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Kapsch TrafficCom

Annual Financial Statements 2019/20.

Pursuant to Section 124 Austrian Stock Exchange Act 2018.

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Consolidated Financial Statements.

Consolidated statement of comprehensive income.

In EUR	Note	2018/19	2019/20 [2]
Revenues	(3)	737,794,565	731,183,930
Other operating income	(4)	13,849,406	15,985,145
Changes in finished and unfinished goods and work in progress	(5)	20,868,746	-6,117,403
Cost of materials and other production services	(6)	-323,473,803	-334,939,805
Staff costs	(7)	-252,710,817	-269,167,583
Amortization and depreciation	(8)	-14,512,147	-27,919,654
Impairment charge	(9)	0	-24,882,071
Other operating expenses	(10)	-126,252,758	-118,671,516
Proportional result of associates and joint ventures	(16)	941,510	-4,638,828
Gains from the revaluation of joint ventures	(16)	523,008	0
Operating result		**57,027,711**	**-39,167,785**
Finance income	(11)	10,105,997	4,983,700
Finance costs	(11)	-11,820,106	-28,094,876
Financial result		**-1,714,109**	**-23,111,176**
Proportional results from associates and joint ventures from financial investments	(16)	-253,453	-1,167,379
Result before income taxes		**55,060,149**	**-63,446,339**
Income taxes	(12)	-8,493,003	7,728,110
Result for the period		**46,567,146**	**-55,718,229**
Equity holders of the company		47,820,497	-48,136,697
Non-controlling interests	(33)	-1,253,350	-7,581,532
Earnings per share from the result for the period attributable to the equity holders of the company			
diluted = undiluted	(38)	3.68	-3.70
Other comprehensive income for the period			
Currency translation differences [1]		-3,323,418	1,059,228
Currency translation differences from net investments in foreign operations		4,025,719	1,217,211
Cash flow hedges		-460,449	0
Income tax relating to items subsequently to be reclassified to the result for the period		-1,006,430	-304,303
Total items subsequently to be reclassified to the result for the period		**-764,578**	**1,972,137**
Remeasurements of liabilities from post-employment benefits		-861,484	-2,293,351
Income tax relating to items subsequently not to be reclassified to the result for the period		222,583	502,927
Total items subsequently not to be reclassified to the result for the period		**-638,901**	**-1,790,424**
Other comprehensive income for the period net of tax [1]	(13)	**-1,403,479**	**181,712**
Total comprehensive income for the period [1]		**45,163,667**	**-55,536,517**
Equity holders of the company [1]		46,473,402	-49,193,586
Non-controlling interests [1]	(33)	-1,309,734	-6,342,931

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.
[2] 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.

Consolidated balance sheet.

In EUR	Note	March 31, 2019	March 31, 2020 [2]
ASSETS			
Property, plant and equipment	(14)	21,956,059	82,324,598
Intangible assets [1]	(15)	84,620,955	59,922,456
Interests in associates and joint ventures	(16)	19,973,053	32,634,506
Other non-current financial assets and investments	(17)	15,861,260	10,873,388
Non-current contract assets	(17, 21)	16,846,603	13,777,929
Non-current lease receivables		0	1,244,732
Other non-current assets [1]	(18)	4,457,400	269,923
Deferred tax assets	(26)	18,461,701	26,288,490
Non-current assets [1]		**182,177,031**	**227,336,023**
Inventories	(19)	64,054,465	55,657,736
Trade receivables and other current assets	(17, 20)	209,419,243	176,984,225
Current contract assets	(17, 21)	122,555,375	138,177,686
Current lease receivables		0	442,039
Current tax receivables		2,573,184	4,655,850
Other current financial assets	(17)	1,134,741	1,296,408
Cash and cash equivalents	(17, 22)	94,651,920	122,631,807
Current assets		**494,388,927**	**499,845,750**
TOTAL ASSETS [1]		**676,565,958**	**727,181,773**
EQUITY			
Share capital	(23)	13,000,000	13,000,000
Capital reserve	(23)	117,508,771	117,508,771
Retained earnings and other reserves [1]	(23)	126,935,386	57,652,976
Capital and reserves attributable to equity holders of the company [1]		**257,444,157**	**188,161,748**
Non-controlling interests [1]	(33)	97,986	-5,680,096
TOTAL EQUITY [1]		**257,542,143**	**182,481,652**
LIABILITIES			
Non-current financial liabilities	(17, 24)	139,330,295	185,230,920
Non-current lease liabilities	(17, 25)	0	50,056,883
Liabilities from post-employment benefits to employees	(27)	26,125,329	27,611,262
Non-current provisions	(28)	6,681,116	4,294,725
Non-current contract liabilities	(21)	5,212,524	3,505,358
Other non-current liabilities	(17, 29)	1,346,376	830,435
Deferred tax liabilities	(26)	5,103,060	1,705,944
Non-current liabilities		**183,798,700**	**273,235,528**
Current financial liabilities	(17, 24)	29,934,001	50,701,975
Current lease liabilities	(17, 25)	0	13,588,846
Trade payables	(17)	89,560,094	92,404,442
Current contract liabilities	(21)	26,905,432	26,798,120
Current provisions	(28)	14,733,725	23,374,780
Current tax liabilities		2,291,968	4,042,778
Other liabilities and deferred income	(17, 30)	71,799,893	60,553,657
Current liabilities		**235,225,114**	**271,464,598**
TOTAL LIABILITIES		**419,023,814**	**544,700,126**
TOTAL EQUITY AND LIABILITIES		**676,565,958**	**727,181,773**

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.
[2] 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.

Consolidated statement of changes in equity.

In EUR	Attributable to equity holders of the company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of March 31, 2019 [1]	**13,000,000**	**117,508,771**	**-48,482,735**	**175,418,121**	**97,986**	**257,542,143**
Effects from changes in shares and capital in subsidiaries			-588,823		564,849	-23,974
Dividend				-19,500,000	0	-19,500,000
Result for the period				-48,136,697	-7,581,532	-55,718,229
Other comprehensive income for the period:						
Currency translation differences			733,535		1,238,601	1,972,137
Remeasurements of liabilities from post-employment benefits			-1,790,424			-1,790,424
Carrying amount as of March 31, 2020	**13,000,000**	**117,508,771**	**-50,128,447**	**107,781,424**	**-5,680,096**	**182,481,652**
Carrying amount as of March 31, 2018	**13,000,000**	**117,508,771**	**-47,049,603**	**147,515,438**	**-1,045,045**	**229,929,562**
Adjustments due to new IFRS 9 standard				-650,429		-650,429
Deferred taxes on adjustments due to new IFRS 9 standard				146,576		146,576
Reclassification from other reserves to retained earnings			-86,039	86,039		0
Carrying amount as of April 1, 2018 adjusted	**13,000,000**	**117,508,771**	**-47,135,642**	**147,097,624**	**-1,045,045**	**229,425,709**
Capital increase at subsidiaries					517,440	517,440
Effects from acquisition of shares in subsidiaries [1]					1,935,325	1,935,325
Dividend				-19,500,000	0	-19,500,000
Result for the period				47,820,497	-1,253,350	46,567,146
Other comprehensive income for the period:						
Currency translation differences [1]			-247,745		-56,384	-304,129
Remeasurements of liabilities from post-employment benefits			-638,901			-638,901
Cash flow hedges			-460,449			-460,449
Carrying amount as of March 31, 2019 [1]	**13,000,000**	**117,508,771**	**-48,482,735**	**175,418,121**	**97,986**	**257,542,143**

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Details of equity are presented in note 23.

Consolidated cash flow statement.

In EUR	Note	2018/19	2019/20 [5]
Operating result		**57,027,711**	**-39,167,785**
Scheduled depreciation and amortization	(8)	14,512,147	27,919,654
Impairment charge	(9)	0	24,882,071
Change in obligations for post-employment benefits		1,374,161	-654,970
Change in other non-current liabilities and provisions [2]		296,753	-4,056,234
Change in other non-current receivables and assets [1]		-20,373,903	2,902,404
Change in non-current trade receivables		100,252	0
Change in non-current trade payables		-369,545	-673,658
Net payments of income taxes		-13,673,512	-10,201,167
Interest received	(11)	1,653,881	1,800,591
Interest payments	(11)	-4,286,733	-5,814,064
Other (net)		-1,790,911	5,153,808
Cash flow from earnings		**34,470,301**	**2,090,651**
Change in net working capital:			
Change in trade receivables and other current assets [1]		-77,819,486	16,905,845
Change in inventories		-25,165,682	8,396,728
Change in trade payables and other current payables [2]		23,840,726	-2,659,068
Change in current provisions		5,134,076	8,641,055
Change in net working capital		**-74,010,366**	**31,284,560**
Cash flow from operating activities		**-39,540,065**	**33,375,211**
Purchase of property, plant and equipment	(14)	-8,833,715	-9,284,913
Purchase of intangible assets	(15)	-4,750,422	-4,964,889
Purchase of securities, investments and other non-current financial assets		-725,499	-19,322,342
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(32)	-704,307	-177,000
Payments for the acquisition of shares in at-equity-consolidated entities	(16)	-17,860,663	-490,361
Proceeds from the disposal of shares and liquidation of subsidiaries		0	7,656
Proceeds from the disposal of property, plant and equipment and intangible assets		1,895,214	2,842,862
Proceeds from the disposal of securities and other financial assets		13,013,222	392,319
Cash flow from investing activities		**-17,966,171**	**-30,996,667**
Free cash flow [3]		**-57,506,236**	**2,378,544**
Contributions from shareholders in subsidiaries		517,440	0
Dividends paid to parent company's shareholders		-19,500,000	-19,500,000
Payments for the acquisition of non-controlling interests		-6,250,000	-2,000,000
Increase in non-current financial liabilities	(24)	0	62,630,984
Increase in current financial liabilities	(24)	3,006,745	10,119,638
Decrease in current financial liabilities	(24)	-4,846,911	-6,175,577
Lease payments	(25)	0	-13,630,751
Cash flow from financing activities		**-27,072,726**	**31,444,294**
Cash and cash equivalents at beginning of year		181,834,603	94,651,920
Changes in cash and cash equivalents [4]		-84,578,962	33,822,838
Exchange gains/losses		-2,603,722	-5,842,950
Cash and cash equivalents at end of year	(22)	**94,651,920**	**122,631,807**

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.

