at the end of the period		**133,529**	**81,093**

1) Including "contract assets"
2) Including "contract liabilities"
3) Cash flow from operating activities + Cash flow from investing activities
4) Free cash flow + Cash flow from financing activities
5) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

Selected notes to the condensed consolidated interim financial information.

Outline.

1 General information.

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

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

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

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

2 Basis of preparation.

This condensed interim financial information for the first half of the financial year ended September 30, 2019 has been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB, as adopted by the EU, according to IAS 34 Interim Financial Statements, and should only be read in conjunction with the annual financial statements for the year ended March 31, 2019.

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

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

3 Changes in the scope of consolidation.

Changes in the scope of consolidation in the first half of 2019/20.

Kapsch TrafficCom Dominican Republic S.R.L., Dominican Republic, was founded on May 25, 2019 and is a subsidiary of Kapsch TrafficCom AG (99%) and Kapsch TrafficCom Chile S.A., Chile (1%).

Furthermore, Kusa Kokutsha (Pty.) Ltd., South Africa, was founded on August 26, 2019.

In June 2019, the consortium Consorcio KRIV, Columbia, was formed. Since Kapsch TrafficCom has control over the relevant activities of this consortium, it is fully consolidated.

Business combinations.

Intelligent Mobility Solutions Ltd., Zambia, was consolidated for the first time in August 2018. The purchase price allocation was finalized in August 2019 in compliance with the 12-month deadline. This resulted in the following fair values of the acquired identified assets and liabilities assumed at the acquisition date:

	Fair value
Intangible assets	2,959
Intangible assets from service concession arrangements	10,503
Receivables and other current assets	1,285
Cash and cash equivalents	3
Non-current financial liabilities	-2,895
Deferred tax liabilities	-1,685
Current financial liabilities	-320
Trade payables	-4,719
Other current liabilities and deferred income	-1,259
Net assets acquired	**3,871**

The intangible assets from service concession arrangements relate to a concession agreement, which covers a period of 17 years. The other non-current assets, which as of March 31, 2019 were preliminary recorded in the amount of EUR 3,425 k, were not recognized in the final purchase price allocation according to the final analysis. The receivables and other current assets relate mainly to advance payments made. A cash inflow from this position is therefore not expected. Cash and cash equivalents were acquired in the context of the acquisition (thus the net cash inflow in financial year 2018/19 from the acquisition) amounted to EUR 3 k. Transaction costs directly attributable to the acquisition amounted to EUR 0 k.

The difference between the fair value of the shares previously held including non-controlling interests, and the fair value of the net assets acquired, is calculated as follows:

	Difference
Fair value of the previously held shares	5,356
Fair value of non-controlling interests	1,897
Less fair value of net assets acquired	-3,871
Goodwill	**3,382**

The above presentation results from a purchase price allocation, based on the company's planning data until the end of the contract term and the application of an adequate interest rate.

The goodwill resulted mainly from the market entry and was recognized on the basis of the proportionate share of the net assets. The amount of EUR 3,382 k is based on the final purchase price allocation (preliminary calculated value as of March 31, 2019: EUR 1,636 k). The goodwill was allocated to the cash-generating unit IMS-EMEA.

For the period from September 1, 2018 to August 30, 2019, the acquired company contributed an amount of EUR 3,263 k (September 1, 2018 to March 31, 2019: EUR 1,996 k) to revenues and of EUR -1,844 k (September 1, 2018 to March 31, 2019: EUR -1,807 k) to the Group‘s result for the period.

For the business combination of **eTrans Systems Inc.** (eTrans), USA, in financial year 2018/19, there were no adjustments until the end of September 2019.