Notes to the Consolidated Financial Statements.

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1 General information.

Kapsch TrafficCom, is a global supplier of superior technologies, solutions and services of the ITS market (Intelligent Transportation Systems). Intelligent Transportation Systems support and optimize the traffic (including infrastructure, vehicles, user and industry). They use therefore information and communication solutions.

Kapsch TrafficCom operates in two segments: Electronic Toll Collection (ETC) and Intelligent Mobility Solutions (IMS):

Electronic Toll Collection (ETC): this segment comprises activities relating to the implementation 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.

Intelligent Mobility Solutions (IMS): the segment comprises activities relating to the implementation 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.

1.1 Group structure and consolidated group.

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

KAPSCH-Group Beteiligungs GmbH, Vienna, is the immediate parent company of the reporting entity, a wholly-owned subsidiary of DATAX HandelsgmbH, Vienna. DATAX HandelsgmbH, Vienna, is the controlling entity of the reporting entity and the ultimate parent of Kapsch Group. As of March 31, 2020 KAPSCH-Group Beteiligungs GmbH has a share of 63.3% (unchanged to the prior year) in Kapsch TrafficCom AG. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since June 26, 2007.

The consolidated group as well as changes in the scope of consolidation are included in note 32.

1.2 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of March 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU).

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

1.3 Accounting and valuation principles.

The consolidated financial statements as of March 31, 2020 are prepared under the historical cost concept, with the exception of financial instruments measured at fair value according to IFRS 9. The measurement was made accordingly at the balance sheet date. Pertinent explanations can be found within the scope of the corresponding accounting policies. The accounting and valuation principles, which form the basis for these consolidated financial statements, were applied unchanged to the previous period and supplemented by new mandatory guidelines applicable from the financial year.

Note 37 provides a detailed description of all accounting and valuation principles, including new accounting and valuation principles to be applied.

1.4 Material accounting estimates and assumptions.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date as well as income and expenses recorded during the reporting period. Although these estimates are made by the Executive Board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. All estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will generally differ from actual results.

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

1.4.1 Revenue recognition for contract work.

The Group applies the rules of IFRS 15. Revenue for implementation projects, that fulfill the criteria of IFRS 15.35 for revenue recognition over time, is recognized in accordance with the corresponding stage of completion, with an expected profit margin already being assumed. The stage of completion is determined by an input orientated method using the ratio between the costs already incurred and the expected total costs of the corresponding contract. This requires to continuously estimate and update the planned costs arising from the contract as well as the risks arising from project management. This may result from technical difficulties, delays in the schedule or difficulties with sub-suppliers or other external general conditions, and which influence the profit margin of the project. Furthermore, these projects may also lead to damages or penalties that are to be considered during the project evaluation and which require an assessment of risks. For most contracts, contract revenue is defined and includes fixed elements and partly variable elements that are assessed by probability as to their amounts and timing. The total contract amount is also estimated for service concession arrangements that are remunerated based on the use of a service. Large-scale orders of the Group are usually technically complex individual orders based on specific terms and conditions which therefore are to be critically assessed with regard to revenue recognition and project risks on an individual basis. Details to the revenue recognition are included in note 37.3 and sensitivity analysis is included in note 21.

1.4.2 Estimated impairment of goodwill.

In accordance with the accounting policy stated in note 15 and 37, the Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash generating units is determined on the basis of the calculation of the value in use. These calculations require the use of estimates. Sensitivities for the acquired goodwill are detailed in note 15.

1.4.3 Other estimates and assumptions.

Further areas where assumptions and estimates are significant to the consolidated financial statements include impairment of inventories, recoverability of deferred tax assets/liabilities, assumption of useful lives for intangible assets and property, plant and equipment, assumptions and interest rates related to liabilities from post-employment benefits to employees, assumptions and interest rates related to leasing contracts, as well as provisions for warranties and losses for onerous contracts. Sensitivity analysis of the assumptions made by the Group are included in the respective notes.

2 German infrastructure charge.

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

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

autoTicket GmbH, Germany – project "toll collection".
As of August 13, 2018 the company autoTicket was acquired as a shell company together with the partner CTS EVENTIM AG & Co. KGaA (CTS EVENTIM). Kapsch TrafficCom holds shares of 50% and accounts the company as a joint venture using the equity method. As the activities and strategies of this company are part of the core business of Kapsch TrafficCom, the proportional results are reported separately in the operating result (2019/20: EUR -4.578 k, in the position: "Proportional result of associates and joint ventures"). The carrying amount as of March 31, 2020 was EUR 24.045 k (March 31, 2019: EUR 10.766 k).

The financial data of the entity is as follows:

	March 31, 2019	March 31, 2020
Non-current assets	18,426	51,757
Current assets	20,694	1,560
Non-current liabilities	-2,231	0
Current liabilities	-15,360	-5,231
Net assets	**21,529**	**48,086**
Cash and cash equivalents	18,730	1,480
Financial liabilities (non-current and current)	0	-2,161
	2018/19	**2019/20**
Revenues	16,840	31,789
Result for the period	1,505	-9,157
Other comprehensive income	0	0
Total comprehensive income	**1,505**	**-9,157**

Reconciliation	**March 31, 2019**	**March 31, 2020**
Net assets at beginning of financial year	25	21,530
Increase of nominal capital and capital reserve	20,000	35,714
Total comprehensive income	1,505	-9,157
Net assets as of March 31 of financial year	**21,530**	**48,088**
Share of Kapsch TrafficCom (50%)	10,766	24,045
Carrying amount as of March 31 of financial year	**10,766**	**24,045**

Until termination of the contracts, autoTicket was performing the contracted services. Those were accounted for using the percentage-of-completion method according to IFRS 15. Kapsch TrafficCom operated as a subcontractor of autoTicket and realized revenues amounting to EUR 23,594 k in financial year 2019/20. As of March 31, 2020 those revenues were billed and paid (see note 34).

In connection with the termination of the contract, Kapsch TrafficCom had to impair costs to obtain a contract amounting to EUR 4.100 k (see note 9). The termination of the contract led on the level of autoTicket to a negative result of the period. This reflects the compensation for non-acceptance of a syndicated loan amounting to EUR 3.400 k and increased legal and consulting fees. The negative proportional result of autoTicket is included in the operating result of Kapsch TrafficCom amounting to EUR -4.578 k.

The operating parties of the terminated contract for the project “Toll collection” are Kapsch TrafficCom, CTS EVENTIM and autoTicket. In December 2019, they jointly asserted claims in the amount of around EUR 560,000 k against the Federal Republic of Germany. The responsible minister is disputing this claim. This matter will therefore need to be resolved before an arbitration tribunal. Such proceedings can last several years. Due to confidentiality obligations more details on the disputes cannot be disclosed.

The financial claims that the operating parties have against the Federal Republic of Germany and the resulting claims that Kapsch TrafficCom has against autoTicket on the basis of both contractual services and the position as shareholder will be clarified in arbitration proceedings and are not capitalized on the balance sheet date as they represent a contingent asset in accordance with IAS 37. An exception to this is the recognition of the share in autoTicket, which is reported in accordance with the equity method.

A temporarily existing joint and several liability of autoTicket for claims of the financing banks for EUR 175,000 k in connection with the syndicated loan agreement no longer existed on the balance sheet date as of March 31, 2020. In the operating agreement, the shareholders of autoTicket issued a limited-term joint and several liability declaration for an amount of around EUR 300,000 k to the Federal Republic of Germany, represented by the German Federal Motor Transport Authority (“Kraftfahrtbundesamt”). A claim is not expected on account of the current state of proceedings and a legal appraisal. To finance autoTicket, a capital increase of EUR 35,714 k (EUR 17,857 k per shareholder) was carried out in financial year 2019/20. Furthermore, a financing facility for a total of EUR 15,000 k (EUR 7,500 k per shareholder) was agreed with autoTicket after the balance sheet date, whereas drawing on the facility requires the approval of the shareholders.

MTS Maut & Telematik Services GmbH, Germany – project “Automatic control of the toll”.
MTS is fully consolidated and a 100% subsidiary of Kapsch TrafficCom AG. As a result of the termination of the contract for the automatic control of the toll, the parties of the contract (Kapsch TrafficCom AG and MTS) asserted claims against the Federal Republic of Germany.

3 Segment information.

Operating segments.