4 Segment information.

The segment results by business type, which also correspond to performance obligations pursuant to IFRS 15 are as follows:

	H1 2018/19			H1 2019/20		
	ETC	**IMS**	**Total**	**ETC**	**IMS**	**Total**
Revenues	**262,132**	**73,707**	**335,839**	**281,152**	**78,081**	**359,232**
Implementation	73,613	30,280	103,893	110,479	32,039	142,518
Operations	133,396	38,404	171,800	121,204	40,726	161,930
Components	55,123	5,023	60,146	49,469	5,315	54,784
Operating result	**24,813**	**-7,016**	**17,797**	**17,482**	**-8,694**	**8,789**
EBIT margin	**9.5%**	**-9.5%**	**5.3%**	**6.2%**	**-11.1%**	**2.4%**

The following table shows those customers who contributed more than 10% of revenues in the first half of 2019/20 or in the same period of the previous year.

	H1 2018/19			H1 2019/20		
	Revenues	ETC	IMS	Revenues	ETC	IMS
Customer 1	37,727	x	x	37,045	x	x

5 Other operating income.

	H1 2018/19	H1 2019/20
Exchange rate gains from operating activities	3,528	3,633
Sundry operating income	1,980	1,537
	5,507	**5,170**

Exchange rate gains from operating activities in the first half of 2019/20 mainly relate to gains from exchange rate fluctuations of the Argentine peso and US dollar in respect to euro. Argentina is classified as a hyperinflationary country, however the effects from IAS 29 are not material.

6 Amortization, depreciation, and impairment charges.

In the first half of 2019/20 an amount of EUR 6,481 k was included for depreciation on right-of-use assets from leases due to the application of IFRS 16. In addition, costs to obtain a contract in the amount of EUR 4,200 k were recognized as impairment in connection with the early termination of projects for the German infrastructure charge.

7 Other operating expenses.

	H1 2018/19	H1 2019/20
Communication and IT expenses	9,554	9,317
Legal and consulting fees	7,969	7,591
Travel expenses	6,105	7,228
Rental expenses	9,085	3,629
Marketing and advertising expenses	4,766	3,579
License and patent expenses	3,081	2,720
Maintenance costs	2,978	2,719
Exchange rate losses from operating activities	2,812	2,551
Automobile expenses	3,193	2,436
Office expenses	1,400	1,908
Insurance costs	2,717	1,694
Other	6,348	6,403
	60,008	**51,776**

Increased travel activity, especially in the USA, led to an increase in travel expenses. Lower marketing and advertising expenses and lower insurance costs in Poland made a major contribution to the decline in other operating expenses. The initial application of IFRS 16 to lease contracts reduced rental expenses by EUR 6,262 k.

8 Income taxes.

Income taxes relate to current taxes and to deferred tax assets and liabilities. The effective tax expense is not determined until the end of the financial year. During the financial year, Kapsch TrafficCom uses a theoretical tax rate. This rate is applied to Group earnings before taxes adjusted for the already taxed proportional results from associates and joint ventures. At year-end, the effective tax rate may differ from the (theoretical) tax rate during the year. This may result from differences in taxation in the various countries, the recognition or impairment of tax loss carryforwards, tax allowances and permanent tax differences.

In the first half of 2019/20 a theoretical tax rate of 25% (previous year: 30%) was applied to the Group's pre-tax result. This lower tax rate is based on a revenue-weighted analysis of the nominal tax rates of the individual countries in which Kapsch TrafficCom operates.

9 Changes in property, plant and equipment and intangible assets.

	H1 2018/19	H1 2019/20
Carrying amount as of March 31 of financial year	**92,207**	**104,830**
Adjustment due to initial application of IFRS 16	-	50,755
Carrying amount as of April 1 of financial year	**92,207**	**155,585**
Additions	3,406	5,172
Additions from business combinations	12,663	0
Additions from service concession agreements	167	1,027
Additions of right-of-use assets from leases	-	2,919
Disposals	-427	-267
Disposals of right-of-use assets from leases	-	-469
Depreciation, amortization and other movements	-7,009	-5,477
Depreciation on right-of-use assets from leases	-	-6,481
Currency translation differences	-1,248	-350
Carrying amount as of September 30 of financial year	**99,759**	**151,658**

As of September 30, 2019 property, plant and equipment included right-of-use assets from leases in the amount of EUR 46,731 k.