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. The operating results of the segments are regularly reported to the Executive Board (chief operating decision maker). Resource allocation decisions are reviewed based on these segments. The Executive Board has identified two reportable segments (as described in note 1 and 37.4):

> Electronic Toll Collection (ETC)
> Intelligent Mobility Solutions (IMS)

The segment results, as well as capital expenditure, depreciation and impairment and other non-cash-effective positions for the financial years 2019/20 and 2018/19 are as follows:

	2018/19			2019/20		
	ETC	**IMS**	**Total**	**ETC**	**IMS**	**Total**
Revenues	**558,433**	**179,362**	**737,795**	**563,498**	**167,686**	**731,184**
Implementation	190,528	80,808	271,336	219,253	73,621	292,873
Operations	264,416	86,356	350,772	234,927	84,375	319,302
Components	103,488	12,198	115,686	109,318	9,690	119,009
Operating result	**64,946**	**-7,918**	**57,028**	**1,492**	**-40,660**	**-39,168**
EBIT margin	**11.6%**	**-4.4%**	**7.7%**	**0.3%**	**-24.2%**	**-5.4%**
Capital expenditure	9,175	4,409	13,584	35,459	8,524	43,982
Depreciation and impairment	7,291	7,221	14,512	25,417	27,385	52,802
Other non-cash-effective positions	-99	-517	-616	1,946	8,653	10,599

Business types also correspond to performance obligations pursuant to IFRS 15. Revenues from implementation projects include the implementation portion of service concession arrangements.

In financial year 2019/20 capital expenditures as well as in depreciation and impairment include amounts relating to the initial application of IFRS 16.

The segment assets and liabilities as of March 31, 2020 and March 31, 2019 are as follows:

Assets and liabilities	**March 31, 2019**			**March 31, 2020**		
	ETC	**IMS**	**Total**	**ETC**	**IMS**	**Total**
Segment assets [1]	376,029	101,188	477,217	381,118	109,318	490,436
Interests in associates and joint ventures	10,893	9,080	19,973	24,722	7,913	32,635
Segment liabilities	193,302	51,355	244,656	235,214	71,847	307,061

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

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

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

Amounts after initial application of IFRS 16 are included in segment assets and segment liabilities in financial year 2019/20.

In financial year 2019/20 there was no customer who contributed more than 10% to the revenues. In the previous financial year there was one customer with a contribution above 10% amounting EUR 74,386 k in total (in ETC as well as in IMS segment).

Information by region.

In addition to the reportable segments, the revenues and non-current non-financial assets (as of March 31, 2020 including right-of-use assets from leases) are presented by geographical segment. Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

The figures for the financial years ended March 31, 2020 and March 31, 2019 are as follows:

	Revenues		**Non-current non-financial assets**	
	2018/19	**2019/20**	**March 31, 2019**	**March 31, 2020**
Austria	24,399	18,274	14,688	36,741
EMEA (excluding Austria) [1] [4]	406,706	385,201	49,957	49,795
Americas [2]	253,432	293,641	33,859	46,398
APAC [3]	53,257	34,068	8,073	9,314
Total	**737,795**	**731,184**	**106,577**	**142,247**

1) EMEA: Europe, Middle East, Africa
2) Americas: North, Central and South America
3) APAC: Asia-Pacific
4) Due to the final purchase price allocation for the business combination of Intelligent Mobility Solutions Ltd., Zambia, the amounts as of March 31, 2019 were adjusted.

4 Other operating income.

	2018/19	2019/20
Exchange rate gains from operating activities	6,834	8,407
Income from research tax credits	2,073	904
Income from subleasing according to IFRS 16	0	214
Income from the sale of non-current assets	741	360
Income from insurance refunds	414	232
Sundry operating income	3,787	5,869
Total	**13,849**	**15,985**

Operating exchange rate gains mainly related to exchange rate fluctuations of the currencies Argentine peso and Canadian dollar in respect to US dollar and to euro as well as Swedish krona in respect to euro.

Sundry operating income in financial year 2019/20 included income of recharged costs to autoTicket GmbH, Germany, that did not related to costs or services to fulfill the customer contract. In financial year 2018/19 income from the joint operation MoKA SAS, France, reversals of earnout liabilities, and other tax income in Brazil were included.

5 Changes in finished and unfinished goods and work in progress.

	2018/19	2019/20
Change in unfinished goods and work in progress	200	-646
Change in finished goods	20,669	-5,471
Total	**20,869**	**-6,117**

Details on inventories and the decrease in inventories can be found in note 19.

6 Cost of materials and other production services.

	2018/19	2019/20
Cost of materials	135,119	127,844
Cost of purchased services	188,355	207,096
Total	**323,474**	**334,940**

7 Staff costs.

	2018/19	2019/20
Wages, salaries, and other remunerations	204,408	220,449
Expenses for social security and payroll-related taxes and contributions	32,523	33,498
Expenses for termination benefits (see note 27)	2,268	672
Expenses for pensions (see note 27)	40	6
Contributions to pension funds and other external funds	2,682	3,703
Fringe benefits	10,790	10,840
Total	**252,711**	**269,168**

As of March 31, 2020, the number of staff amounted to 5,104 employees (March 31, 2019: 4,981) and averaged 5,085 employees in financial year 2019/20 (2018/19: 5,159 persons).

Staff costs increased as the number of employees grew, particularly in the USA, where personnel costs were relatively high. Listed fringe benefits mainly refers to benefits in the USA.

8 Expenses for amortization and depreciation.

	2018/19	2019/20
Depreciation of property, plant and equipment	7,388	20,504
Amortization of intangible assets	7,025	7,515
Amortization of costs to obtain a contract	99	-99
Total	**14,512**	**27,920**

In financial year 2019/20 depreciation of property, plant and equipment included EUR 13,788 k from depreciation of right-of-use assets from leases due to initial application of standard IFRS 16. Details can be found in note 14.

9 Impairment charge.

	2018/19	2019/20
Impairment on intangible assets	0	20,700
Impairment on tangible assets	0	17
Impairment on right-of-use assets from leases	0	65
Impairment on costs to obtain or fulfil a contract	0	4,100
Total	**0**	**24,882**

In financial year 2019/20 the impairment on intangible assets related to the service concession agreement and other intangible assets in Zambia (EUR 13,759 k) as well as the impairment of the goodwill (EUR 6,941 k) of the cash-generating unit IMS-EMEA. A part of this goodwill resulted from the acquisition of Intelligent Mobility Solutions Ltd, Zambia, (see note 32.2). The impairment on property, plant and equipment as well as the impairment of right-of-use assets from leases related to the company in Zambia too. The impairments in Zambia were made due to the updated assessments of business developments (see note 15).

As a result of the early termination of the passenger vehicle toll projects in Germany, there was an impairment of costs to obtain a contract amounting EUR 4,100 k (see note 2).

10 Other operating expenses.

	2018/19	2019/20
Communication and IT expenses	19,070	19,384
Legal and consulting fees	21,153	15,661
Travel expenses	13,310	13,092
Write-off and allowance of receivables and contract assets	-364	8,735
Exchange rate losses from operating activities	3,222	8,450
Maintenance	6,481	6,578
Rental and other building expenses	19,070	6,080
Marketing and advertising expenses	8,174	5,786
License and patent expenses	5,442	5,386
Automobile expenses	6,471	4,760
Taxes and charges	5,133	4,423
Office expenses	2,911	3,961
Insurance costs	4,549	3,278
Training costs	2,748	2,109
Losses on disposal of non-current assets	275	1,864
Damages	41	1,807
Bank charges	2,081	1,653
Transport costs	1,740	1,239
Warranties and guarantees	1,597	969
Other	3,147	3,455
Total	**126,253**	**118,672**

The application of IFRS 16 led to a decrease of EUR 13,303 k in rental expenses as well as a decrease of EUR 1,707 k in automobile expenses. Starting from financial year 2019/20 these expenses were shown as depreciation of right-of-use assets from leases. The decrease of EUR 5,492 k in legal and consulting fees caused by higher costs in financial year 2018/19 mainly due to legal assistance and legal representation in the USA and Australia. Write-off and allowance of receivables and contract assets increased by EUR 9,099 k and relates to the reassessment of the business development in Zambia (EUR 5,939 k) as well as relevant depreciations and impairments in the USA (EUR 1,138 k). Losses on disposal of non-current assets were mainly associated to the USA (Streetline). Damages in financial year 2019/20 mainly related to South African entities.

Operating foreign exchange losses of EUR 8,450 k were significantly higher than in the previous year (EUR 3,222 k) and were primarily due to exchange rate fluctuations of the currencies South African rand and US dollar in respect to euro.

11 Financial result.

	2018/19	2019/20
Finance income	**10,106**	**4,984**
Interest income	1,615	1,751
Interest income from leases	0	16
Income from securities, recognized at fair value through profit or loss	39	33
Income from other investments, recognized at fair value through profit or loss	789	0
Income from interest accretion of non-current receivables	22	1
Gains from the disposal of financial assets, recognized at fair value through profit or loss	5,113	0
Gains from the change of the fair value of derivative financial instruments	1,261	322
Income from hyperinflation adjustment	0	285
Exchange rate gains from financing activities	1,267	2,575
Finance cost	**-11,820**	**-28,095**
Interest expense	-4,287	-4,804
Interest expenses from leases	0	-1,140
Expenses from securities, recognized at fair value through profit or loss	0	-145
Expenses from other investments, recognized at fair value through profit or loss	-1	-5,655
Expenses from interest accretion of non-current liabilities	-105	-101
Expenses from change in fair value of derivative financial instruments	-511	-1,742
Exchange rate losses from financing activities	-6,505	-11,539
Expenses from hyperinflation adjustment	0	-2,598
Interest expense from liabilities from post-employment benefits to employees (see note 27)	-396	-350
Interest expense from liabilities from anniversary bonuses to employees (see note 28)	-16	-20
Financial result	**-1,714**	**-23,111**

The exchange rate gains and losses resulted mainly from foreign currency fluctuations on intercompany financing, in particular of the subsidiaries in North America (US dollar vs. euro) and South Africa (South African rand against euro) and Zambia (Zambian kwacha against euro).