10 Interests in associates and joint ventures.

Details of associates and joint ventures are shown in the consolidated financial statements of 2018/19.

	H1 2018/19	H1 2019/20
Carrying amount as of March 31 of financial year	**7,502**	**19,973**
Addition	1,293	19
Proportional result of the period from core business	189	-857
Gain from revaluation of shares due to business combination	79	0
Disposal due to business combination	-9,048	0
Proportional result of the period from financial investments	0	-732
Currency translation differences	0	-3
Carrying amount as of September 30 of financial year	**15**	**18,401**
thereof interests in associates	0	8,349
thereof interests in joint ventures	15	10,052

As of March 31, 2019, shares in associates relate to Traffic Technology Services Inc., USA.

The interests in joint ventures as of September 30, 2019 mainly relate to the joint venture with CTS EVENTIM AG & Co. KGaA, autoTicket GmbH, Germany. In 2018, the joint venture was awarded the contract to collect the passenger vehicle toll. However, effective September 30, 2019, notices of termination were issued. By the end of 2019 at the latest, the joint venture must submit the claims from the contract on the collection of the passenger vehicle toll to a final auditor (public accountant) for review. To clarify the various claims, the first step according to the contracts is a negotiation procedure with the customer. This dispute settlement procedure can take several weeks, but can also be quickly declared unsuccessful by one party. In the event of failure, the contracts provide for separate arbitration procedures to achieve a final decision. These procedures would be governed by the Rules of Arbitration of the German Institution of Arbitration (Schiedsordnung der Deutschen Institution für Schiedsgerichtsbarkeit, DIS) and would take place in private arbitral tribunals in Berlin. It needs to be reckoned with the fact that arbitral awards may not be handed down for a number of years.

The business combination in the first half of 2018/19 related to the full consolidation of Intelligent Mobility Solutions Ltd., Zambia.

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

11 Financial instruments by category.

Fair value.
Details on the fair value-hierarchies can be found in the consolidated financial statements of 2018/19. No reclassifications between fair value hierarchy levels were made.

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

As of September 30, 2019, the fair value of non-current and current financial liabilities amounted to EUR 73,892 k for the promissory note bond (March 31, 2019: EUR 72,818 k), EUR 41,715 k for the project financing (March 31, 2019: EUR 47,194 k) and EUR 83,648 k for other financial liabilities (March 31, 2019: EUR 43,468 k).

Impairment on trade receivables and contract assets.
Impairment on "trade receivables" decreased by EUR 178 k in the first half of 2019/20 (first half of 2018/19: EUR -473 k). The impairment on "contract assets" increased by EUR 216 k in the first half of 2019/20 (first half of 2018/19: EUR 219 k). Both effects were recognized through profit or loss in the statement of comprehensive income.

Non-current and current financial assets and investments.
The addition to non-current and current financial assets relate to loans to the joint venture autoTicket GmbH, Germany, amounting to EUR 14,535 k. The valuation of investments that are classified at fair value through profit or loss led to a loss in the first half of 2019/20 amounting to EUR 1,731 k (first half of 2018/19: EUR +934 k) which was recognized in total comprehensive income for the period.

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

Earn-out liabilities	H1 2018/19	H1 2019/20
Carrying amount as of March 31 of financial year	**12,751**	**1,989**
Addition	341	0
Disposal	-5,206	-1,000
Interest	24	8
Carrying amount as of September 30 of financial year	**7,910**	**997**

There were no adjustments in the first half of 2019/20 for investments valued at level 3.

Financial instruments by category at carrying amount	March 31, 2019	Sept. 30, 2019
Trade receivables and other current assets	**209,419**	**156,278**
At amortized cost	**171,443**	**116,392**
Trade receivables	171,443	116,392
At fair value through profit or loss	**50**	**5**
Derivative financial instruments (Fair value level 2)	50	5
Hedging instruments	**0**	**0**
Derivative financial instruments – Cash flow hedges (Fair value level 2)	0	0
Other non-financial assets [1)]	**37,926**	**39,882**
Contract assets (non-current and current) at amortized cost	**139,402**	**172,838**
Other financial assets and investments (non-current and current)	**16,996**	**30,391**
At fair value through profit or loss	**15,205**	**13,471**
Securities (Fair value level 1)	3,700	3,774
Derivative financial instruments (Fair value level 2)	79	0
Investments (Fair value level 1)	11,389	9,658
Investments (Fair value level 3)	36	39
At amortized cost	**1,791**	**16,920**
Other financial assets and loans (non-current)	657	15,472
Other financial assets and loans (current)	1,135	1,448
Cash and cash equivalents at amortized cost	**94,652**	**81,093**
Financial liabilities (non-current and current) at amortized cost	**169,264**	**202,373**
Promissory note bond (Fair value level 2)	74,794	75,222
Project financing (Fair value level 2)	50,000	43,750
Other financial liabilities (Fair value level 2)	44,470	83,400
Trade payables at amortized cost	**89,560**	**75,955**
Contract liabilities (non-current and current) at amortized cost	**32,118**	**30,291**
Other liabilities and deferred income (non-current and current)	**73,146**	**61,694**
At amortized cost	**3,336**	**1,756**
Variable purchase price components (earn-out, fair value level 3)	1,989	997
Other financial liabilities	1,346	759
At fair value through profit or loss	**196**	**57**
Derivative financial instruments (Fair value level 2)	196	57
Hedging instruments	**0**	**0**
Derivative financial instruments – Cash flow hedges (Fair value level 2)	0	0
Other non-financial liabilities [1)]	**69,614**	**59,881**

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

12 Financial liabilities.

	March 31, 2018	Sept. 30, 2018	March 31, 2019	Sept. 30, 2019
Non-current financial liabilities	141,759	140,938	139,330	133,854
Current financial liabilities	26,675	26,913	29,934	68,518
	168,434	**167,851**	**169,264**	**202,373**

Movements in financial liabilities are as follows:

	H1 2018/19			H1 2019/20		
	Non-current	Current	Total	Non-current	Current	Total
Carrying amount as of March 31 of financial year	**141,759**	**26,675**	**168,434**	**139,330**	**29,934**	**169,264**
Reclassification	-1,824	1,824	0	-8,042	8,042	0
Additions	45	1,263	1,308	2,193	33,132	35,324
Addition from business combinations	227	0	227	0	0	0
Repayments	0	-3,251	-3,251	0	-3,444	-3,444
Currency translation differences and interest accrued	731	403	1,134	374	855	1,229
Carrying amount as of September 30 of financial year	**140,938**	**26,913**	**167,851**	**133,854**	**68,518**	**202,373**

Additions and repayments are cash effective.

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

	Sept. 30, 2018	Sept. 30, 2019
Gross cash flows up to one year	**29,169**	**72,011**
In the next 6 months	3,795	32,512
In the next 7 to 12 months	25,374	39,499
Gross cash flows 2-5 years	**130,721**	**128,155**
Between 1 and 2 years	13,840	61,521
Between 2 and 3 years	62,202	17,641
Between 3 and 4 years	16,928	40,269
Between 4 and 5 years	37,751	8,724
Gross cash flows more than 5 years	**14,871**	**8,841**
Total	**174,761**	**209,007**

13 Provisions.

	March 31, 2018	Sept. 30, 2018	March 31, 2019	Sept. 30, 2019
Non-current provisions	8,911	8,005	6,681	5,501
Current provisions	9,600	10,765	14,734	10,996
	18,510	**18,769**	**21,415**	**16,498**