Expenses from other investments, recognized at fair value through profit or loss, mainly related to the investment in Q-Free ASA, Norway (EUR -5,655 k, previous year: EUR +789 k). Gains from the disposal of financial assets, recognized at fair value through profit or loss, related to the sale of the investment in ParkJockey Global Inc., USA, in financial year 2018/19.

Argentina is classified as a hyperinflationary country and the effects are shown in the financial result.

12 Income taxes.

	2018/19	2019/20
Current income taxes	-13,861	-4,611
Deferred taxes	5,368	12,339
Total	**-8,493**	**7,728**
thereof income/expense from group taxation	-3,594	5,597

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

	2018/19	2019/20
Result before income taxes	**55,060**	**-63,446**
Arithmetic tax expense/income	-13,765	15,862
Effects of different tax rates in the Group	2,462	2,632
Unrecognized deferred tax assets on current tax losses and impairment of previously recognized tax losses	-2,645	-7,971
Recognition of deferred tax assets for unrecognized previous-year tax losses	4,975	452
Tax allowances claimed and other permanent tax differences	-244	-5,424
Income and expenses not subject to tax and other differences	89	1,493
Adjustment in respect to previous year	635	685
Recognized tax expense/income	**-8,493**	**7,728**

Unrecognized deferred tax assets on current tax losses and impairment of previously recognized tax losses mainly related to the impairment in South Africa and Zambia, which cannot be used based on the plans for the next few years. Deferred tax assets for previously unrecognized losses in financial year 2019/20 mainly related to tax loss carry-forwards in Spain. In financial year 2018/19 it was mainly related to tax loss carry-forwards in the USA and Brazil. The tax effects from previous periods related to adjustments of the previous year's figures due to tax audits and adjustments in connection with the preparation of tax returns.

For further information on deferred tax assets/liabilities see note 26.

13 Other comprehensive income.

	2018/19			2019/20		
	Before taxes	Tax expense/ income	After taxes	Before taxes	Tax expense/ income	After taxes
Remeasurements of liabilities from post-employment benefits	-861	223	-639	-2,293	503	-1,790
Currency translation differences [1]	-3,323	0	-3,323	1,059	0	1,059
Currency translation differences from net investments in a foreign operation	4,026	-1,006	3,019	1,217	-304	913
Cash flow hedges	-460	-0	-460	0	0	0
Fair value changes recognized in equity	**-620**	**-784**	**-1,403**	**-17**	**199**	**182**

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

In financial year 2013/14, two USD loans granted by Kapsch TrafficCom AG to subsidiaries in the USA, were classified as net investments in a foreign operation in accordance with IAS 21, as the management board of Kapsch TrafficCom AG does not plan to repay these loans in the foreseeable future and repayment is not probable. Exchange differences arising on these loans are recognized in other comprehensive income.

The item "Cash flow hedges" refers to the effective portion of changes in the fair value of derivatives designated as cash flow hedges. In financial year 2019/20 there were no cash flow hedges.

14 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Total
Carrying amount as of March 31, 2019	**3,400**	**8,855**	**2,723**	**6,978**	**21,956**
Adjustment due to initial application of IFRS 16	47,449	0	0	3,439	50,888
Carrying amount as of April 1, 2019	**50,849**	**8,855**	**2,723**	**10,417**	**72,844**
Currency translation differences	-1,349	-234	30	-253	-1,805
Reclassification	1,360	102	-2,682	1,362	141
Additions	27,213	2,954	3,534	5,316	39,017
Disposals	-2,875	-916	-2,492	-1,003	-7,287
Scheduled depreciation and impairment	-13,025	-2,913	0	-4,648	-20,585
Carrying amount as of March 31, 2020	**62,173**	**7,849**	**1,112**	**11,191**	**82,325**
Acquisition/production costs	83,274	40,111	1,112	36,161	160,658
Accumulated depreciation	-21,101	-32,262	0	-24,970	-78,334
Carrying amount as of March 31, 2020	**62,173**	**7,849**	**1,112**	**11,191**	**82,325**

The following right-of-use assets from leases (due to the initial application of IFRS 16) are capitalized under property, plant and equipment:

	Right-of-use from leases of buildings	Right-of-use from leases of cars and other vehicles	Right-of-use from leases of IT-equipment	Right-of-use from other leases	Total
Carrying amount as of March 31, 2019	**0**	**0**	**0**	**0**	**0**
Adjustment due to initial application of IFRS 16	47,449	3,269	85	84	50,888
Carrying amount as of April 1, 2019	**47,449**	**3,269**	**85**	**84**	**50,888**
Currency translation differences	-1,350	-168	-3	4	-1,517
Additions	26,635	2,919	179	0	29,732
Disposals	-2,854	-123	0	0	-2,977
Scheduled depreciation and impairment	-12,150	-1,643	-47	-13	-13,853
Carrying amount as of March 31, 2020	**57,731**	**4,255**	**214**	**75**	**62,275**
Acquisition/production costs	69,336	5,789	258	88	75,471
Accumulated depreciation	-11,605	-1,535	-44	-13	-13,196
Carrying amount as of March 31, 2020	**57,731**	**4,255**	**214**	**75**	**62,275**

Right-of-use from leases of buildings are included in the item “Land and buildings”, all other right-of-use assets are included in the item “Other equipment, factory and office equipment”. Lease liabilities are presented in note 25. As of March 31, 2019 property, plant and equipment is shown as follows:

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Total
Carrying amount as of March 31, 2018	**3,389**	**6,905**	**3,565**	**7,550**	**21,409**
Currency translation differences	-8	134	73	-144	55
Reclassification	1,086	1,712	-3,288	490	0
Additions	233	2,841	2,770	2,990	8,834
Disposals	-230	-10	-398	-316	-954
Scheduled depreciation	-1,069	-2,727	0	-3,592	-7,388
Carrying amount as of March 31, 2019	**3,400**	**8,855**	**2,723**	**6,978**	**21,956**
Acquisition/production costs	12,117	46,653	2,723	34,147	95,640
Accumulated depreciation	-8,717	-37,797	0	-27,169	-73,683
Carrying amount as of March 31, 2019	**3,400**	**8,855**	**2,723**	**6,978**	**21,956**

As of March 31, 2019 there were no right-of-use assets from leases.

15 Intangible assets.

	Capitalized develop-ment costs	Concessions and rights	Goodwill	Intangible assets on completion	Intangible assets from service concession arrangements	Total
Carrying amount as of March 31, 2019 [1)]	**3,285**	**17,200**	**51,013**	**2,507**	**10,617**	**84,621**
Currency translation differences	12	-454	0	15	-844	-1,271
Reclassification	464	2,860	0	-3,464	0	-141
Additions	325	2,045	0	1,154	1,441	4,965
Disposals	-36	0	0	0	0	-36
Impairment	0	-2,838	-6,941	0	-10,921	-20,700
Scheduled amortization	-803	-6,419	0	0	-293	-7,515
Carrying amount as of March 31, 2020	**3,246**	**12,393**	**44,072**	**212**	**0**	**59,922**
Acquisition/production costs	13,431	98,878	44,072	212	10,309	166,901
Accumulated amortization	-10,185	-86,484	0	0	-10,309	-106,978
Carrying amount as of March 31, 2020	**3,246**	**12,393**	**44,072**	**212**	**0**	**59,922**

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

	Capitalized develop-ment costs	Concessions and rights	Goodwill	Intangible assets on completion	Intangible assets from service concession arrangements	Total
Carrying amount as of March 31, 2018	**2,784**	**18,450**	**47,630**	**1,934**	**0**	**70,798**
Currency translation differences	74	-428	0	119	-919	-1,155
Reclassification	0	738	0	-738	0	0
Additions from business combi-nations [1)]	884	2,959	3,382	0	10,503	17,727
Additions	437	1,745	0	1,206	1,362	4,750
Disposals	-461	0	0	-14	0	-475
Scheduled amortization	-433	-6,264	0	0	-328	-7,025
Carrying amount as of March 31, 2019 [1)]	**3,285**	**17,200**	**51,013**	**2,507**	**10,617**	**84,621**
Acquisition/production costs	13,082	95,447	51,013	2,507	10,935	172,982
Accumulated amortization	-9,797	-78,247	0	0	-318	-88,361
Carrying amount as of March 31, 2019	**3,285**	**17,200**	**51,013**	**2,507**	**10,617**	**84,621**

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Intangible assets from service concession arrangements relate to assets from a service concession arrangement in Zambia, that is included according to the interpretation IFRIC 12. The contract consists of an implementation and an operations phase and is concluded over a contract term of 17 years, until October 2034. The concession covers the design, construction and operation of nation-wide systems and solutions for traffic monitoring, vehicle speed enforcement and vehicle inspection as well as vehicle registration. At the end of the concession period, the project infrastructure and related rights are transferred to the concessionaire. During the implementation phase of the project, an intangible asset is built up, which is amortized over the operation phase of the project. In financial year 2019/20 revenues amounting to EUR 1,441 k were recognized in the statement of comprehensive income. The additions are included in the cash flow from investing activities. As part of the implementation is already finalized and operations started, amortization amounting to EUR 293 k was recognized in financial year 2019/20. The recoverability of intangible assets is tested annually until their completion and afterwards in case of any indications of impairment.