	March 31, 2019	Addition and accu-mulation	Utilization	Disposal	Reclassifi-cation	Currency differences	Sept. 30, 2019
Obligations from anniversary bonuses	1,758	37	0	-23	0	1	1,773
Warranties	2,472	0	0	0	-946	0	1,527
Projects (excl. impending losses)	151	0	0	0	179	0	330
Other non-current provisions	2,301	113	-35	-51	-430	-26	1,872
Non-current provisions, total	**6,681**	**150**	**-35**	**-74**	**-1,196**	**-25**	**5,501**
Warranties	538	0	-765	0	946	-6	713
Provision for losses from onerous contracts	3,461	1,131	-81	-2,938	-1	64	1,635
Projects (excl. impending losses)	5,734	141	-25	-8	-179	-6	5,657
Legal fees, costs of litigation and contract risks	2,709	21	-658	-1,194	0	37	915
Other current provisions	2,292	6,108	-6,427	-261	431	-66	2,078
Current provisions, total	**14,734**	**7,401**	**-7,956**	**-4,401**	**1,196**	**23**	**10,996**
Total	**21,415**	**7,551**	**-7,991**	**-4,475**	**0**	**-2**	**16,498**

In the first half of 2019/20 an important court ruling was passed in connection with legal disputes with the company Neology, Inc., USA. The Supreme Federal Court for Patent Law Issues has finally ruled against the competitor that the patent claims cited are invalid. An appeal has been filed with the Surpreme Court by Neology, Inc., USA. The provision was released in the first half of 2019/20 as Kapsch TrafficCom does not expect any further obligations.

	March 31, 2018	Addition and accu-mulation	Utilization	Disposal	Reclassifi-cation	Currency differences	Sept. 30, 2018
Obligations from anniversary bonuses	1,391	37	0	-7	0	5	1,426
Warranties	1,906	0	0	0	-202	0	1,704
Projects (excl. impending losses)	689	0	0	0	-42	0	648
Other non-current provisions	4,923	262	0	0	-488	-471	4,227
Non-current provisions, total	**8,911**	**299**	**0**	**-7**	**-731**	**-467**	**8,005**
Warranties	435	311	-84	-9	202	61	916
Losses from pending transactions and rework	0	1,355	-211	-138	-142	5	869
Projects (excl. impending losses)	4,887	0	-75	-343	42	28	4,539
Legal fees, costs of litigation and contract risks	3,033	461	-806	-60	86	171	2,886
Other current provisions	1,245	827	-915	-29	543	-116	1,555
Current provisions, total	**9,600**	**2,955**	**-2,091**	**-580**	**731**	**150**	**10,765**
Total	**18,510**	**3,254**	**-2,091**	**-587**	**0**	**-317**	**18,769**

14 Contingent liabilities and other commitments.

The contingent liabilities primarily result from large-scale projects. In this context, Kapsch TrafficCom may be required to issue contract and warranty obligations, sureties and performance bonds. Securities from third parties – usually financial institutes or insurance companies – in the form of guarantees and bid bonds must also be provided if required. In case contractual obligations cannot be fulfilled, there is a risk of corresponding claims being brought by the customer in question. This can result in a recourse claim of the financial institute or insurance company against Kapsch TrafficCom.

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

Contract, warranty, performance and bid bonds	March 31, 2019	Sept. 30, 2019
South Africa (toll collection systems)	30,742	30,198
Australia (toll collection systems)	29,926	29,360
Other	161	161
	60,829	**59,719**

Outflows of resources in connection with other commitments amounting to EUR 403,978 k (March 31, 2019: EUR 319,055 k), the actual occurrence of which is considered to be unlikely, are neither reported on the balance sheet nor in the table above.

With shareholder agreements as of February 8, 2019 and March 21, 2019 Kapsch TrafficCom AG has committed itself against autoTicket GmbH, Germany, to grant a subordinated shareholder loan in an amount up to EUR 32,500 k and to take over a joint and several liability for the third-party financing of autoTicket GmbH in the total amount of EUR 175,000 k (together with second shareholder CTS EVENTIM AG & Co KGaA). According to the loan agreement that joint and several liability will be converted to a guarantee of both shareholders after the start of the toll collection, the collection of the reimbursement costs and end of the first year of operations. Each of the shareholders has to guarantee half of the amount outstanding at that moment.