15.1 Recoverability of intangible assets with finite useful lives.

Intangible assets (excluding intangible assets with indefinite useful lives) are allocated to the individual companies and are tested for impairment at this level if there are any indications of impairment. Due to the updated assessment of the business development in Zambia and the project in Intelligent Mobility Solutions Ltd, Zambia, activities in this country were largely discontinued. This change in assessment resulted in an impairment test of intangible assets and property, plant and equipment in Intelligent Mobility Solutions Ltd, Zambia. As of March 31, 2020, the service concession arrangement was impaired by EUR 10,921 k, software by EUR 2,838 k and property, plant and equipment by EUR 82 k. They were allocated to the IMS segment. The discount rate was 13.63%.

15.2 Recoverability of goodwill.

Goodwill is allocated to the following six groups of cash-generating units (CGUs) and is tested for impairment at this level:

	March 31, 2019	March 31, 2020
CGU **ETC-Americas**: Electronic Toll Collection, Americas	11,783	11,783
CGU **ETC-EMEA**: Electronic Toll Collection, Europe, Middle East and Africa	21,316	21,316
CGU **ETC-APAC**: Electronic Toll Collection, Asia and Pacific	7,378	7,378
CGU **IMS Americas**: Intelligent Mobility Solutions, Americas	3,364	3,364
CGU **IMS-EMEA**: Intelligent Mobility Solutions, Europe, Middle East and Africa [1)]	6,941	0
CGU **IMS-APAC**: Intelligent Mobility Solutions, Asia and Pacific	230	230
Total Goodwill	**51,013**	**44,072**

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

The Group has performed an impairment test for each group of CGUs to test the impairment of the goodwill. Due to the impairment test and the calculated value in use the goodwill of CGU IMS-EMEA has been fully impaired in financial year 2019/20.

15.2.1 Key assumptions for impairment testing.

The following key assumptions for determining of the recoverable amount of the cash-generating units were made:

	2018/19	2019/20
Determination of recoverable amount	Value in use	Value in use
Detailed planning period	4 years	4 years
Terminal value growth rate	2.0%	2.0%
Market risk premium	7.3%	8.49%
Risk-free rate	0.9%	0.01%

In the case of all cash-generating units of the Group, the market side is generally based on a project business in which the Group is commissioned to set up an ETC or IMS system. In connection with this, long-term operation business can often be generated. In addition, system extensions (e.g. through additional routes or additional applications) and/or further ongoing component deliveries for these customers can also be provided within the framework of such long-term contracts. This characteristic of the project business is also reflected in the market planning process of the individual cash-generating units. The Group plans each customer project as carefully as possible for each performance obligation in its project planning tool. Projects can be planned very reliable, in which systems have already been set up and where there are still medium- and long-term service transactions and several years of experience with customers associated with. In these cases, the further development and the potential for additional business can usually be planned very reliably over the entire remaining term. For new implementation projects, the uncertainties regarding technical implementation, timing and quantities are higher. In general, the closer the award dates of such implementation projects are, the more reliable planning is in this respect. Implementation projects for which the Group has already been selected as a supplier or which are even already in the implementation phase can also be planned with particular accuracy. Projects, which are unlikely to be won or executed at the time of budgeting are not included in the budget or medium-term planning. Uncertainties, delays and deviations can never be completely ruled out in the project business, however such risks are minimized in the best possible way by professional project management and controlling. Furthermore, planning includes the sale of components that are not related to construction projects. This, too, can generally be estimated very well on the basis of many years of experience.

The effects resulting from the implementation of the new leasing standard IFRS 16 are included in the impairment testing of financial year 2019/20. The previous year was planned without IFRS 16 effects.

The impacts of the COVID-19 pandemic were taken into account in the impairment test, whereby for some of the customer orders postponements to the next few years were planned. Defaults on customer contracts are only planned to a small extent.

Key assumptions for determining expected cash flows of the cash-generating units:

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

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

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

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

CGU: IMS-EMEA.
Management has based its determination on the assumption that demand for intelligent mobility solutions, particularly road telematics solutions will continue to rise in Spain, Austria and Saudi Arabia, also taking into consideration the ongoing implementation in Great Britain and the Netherlands,. Furthermore, it is expected that the technical maintenance and commercial operation will be performed by Kapsch TrafficCom. The planning for the CGU IMS-EMEA is based especially on road safety and traffic monitoring systems.

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

15.2.2 Peer group.
In addition to Kapsch TrafficCom AG, the peer group assumed for the impairment test comprises another eleven peer companies, of which only nine companies in financial year 2019/20 were relevant for determining the parameters (2018/19: seven companies). The composition of the companies in the peer group has not changed since the previous year. The debt/equity ratio of the peer group in financial year 2019/20 was 18.3% (2018/19: 12.6%); the unlevered beta factor was 0.6 (2018/19: 0.6). Effects resulting from the initial application of IFRS 16 were included in the unlevered beta factor and the debt/equity ratio.

15.2.3 Results of the impairment test.

		ETC-			IMS-	
2019/20	**Americas**	**EMEA**	**APAC**	**Americas**	**EMEA**	**APAC**
Carrying amount of goodwill allocated to the CGU	11,783	21,316	7,378	3,364	0	230
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	212	0	0	0	0
Value in use of the CGU	472,310	110,303	203,842	66,506	19,830	24,093
Carrying amount of the CGU	139,710	108,119	13,250	37,227	19,830	2,309
Discount rate	6.1%	9.1%	5.4%	7.3%	8.2%	5.4%
Discount rate before tax	8.1%	11.8%	7.0%	9.9%	10.6%	7.2%
Break-even discount rate before tax	32.4%	12.0%	127.8%	21.7%	10.6%	205.0%

		ETC-			IMS-	
2018/19	**Americas**	**EMEA**	**APAC**	**Americas**	**EMEA**	**APAC**
Carrying amount of goodwill allocated to the CGU [1)]	11,783	21,316	7,378	3,364	6,941	230
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	874	0	1,348	285	0
Value in use of the CGU	397,835	462,193	285,437	176,424	99,332	64,092
Carrying amount of the CGU [1)]	82,295	150,928	19,618	24,917	33,466	1,085
Discount rate	5,4 %	8,6 %	4,9 %	5.9 %	8.3 %	5,0 %
Discount rate before tax	7,2 %	11,1 %	6,4 %	7.8 %	11.0 %	6,7 %
Break-even discount rate before tax	32,2 %	40,7 %	125,3 %	75.3 %	22.2 %	623,8 %

[1)] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

15.2.4 Sensitivity analysis with impact of changes to the value in use of the CGUs:

2019/20	Increase in assumption	ETC-			IMS-		
		Americas	EMEA	APAC	Americas	EMEA	APAC
Discount rate	+ 10%	-49,590	-10,855	-26,164	-5,101	-4,004	-2,885
Revenue growth	+ 10%	3,643	613	1,386	337	326	367
EBITDA margin	+ 10%	9,246	4,316	3,254	1,238	1,099	325
Terminal value growth rate	+ 0,5%p	45,465	5,481	29,318	3,348	2,443	3,244
	Decrease in assumption	**ETC-**			**IMS-**		
		Americas	**EMEA**	**APAC**	**Americas**	**EMEA**	**APAC**
Discount rate	- 10%	66,561	13,944	36,014	6,603	5,223	3,974
Revenue growth	- 10%	-3,545	-607	-1,351	-331	-323	-337
EBITDA margin	- 10%	-9,246	-4,316	-3,254	-1,238	-1,099	-325
Terminal value growth rate	- 0,5%p	-35,524	-4,764	-21,770	-2,774	-2,078	-2,407

2018/19	Increase in assumption	ETC-			IMS-		
		Americas	EMEA	APAC	Americas	EMEA	APAC
Discount rate	+ 10%	-50,358	-45,293	-37,908	-20,434	-13,375	-8,315
Revenue growth	+ 10%	4,291	533	1,813	589	1,723	1,085
EBITDA margin	+ 10%	8,570	10,013	3,880	2,958	5,157	1,152
Terminal value growth rate	+ 0,5%p	56,181	25,456	49,459	19,854	7,830	10,571
	Decrease in assumption	**ETC-**			**IMS-**		
		Americas	**EMEA**	**APAC**	**Americas**	**EMEA**	**APAC**
Discount rate	- 10%	69,237	58,662	53,274	27,652	17,338	11,640
Revenue growth	- 10%	-4,153	-532	-1,763	-583	-1,708	-1,032
EBITDA margin	- 10%	-8,570	-10,013	-3,880	-2,958	-5,157	-1,152
Terminal value growth rate	- 0,5%p	-41,716	-21,867	-34,860	-15,343	-6,676	-7,520

15.3 Capitalized development costs.

Development costs relate to expenses which, in accordance with IAS 38, are capitalized and amortized over 3 to 15 years once the assets are available for commercial use.

Additional research and development costs of the Group in financial year 2019/20 amounted to EUR 130,666 k (2018/19 adjusted: EUR 111,286 k). The definition of which expenses are to be allocated to research and development, was revised. The amount of the previous year´s figures had to be adjusted accordingly. The most significant change compared to the previous year is that expenses for IPR management are no longer included. Thereof EUR 69,668 k related to project-specific development costs charged to the customer in financial year 2019/20 (2018/19 adjusted: EUR 51,361 k). The remaining amount of EUR 60,998 k (2018/19 adjusted: EUR 59,925) was recognized as an expense.

16 Interests in associates and joint ventures.

The associated companies include Traffic Technology Services Inc., USA, and LLC National operator of telematic services, Russia. Kapsch TrafficCom accounts for both companies using the equity method. Proportional results are reported in result before income taxes after financial result.

The joint ventures comprise autoTicket GmbH, Germany, Copiloto Colombia S.A.S., Colombia, and the Consortium MyConsorzio, Italy. These companies are also accounted for using the equity method. As the activities and strategies of autoTicket GmbH, Germany, and Copiloto Colombia S.A.S., Colombia, are part of the core business of Kapsch TrafficCom, the proportional results are reported under result from operations.

Interests in associates and joint ventures developed as follows:

	2018/19	2019/20
Carrying amount as of March 31 of previous year	**7,502**	**19,973**
Additions	18,202	18,804
Reclassification of other investments due to additional purchase of shares	2,550	0
Disposal	-4,135	-1
Proportional result of the period from core business	942	-4,639
Adjustments for elimination of intercompany transactions	0	-199
Gain from revaluation of shares due to business combination	523	0
Disposal due to business combination	-5,356	0
Proportional result of the period from financial investments	-253	-1,167
Currency translation differences	0	-136
Carrying amount as of March 31 of financial year	**19,973**	**32,635**
thereof interests in associates	9,080	7,913
thereof interests in joint ventures	10,893	24,722

The conversion of borrowed capital into equity at autoTicket GmbH resulted in an addition to the carrying amount of EUR 17,857 k in 2019/20. As this amount was not converted until the end of the financial year, it is reported in cash flow under "Purchase of securities, investments and other non-current financial assets". Furthermore, Copiloto Colombia S.A.S., Colombia, in which Kapsch TrafficCom holds a 50% share, was founded together with a partner. The addition for this company amounted to EUR 947 k, half of which was made as a contribution in kind.

As described under "Business Combinations" (Note 32.2), Intelligent Mobility Solutions Ltd, Zambia, was fully consolidated in the financial year 2018/19. The revaluation of the shares due to business combination and the disposal due to business combination related to this company.

Associated companies.

LLC National operator of telematic services, Russia.
On December 3, 2015, together with a partner, the Kapsch TrafficCom founded the Russian company LLC National operator of telematic services and holds an interest of 49%. As of March 31, 2020, the carrying amount and the proportional result amounted to EUR 0 k (March 31, 2019: EUR 0 k).

Traffic Technology Services Inc., USA.
As of 31 March 2020, Kapsch TrafficCom held 41.56% in the entity. The carrying amount of the share as of March 31, 2020 was EUR 7,913 k. (March 31, 2019: EUR 9,080 k). In financial year 2019/20, the proportional result of this associate amounted to EUR -1,167 k (2018/19: EUR -253 k).

The financial data of the entity as of the latest balance sheet date is as follows.

	March 31, 2019	March 31, 2020
Non-current assets	8,660	10,118
Current assets	3,912	353
Non-current liabilities	-1,511	-1,637
Current liabilities	-262	-469
Net assets	**10,799**	**8,365**
	2018/19	**2019/20**
Revenues	335	1,290
Result for the period	-770	-2,809
Other comprehensive income	0	0
Total comprehensive income	**-770**	**-2,809**

Joint ventures.

autoTicket GmbH, Germany.
Information as well as the summary of the financial data for autoTicket GmbH, Germany, is included in Note 2. The proportional result of financial year 2019/20 amounted to EUR -4,578 k (2018/19: EUR 754 k). The carrying amount as of March 31, 2020 amounted to EUR 24,045 k (March 31, 2019: EUR 10,766 k).

Copiloto Colombia S.A.S., Colombia.

In financial year 2019/20, the company Copiloto Colombia S.A.S., Colombia, was established with a partner in equal shares (50%). The proportional result in financial year 2019/20 amounted to EUR -60 k. The carrying amount as of March 31, 2020 amounted to EUR 551 k. The financial data of the entity as of March 31 is as follows:

	March 31, 2019	March 31, 2020
Non-current assets	n.a.	540
Current assets	n.a.	952
Non-current liabilities	n.a.	-20
Current liabilities	n.a.	-2
Net assets	**n.a.**	**1,470**
Cash and cash equivalents	n.a.	883
Financial liabilities (non-current and current)	n.a.	0
	2018/19	**2019/20**
Revenues	n.a.	0
Result for the period	n.a.	-121
Other comprehensive income	n.a.	0
Total comprehensive income	**n.a.**	**-121**

Reconciliation	March 31, 2019	March 31, 2020
Net assets at beginning of financial year	n.a.	0
Increase of nominal capital and capital reserve	n.a.	1,603
Total comprehensive income	n.a.	-121
Net assets as of March 31 of financial year	**n.a.**	**1,501**
Share of Kapsch TrafficCom (50%)	n.a.	750
Adjustments for elimination of intercompany transactions	n.a.	-199
Carrying amount as of March 31 of financial year	**n.a.**	**551**

Consortia.

In the course of the acquisition of the shares in tolltickets GmbH, Germany, on July 1, 2016, the two Italian consortia Consorzio 4trucks and MyConsorzio were acquired. Both investments are accounted for using the equity method. Proportional results from these joint ventures (2019/20: EUR 0 k) are reported in the result before income taxes after the financial result. The acquired joint ventures Consorzio 4trucks and MyConsorzio are jointly managed with one partner each, with an equal distribution of the shares of 50% in both consortia. The consortia serve as purchasing cooperatives with the aim of passing discounts on to freight forwarders. The assets are attributable to the two consortia. The consortium members are generally excluded from liability. On March 31, 2020, tolltickets GmbH, Germany, resigned from the Consorzio 4trucks consortium. In return, Kapsch TrafficCom received a compensation in the amount of EUR 38 k in May 2020.

As of March 31, 2020, the carrying amount of the shares in the consortium MyConsorzio amounted to EUR 1 k (March 31, 2019 both consortia summarized: TEUR 1). The financial data of the entities as of the latest balance sheet date is as follows:

	December 31, 2018	December 31, 2019
Non-current assets	19	17
Current assets	559	590
Non-current liabilities	-17	-20
Current liabilities	-560	-611
Net assets	**1**	**-23**
	2018/19	**2019/20**
Revenue	2,852	4,986
Result for the period	1	-13
Other comprehensive income	1	0
Total comprehensive income	**2**	**-13**

Joint operations.

The Group had several joint arrangements in financial year 2019/20, mainly for implementation and maintenance projects, for example a traffic-management system in Lima, Peru. These joint arrangements are classified as joint operations. The company MoKA SAS, France, is also included in the Group as a joint operation. None of the joint operations is material individually to the Group in financial year 2019/20. Proportional revenues in the amount of EUR 10,493 k (2018/19: EUR 15,496 k) and proportional results in the amount of EUR -645 k (2018/19: EUR 484 k) were included in the respective items in the consolidated financial statements.

17 Financial instruments.

Financial instruments by category at carrying amount	**March 31, 2019**	**March 31, 2020**
Trade receivables and other current assets	**209,419**	**176,984**
At amortized cost	**171,443**	**144,365**
Trade receivables	171,443	144,365
At fair value through profit or loss	**50**	**0**
Derivative financial instruments (Fair value level 2)	50	0
Other non-financial assets [1]	**37,926**	**32,619**
Contract assets (non-current and current) at amortized cost	**139,402**	**151,956**
Other financial assets and investments (non-current and current)	**16,996**	**12,170**
At fair value through profit or loss	**15,205**	**9,563**
Securities (Fair value level 1)	3,700	3,637
Current securities (Fair value level 1)	0	96
Derivative financial instruments (Fair value level 2)	79	59
Investments (Fair value level 1)	11,389	5,734
Investments (Fair value level 3)	36	37
At amortized cost	**1,791**	**2,607**
Other financial assets and loans (non-current)	657	1,406
Other financial assets and loans (current)	1,135	1,200
Cash and cash equivalents at amortized cost	**94,652**	**122,632**
Financial liabilities (non-current and current) at amortized cost	**169,264**	**235,933**
Promissory note bond (Fair value level 2)	74,794	75,160
Project financing (Fair value level 2)	50,000	37,500
Operating loans non-current (Fair value level 2)	252	61,859
Other financial liabilities (Fair value level 2)	44,218	61,414
Lease liabilities (non-current and current) at amortized cost	**0**	**63,646**
Lease liabilities (non-current and current) [2]	0	63,646
Trade payables at amortized cost	**89,560**	**92,404**
Other liabilities and deferred income (non-current and current)	**73,145**	**61,384**
At amortized cost	**3,335**	**516**
Variable purchase price components (earn-out, fair value level 3)	1,989	0
Other financial liabilities	1,346	516
At fair value through profit or loss	**196**	**341**
Derivative financial instruments (Fair value level 2)	196	341
Other non-financial liabilities [1]	**69,614**	**60,527**

[1] Non-financial receivables and liabilities are only included for reconciliation with the respective balance sheet item.
[2] Lease liabilities belong to financial liabilities, but do not underly the disclosure requirements of IFRS 7.

Changes and fair value.
No reclassifications between the hierarchy levels were made in financial year 2019/20.

As in the previous year, the securities as of March 31, 2020 relate to government and bank bonds as well as shares in investment funds. Kapsch TrafficCom used the option according to IFRS 9 to recognize one debt instrument at fair value through profit and loss instead of amortized costs.

As of March 31, 2020 the 15.4% investment (March 31, 2019: 15.4%) in the listed Q-Free ASA, Norway, recognized at fair value through profit and loss amounted to EUR 5,734 k.

The carrying amount of "trade receivables and other current assets", "contract assets", "other current financial assets and loans", "cash and cash equivalents", "trade payables" and "other liabilities and deferred income", which are valued at amortized cost, is a reasonable approximation of the fair value in accordance with IFRS 7.29. These positions are attributable to level 3.