As of September 30, 2019 shareholder loans of Kapsch TrafficCom AG in autoTicket GmbH in the amount of EUR 14,535 k are outstanding. Due to the termination of the operations contract no bank liabilities are outstanding in autoTicket GmbH.

In connection with the termination of the passenger car toll contracts in Germany, contingent assets beyond the balance sheet values cannot be estimated due to the ongoing proceedings.

15 Related parties.

The following tables provide an overview of revenues and expenses as well as receivables and liabilities for related parties.

	H1 2018/19	H1 2019/20
Parent company		
Revenues	0	0
Expenses	-535	-642
Income (+) / Expense (-) from tax allocation	2,661	-1,762
Affiliated companies		
Revenues	2,817	2,232
Expenses	-13,758	-7,918
Associated companies		
Revenues	13	13
Expenses	0	0
Joint ventures		
Revenues	188	12,801
Expenses	0	0
Other related parties		
Revenues	52	79
Expenses	-59	-5,460

	March 31, 2019	Sept. 30, 2019
Parent company		
Trade receivables and other assets	0	0
Trade payables and other payables (-)	-342	-352
Receivables (+) / Liabilities (-) from tax allocation	-3,603	-5,365
Affiliated companies		
Trade receivables and other non-current and current assets	2,436	206
Trade payables and other payables (-)	-4,401	-6,941
Associated companies		
Trade receivables and other non-current and current assets	335	348
Trade payables and other payables (-)	0	0
Joint ventures		
Trade receivables and other non-current and current assets	0	14,535
Contract assets	9,058	0
Trade payables and other payables (-)	-400	0
Other related parties		
Trade receivables and other non-current and current assets	15	12
Trade payables and other payables including pension benefits (-)	-11,277	-12,597

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

Effective May 31, 2019 Kapsch CarrierCom AG including its subsidiaries as well as the operating business unit of Kapsch PublicTransportCom were sold. These were affiliated companies of Kapsch TrafficCom AG.

In the previous financial year, expenses from transactions with affiliated companies for goods and services related to IT, data processing and telephone services provided by Kapsch BusinessCom AG. As of financial year 2019/20, most of these goods and services have been provided by Kapsch Financial Services GmbH, Vienna, an other related party. This change explains the decrease in the expenses of affiliated companies as well as the increase in the expenses of other related companies to a significant extent.

Intelligent Mobility Solutions Ltd., Zambia, was included as a joint venture until end of August 2018, and is fully consolidated starting from September 2018. Trade receivables and other non-current and current assets from joint ventures relate to loans to autoTicket GmbH, Germany.

Individual members of the Executive and Supervisory Boards of Kapsch TrafficCom AG have management functions or are members in the Supervisory Boards of KAPSCH-Group Beteiligungs GmbH and/or its subsidiaries. In this context, please refer to the consolidated Corporate Governance Report 2018/19.

A comprehensive presentation of the relationships with related parties is shown in note 32 of the consolidated financial statements 2018/19.

16 Material accounting estimates and assumptions.

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

The Group bases its fair value measurement of assets and liabilities on observable market data to the greatest extent possible. The fair value can be assigned to one of various levels within a fair value hierarchy using a number of evaluation techniques. Further information on the fair value measurement can be found in the consolidated financial statements as of March 31, 2019.

The estimates made by the Management are in line with those adopted in the consolidated financial statements for the year ended March 31, 2019 (note 36) and described therein.

17 Risk management.

The financial risks to which Kapsch TrafficCom is exposed are described in the consolidated financial statements for the year ended March 31, 2019 (note 37). In the first half of 2019/20 changes in risks in connection with the termination of the passenger car toll projects in Germany occurred, which could have an impact on the following carrying amounts as of September 30: Interests in joint ventures EUR 9,909 k, other financial assets and loans EUR 14,535 k, as well as trade receivables EUR 3,210 k.

18 Accounting policies.

The accounting policies adopted in this condensed interim financial information for the first half year ended September 30, 2019 are generally consistent with those of the annual financial statements for the year ended March 31, 2019, and described therein, except for the application of the following new or amended IFRS and IFRIC:

	New/amended IFRS	Published by the IASB and adopted by the EU	Applicable to financial years beginning on or after	Material impact on Group's consolidated financial statement
IFRS 16	Leases	January 2016	January 1, 2019	Described below
IFRS 9	Prepayment Features with Negative Compensation	October 2017	January 1, 2019	None
IFRIC 23	Uncertainty over Income Tax Treatments	June 2017	January 1, 2019	None
IAS 28	Long-term Interests in Associates and Joint Ventures	October 2017	January 1, 2019	None
IAS 19	Plan Amendment, Curtailment or Settlement	February 2018	January 1, 2019	None
AIP 2015–2017	Annual improvement to IFRSs, Cycle 2015–2017: Amendment of IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" as well as IAS 23 "Borrowing Costs"	December 2017	January 1, 2019	None

IFRS 16 „Leases" specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. As for Kapsch TrafficCom, this mainly relates to buildings, motor vehicles and IT equipment. IFRS 16 introduces a single accounting model that recognizes 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. 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 adopted the new standard as of the mandatory date of initial application (April 1, 2019) and elected to apply the modified retrospective approach as a transitional method, not providing comparative figures for the previous period. The Group applies the exemptions regarding short-term leases with a term of not more than twelve months or a remaining term of not more than twelve months at the date of initial application, and leases of low-value assets. Those leases are not recognized in the balance sheet, instead, payments made for such leases continue to be recognized as expenses. The Group only acts as lessor to an insignificant extent, thus there is no material impact on the Group's financial statements in this respect.

The Group established a project team, which reviewed and assessed all of the Group's leases with respect to IFRS 16 in the previous financial year. A software solution for recording the lease contracts was implemented and the individual lease contracts were recorded in that software solution. This software solution calculates the effects of IFRS 16 on a contract basis and provides them for accounting purposes. For the calculation of the present values of the lease liabilities, the incremental borrowing rates for the respective terms are determined and used.

Initial application of IFRS 16 – Reconciliation.
As of April 1, 2019, the initial application of IFRS 16 had the following effects:

	March 31, 2019		April 1, 2019
Adjustments due to IFRS 16	**Carrying amount**	**Adjustments due to new IFRS**	**Carrying amount adjusted**
Property, plant and equipment	**21,956**	**50,755**	**72,711**
Land and buildings	3,400	47,449	50,849
Technical equipment and machinery	8,855	0	8,855
Construction in progress	2,723	0	2,723
Other equipment, factory and office equipment incl. vehicle fleet	6,978	3,305	10,283
Prepayments	0	0	0
Non-current and current lease receivables	**-**	**2,176**	**2,176**
Non-current lease receivables	0	1,666	1,666
Current lease receivables	0	510	510
Non-current and current lease liabilities	**-**	**52,931**	**52,931**
Non-current lease liabilities	0	40,548	40,548
Current lease liabilities	0	12,382	12,382

As a result of the recognition of lease liabilities, net debt increased by EUR 52.9 million and the net gearing increased to 48.9% (from 28.4%) at the time of initial application. The equity ratio declined slightly to 35.4% (from 38.2%) as of April 1, 2019, due to the significant balance sheet extension.

The following table shows the reconciliation of the obligation arising from non-cancellable operating leases as of March 31, 2019 to the lease liabilities recognized as of April 1, 2019. The weighted average incremental borrowing rate applied for the valuation of lease liabilities as of April 1, 2019 amounted to 1.92%.