The fair value of non-current and current financial liabilities amounted to EUR 76,437 k for the promissory note bond (March 31, 2019: EUR 72,818 k), EUR 37,344 k for the project financing (March 31, 2019: EUR 47,194 k), EUR 61,311 k for the non-current operating loans (March 31, 2019: EUR 252 k) and EUR 60,769 k for other financial liabilities (March 31, 2019: EUR 43,468 k). The fair value of other non-current financial assets and loans amounted to EUR 1,594 k (March 31, 2019: EUR 766 k) and of other non-current financial liabilities amounted to EUR 498 k (March 31, 2019: EUR 1,302 k). Details on the level 3 earn-out liabilities can be found in note 30.

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

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on direct or indirect observable market data. This category comprises securities that are not regularly traded on a stock market, derivative financial instruments and financial liabilities.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices are used for securities.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value.
- The fair value of financial liabilities classified as level 2 was derived through discounting the gross cash flows over the contracted term at a risk-adjusted interest rate.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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

	2018/19	2019/20
Loans and receivables recognized at (amortized) cost	-3,601	-9,509
Financial liabilities recognized at (amortized) cost	-4,392	-6,045
At fair value through profit or loss	6,674	-7,207
Total	**-1,319**	**-22,761**

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

The table in this note shows the balance sheet values. The operating gains/losses from the change in the fair value of derivative financial instruments amounted to EUR 90 k and EUR -280 k respectively (2018/19: EUR 0 k and EUR -233 k). The gains and losses included in the financial result are shown in note 11.

To hedge the foreign currency risk, certain derivative financial instruments are designated as cash flow hedges to an insignificant extent. These are forward exchange contracts with different maturities and currencies. Changes to cash flow hedges are shown in other comprehensive income. As in the previous year, there were no hedges designated as cash flow hedges as of March 31, 2020.

18 Other non-current assets.

	March 31, 2019	March 31, 2020
Costs to obtain a contract [1)]	4,200	0
Other non-current receivables	257	270
Total	**4,457**	**270**

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

In financial year 2019/20 the purchase price allocation for the business combination in Zambia was finalized and therefore the costs to obtain a contract were corrected as of March 31, 2019 (see note 32.2). With regard to the early termination of the passenger vehicle toll projects in Germany the costs to obtain a contract were impaired by EUR 4,100 k.

Other non-current receivables include rental guarantees for buildings of the Spanish companies. As in the previous year, the remaining term is more than 1 year but less than 5 years from the balance sheet date. Gross cash flows of other non-current assets up to 2 years amount to EUR 13 k (March 31, 2019: EUR 24 k), between 2 and 3 years EUR 270 k (March 31, 2019: EUR 6 k) and more than 3 years EUR 3 k (March 31, 2019: EUR 322 k).

19 Inventories.

	March 31, 2019	March 31, 2020
Purchased parts and merchandise, at acquisition cost	28,952	26,716
Unfinished goods and work in progress, at production cost	5,002	4,356
Finished goods, at production cost	29,479	24,008
Prepayments on inventories	621	577
Total	**64,054**	**55,658**

On one hand the inventories for projects decreased especially in Austria, Bulgaria and Canada and on the other hand the inventories for projects increased in the USA. Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to EUR 23,011 k as at March 31, 2020 (March 31, 2019: EUR 22,115 k). In the reporting period EUR -896 k were recognized in the statement of comprehensive income (2018/19: EUR -765 k).

In case the assumptions made for the impairment of inventories would change by 10%, the effect would be slightly different with an amount of approximately EUR -5,063 k or EUR +5,508 k (March 31, 2019: EUR -5,711 k or EUR +6,344 k).

20 Trade receivables and other current assets.

	March 31, 2019	March 31, 2020
Trade receivables	176,175	152,264
Allowance for bad debt	-4,731	-7,899
Trade receivables – net	**171,443**	**144,365**
Receivables from tax authorities (other than income tax)	16,329	16,894
Other receivables and prepaid expenses	21,646	15,725
Total trade receivables and other current assets	**209,419**	**176,984**

Allowance for bad debt developed as follows:

	2018/19	2019/20
Balance as of March 31 of previous year	**-9,450**	**-4,731**
Adjustment due to initial application of IFRS 9	-1,846	-
Balance as of April 1 of previous year	**-11,296**	**-4,731**
Additions relating to specific bad debt reserve	-610	-4,647
Utilization relating to specific bad debt reserve	6,408	380
Disposals relating to specific bad debt reserve	1,240	466
Expected credit losses according to IFRS 9	-424	-115
Currency translation differences	-50	748
Balance as of March 31 of financial year	**-4,731**	**-7,899**

Maturity structure of trade receivables:

	2018/19	2019/20
Not yet due	124,454	74,588
Overdue		
1–30 days	19,134	51,780
31–60 days	2,963	4,390
61–90 days	4,496	1,189
91–180 days	16,971	7,292
181–270 days	1,187	816
More than 271 days	6,969	12,210
Total	**176,175**	**152,264**

Total trade receivables are with 83,0% not due or overdue for 1-30 days (previous year: 81,5 %). There is no concentration of credit risk with respect to trade receivables, except for the toll collection project in Bulgaria, as the Group generally has a large number of customers worldwide. Trade receivables relating to the toll collection project in Bulgaria amounted to EUR 27,610 k (March 31, 2019: EUR 46,016 k) whereas the trade receivables of the previous year (EUR 46,016 k) were fully paid. Trade receivables in Kapsch TrafficCom Inc., USA, increased to an amount of EUR 44,636 k (March 31, 2019: EUR 34,365 k).

21 Contract assets and contract liabilities.

Contract assets and liabilities are composed as follows:

	March 31, 2019	March 31, 2020
Current contract assets	123,145	139,869
Allowance on current contract assets	-590	-1,691
Total current contract assets	**122,555**	**138,178**
Non-current contract assets	16,928	14,990
Allowance on non-current contract assets	-81	-1,212
Total non-current contract assets	**16,847**	**13,778**
Total contract assets	**139,402**	**151,956**
Current contract liabilities	26,905	26,798
Non-current contract liabilities	5,213	3,505
Total contract liabilities	**32,118**	**30,303**

Impairment on contract assets amounted to EUR 2,903 k as of March 31, 2020 (March 31, 2019: EUR 671 k). Beside the expected credit loss on contract assets due to IFRS 9, there were allowances on contract assets due to the project in Zambia as well as of a project in the USA. In financial year 2019/20 allowances amounting to EUR 2,412 k (2018/19: EUR 263 k) were included in the statement of comprehensive income.

An amount of EUR 16,293 k of the contract liabilities in total amounting to EUR 32,118 k as of March 31, 2019 was recognized in revenues in financial year 2019/20 (2018/19: EUR 21,502 k).

In case the margins would change by 10% compared to the assumptions made, the sensitivity analysis indicates that operating profits would change with an increase of margins and a decrease of margins by approximately EUR 9,614 k and EUR -10,722 k respectively. The assumptions made in the past showed that the estimates were largely reliable up to now.

The future revenues from performance obligations that are unsatisfied are as follows:

	2018/19	2019/20
Future revenues	**2,412,497**	**1,614,502**
Total up to 1 year	685,378	518,681
Between 1 and 2 years	414,332	280,586
Between 2 and 3 years	217,625	183,591
Between 3 and 4 years	183,675	150,003
Between 4 and 5 years	98,520	107,355
More than 5 years	812,967	374,285

The future revenues in financial year 2018/19 concerning the passenger vehicle toll projects in Germany and the project in Zamia amounted to EUR 228,824 k.

22 Cash and cash equivalents.

	March 31, 2019	March 31, 2020
Cash on hand	76	93
Deposits held with banks	94,576	122,539
Total	**94,652**	**122,632**

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

23 Equity.

Share capital.
The registered share capital of the company amounts to EUR 13,000,000. The share capital was fully paid. The total number of ordinary shares issued is 13,000,000. Each share entitles to one vote.

Authorization of repurchase of shares.
The Annual General Meeting of Kapsch TrafficCom AG from September 10, 2019 authorized the executive board of Kapsch TrafficCom:
- 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,
- 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),
- to decrease the share capital of the Company by redeeming own shares without further resolution by the Annual General Meeting.

As of March 31, 2020 Kapsch TrafficCom has no own shares.

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

Other reserves.
Other reserves contain effects of changes in the investment interest held in subsidiaries as well as reserves from other comprehensive income, for example currency translation differences, remeasurements of liabilities from post-employment benefits after deduction of deferred taxes as well as changes of the cash flow hedge reserve after deduction of deferred taxes.

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

The **paid dividend** of Kapsch TrafficCom AG in the financial year 2019/20 amounted to EUR 19,500 k, as in the previous year, which corresponds to EUR 1.50 per share.

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

Changes of shares and capital in subsidiaries.
The effects from changes of shares in subsidiaries in financial year 2019/20 mainly resulted due to the adjustment of the non-controlling interest in Streetline Inc., USA.

Acquisition of shares in subsidiaries.
The effects from acquisition of shares in subsidiaries in the financial year 2018/19 essentially resulted from the full consolidation of Intelligent Mobility Solutions Ltd., Zambia (see note 32.2) and were adjusted as of March 31, 2019 due to the final purchase price allocation.

Capital increases at subsidiaries.
The effects of capital increases at subsidiaries in the financial year 2018/19 relate to capital subsidies, which were paid proportionately by the shareholders of tolltickets GmbH, Germany, and FLUIDTIME Data Services GmbH, Austria.