	Reconciliation
Financial obligations from operating lease contracts disclosed as of March 31, 2019	**64,670**
Recognition exemptions for short-term leases and low-value leases	-15,574
Adjustments as a result of different treatment of extension and termination options and other changes	7,654
Lease liabilities before discounting	**56,750**
Effect from discounting at incremental borrowing rate at the date of initial application	-3,819
Lease liabilities recognized as of April 1, 2019	**52,931**

Initial application of IFRS 16 – Effects on the interim financial information as of September 30, 2019.
The initial application of IFRS 16 had the following effects on key figures in the interim financial information:

	March 31, 2019	April 1, 2019		Sept. 30, 2019	
	Reported amount	IFRS 16 effect	Reconciled amount	Reported amount	IFRS 16 effect [1]
Total assets	677,696	52,931	730,627	705,411	48,636
Total equity	258,672	0	258,672	239,353	-517
Equity ratio	38.2%	-2.8%p	35.4%	33.9%	-2.6%p
Net cash (+)/debt (-)	-73,478	-52,931	-126,409	-169,030	-49,199
Net gearing	28.4%	20.5%p	48.9%	70.6%	20.7%p

	2018/19		H1 2018/19	H1 2019/20	
	Reported amount		Reported amount	Reported amount	IFRS 16 effect [1]
EBIT	57,028		17,797	8,789	328
EBITDA	71,540		24,807	26,594	6,809
Financial result	-1,714		-5,838	-4,410	-844
Profit for the period	46,567		8,392	2,338	-517

[1] Comparison with the reported amount as of March 31, 2019, or for the first half of 2018/19, respectively.

Property, plant and equipment reported in the consolidated balance sheet as of September 30, 2019 include right-of-use assets from leases according to IFRS 16 in the amount of EUR 46,731 k. Lease receivables amount to EUR 1,905 k and lease liabilities amount to EUR 49,199 k.

For the first half of financial year 2019/20 depreciation on right-of-use assets in the amount of EUR 6,481 k (EUR 5,712 k for land and buildings, EUR 749 k for motor vehicles and EUR 20 k for IT equipment) as well as interest expenses for lease liabilities in the amount of EUR 509 k, foreign exchange differences in the amount of EUR 345 k and interest income for lease receivables in the amount of EUR 10 k were recognized in the income statement. Within other operating expenses, rental expenses declined by EUR 6,262 k, automobile expenses by EUR 779 k and IT expenses by EUR 21 k.

The cash flow from operating activities increased due to the absence of rental and leasing expenses, while the cash flow from financing activities decreased accordingly due to the repayment of the lease liabilities. Lease payments in the first half of 2019/20 amounted to EUR 6,363 k.

19 Significant events occurring after September 30, 2019.

Kapsch TrafficCom has been informed on November 15, 2019 to be best bidder for a tolling project in the EMEA region (Europe, Middle East, Africa). Following a final due diligence, the end of the objection period and subject to successful negotiations with the customer, the project could be awarded within the upcoming three weeks. The total project volume over its six year lifetime is expected to exceed EUR 400 million.

No other subsequent events to be reported, have occurred after September 30, 2019.

Vienna, November 18, 2019

The Executive Board

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alfredo Escribá Gallego
Executive Board member

Financial calendar.

February 18, 2020	Highlights Q1–Q3 2019/20
June 16, 2020	Results FY 2019/20
August 12, 2020	Highlights Q1 2020/21
August 30, 2020	Record Date: Annual General Meeting
September 9, 2020	Annual General Meeting
September 11, 2020	Dividend Ex Date
September 14, 2020	Dividend Record Date
September 16, 2020	Dividend Payment Date
November 18, 2020	Results H1 2020/21
February 16, 2021	Highlights Q1-Q3 2020/21

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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 solution 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 to make road traffic safer and more reliable, efficient, and comfortable in urban areas and on highways 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).

In financial year 2018/19, Kapsch TrafficCom‘s about 5,000 employees generated revenues of EUR 738 million.

>>> www.kapsch.net

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