24 Current and non-current financial liabilities.

	March 31, 2019	March 31, 2020
Non-current financial liabilities	139,330	185,231
Current financial liabilities	29,934	50,702
Total	**169,264**	**235,933**

Movements are as follows:

	March 31, 2019	Reclassifi-cation	Additions	Repayment	Currency translation differences and interest accrued	March 31, 2020
Promissory note bond	74,794	0	0	0	365	75,160
Loans for acquisitions	14,284	-3,572	0	0	0	10,712
Loans for project financing	50,000	-12,500	0	0	0	37,500
Operating loans	252	-560	62,631	0	-464	61,859
Other non-current loans	0	0	0	0	0	0
Non-current financial liabilities	**139,330**	**-16,632**	**62,631**	**0**	**-98**	**185,231**
Loans for acquisitions	3,572	3,572	0	-3,572	0	3,572
Loans for project financing	418	12,500	606	-294	105	13,336
Operating loans	18,946	560	6,465	-690	-13	25,267
Other current loans	6,999	0	3,048	-1,619	100	8,527
Current financial liabilities	**29,934**	**16,632**	**10,120**	**-6,176**	**192**	**50,702**
Total	**169,264**	**0**	**72,751**	**-6,176**	**94**	**235,933**

	March 31, 2018	Addition resulting from business combinations	Reclassi-fication	Addi-tions	Repay-ment	Currency translation differences and interest accrued	March 31, 2019
Promissory note bond	73,622	0	0	0	0	1,172	74,794
Loans for acquisitions	17,856	0	-3,572	0	0	0	14,284
Loans for project financing	50,000	0	0	0	0	0	50,000
Other non-current loans	281	227	-275	0	0	20	252
Non-current financial liabilities	**141,759**	**227**	**-3,847**	**0**	**0**	**1,192**	**139,330**
Loans for acquisitions	3,572	0	3,572	0	-3,572	0	3,572
Loans for project financing	757	0	0	0	-71	-268	418
Other current loans	22,346	0	275	3,007	-1,204	1,521	25,944
Current financial liabilities	**26,675**	**0**	**3,847**	**3,007**	**-4,847**	**1,252**	**29,934**
Total	**168,434**	**227**	**-0**	**3,007**	**-4,847**	**2,444**	**169,264**

Additions and repayments are cash-effective.

In October or December 2020, two long-term operating loans in the amount of each EUR 30,000 k with a term of 8 and 7 years and a variable interest rate were concluded. However, an interest rate hedge each which leads to fixed interests has been concluded.

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

The non-current financial liabilities include a promissory note bond ("Schuldscheindarlehen") amounting to EUR 75,160 k as of March 31, 2020, that was placed in June 2016. Details to tranches, maturity periods and interest rates are shown in the table below:

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

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

2019/20	Promissory note bond	Loans for acquisitions	Loans for project financing	Operating loans	Other loans	Total
In the next 6 months	1,153	1,823	6,838	1,134	4,915	15,863
In the next 7 to 12 months	615	1,818	6,955	25,791	3,268	38,448
Gross cash flows up to one year	**1,768**	**3,641**	**13,793**	**26,925**	**8,184**	**54,311**
Between 1 and 2 years	44,618	3,620	12,750	6,122	0	67,110
Between 2 and 3 years	536	3,601	12,650	11,002	0	27,789
Between 3 and 4 years	23,364	3,578	12,550	10,864	0	50,356
Between 4 and 5 years	192	0	0	10,473	0	10,665
Gross cash flows more than 5 years	8,596	0	0	25,302	0	33,898
Total	**79,074**	**14,439**	**51,743**	**90,689**	**8,184**	**244,129**

2018/19	Promissory note bond	Loans for acquisitions	Loans for project financing	Operating loans	Other loans	Total
In the next 6 months	1,271	1,833	270	350	2,295	6,019
In the next 7 to 12 months	731	1,828	550	19,140	4,167	26,416
Gross cash flows up to one year	**2,003**	**3,661**	**820**	**19,490**	**6,461**	**32,434**
Between 1 and 2 years	1,463	3,639	13,096	6	0	18,205
Between 2 and 3 years	44,406	3,620	12,750	0	0	60,775
Between 3 and 4 years	536	3,601	12,650	0	0	16,787
Between 4 and 5 years	23,364	3,578	12,550	0	0	39,491
Gross cash flows more than 5 years	8,596	0	0	0	0	8,596
Total	**80,367**	**18,098**	**51,866**	**19,496**	**6,461**	**176,289**

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

	2018/19	2019/20
Carrying fixed interest rates	87,110	165,267
Carrying variable interest rates	82,154	70,666
Total financial liabilities	**169,264**	**235,933**
Average interest rates:		
Loans for project financing [1]	0.80%	0.80 - 6.70%
Promissory note bond	1.20 - 4.31%	1.20 - 2.44%
Loans for acquisitions	0.54%	0.54%
Operating loans [1]		0.70 - 12.95%
Other loans	0.50 - 3.65%	0.50 - 10.75%

1) The interest rate for loans in Argentina is 48.75%.

Bills of exchange amounting to EUR 45,709 k (March 31, 2019: EUR 19,281 k) were issued for an export promotion loan and loans for acquisitions as well as for an operating loan.

25 Lease liabilities.

The Group adopted the new standard IFRS 16 as of the mandatory date of initial application (April 1, 2019) and elected to apply the modified retrospective approach, not providing comparative figures for the previous period.

	March 31, 2019	March 31, 2020
Non-current lease liabilities	0	50,057
Current lease liabilities	0	13,589
Total	**0**	**63,646**

Movements of right-of-use assets from leases and classifications are included in note 14 property, plant and equipment. 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. However, lease receivables are stated separately in the financial statements.

The cash flows of current and non-current lease liabilities are as follows:

	2018/19	2019/20
In the next 6 months	0	7,136
In the next 7 to 12 months	0	6,453
Gross cash flows up to one year	**0**	**13,589**
Between 1 and 2 years	0	11,240
Between 2 and 3 years	0	9,532
Between 3 and 4 years	0	7,617
Between 4 and 5 years	0	4,522
More than 5 years	0	17,146
Total	**0**	**63,646**

The weighted average incremental borrowing rate applied for the valuation of lease liabilities as of March 31, 2020 amounted to 1.91%. In case the incremental borrowing rate would change by 0.5 Bp compared to the current one, the lease liabilities would change by approximately EUR -5,003 k and EUR +6,070 k respectively.

In financial year 2019/20 the lease expenses (without interest) amounted to EUR 13,631 k. Interest expenses for lease liabilities amounted to EUR 1,124 k (see note 11), of which EUR 130 k were accrued.

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. Classifications of lease expenses are as follows:

2019/20	Expenses relating to leases of low value assets	Expenses relating to short term leases	Expenses relating to variable lease payments and services	Total
Rental and building expenses	176	2,429	3,475	6,080
EDP expenditures	10,874	0	3,980	14,854
Automobile expenses	14	417	4,329	4,760

26 Deferred tax assets/liabilities.

	March 31, 2019	March 31, 2020
Deferred tax assets to be recovered after more than 12 months	11,905	21,572
Deferred tax assets to be recovered within 12 months	6,557	4,717
Deferred tax assets	**18,462**	**26,288**
Deferred tax liabilities to be recovered after more than 12 months	2,849	889
Deferred tax liabilities to be recovered within 12 months	2,254	817
Deferred tax liabilities	**5,103**	**1,706**
Deferred tax assets net (+)/deferred tax liabilities net (-)	**13,359**	**24,583**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to EUR 245,359 k (March 31, 2019: EUR 223,418 k) are not recognized due to the unsecure potential for future taxable income. The not recognized tax loss carry-forwards mainly relate to foreign subsidiaries, primarily in Spain, the USA, South Africa and Zambia and are, for the predominant part, not expiring or not before 2030. All other deferred tax assets have been recognized in the respective Group companies as future deductible items.

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

Deferred tax assets/liabilities are attributable to the following positions:

	March 31, 2019	Through profit or loss of the period	Through other comprehensive income	Currency translation differences	Reclassification and off-set	March 31, 2020
Tax loss carry-forwards	7,676	5,486	0	-635	0	12,527
Provisions disallowed for tax purposes	4,294	-612	503	-88	0	4,097
Depreciation disallowed for tax purposes	322	-103	0	0	0	219
Other (active deferred income)	6,170	2,768	-304	-701	1,514	9,446
Deferred tax assets	**18,462**	**7,538**	**199**	**-1,424**	**1,514**	**26,288**
Special depreciation/amortization of non-current assets	52	137	0	-0	-139	50
Gains from recognition at fair value	3,668	-2,311	0	0	7,747	9,105
Other (passive deferred income)	1,383	-2,628	0	-110	-6,094	-7,449
Deferred tax liabilities	**5,103**	**-4,801**	**0**	**-110**	**1,514**	**1,706**
Total change	**13,359**	**12,339**	**199**	**-1,314**	**0**	**24,583**

	March 31, 2018	Transition to new IFRS Standards	Addition resulting from business combinations	Through profit of loss of the period	Through other comprehensive income	Currency translation differences	Reclassification and off-set	March 31, 2019
Tax loss carry-forwards	3,064	0	0	4,635	0	-23	0	7,676
Provisions disallowed for tax purposes	5,207	0	0	-1,080	223	-57	0	4,294
Depreciation disallowed for tax purposes	290	0	0	32	0	0	0	322
Construction contracts acc. to IAS 11	1,737	0	0	-1,737	0	0	0	0
Other (active deferred income)	2,100	147	0	9,857	-1,006	-85	-4,842	6,170
Deferred tax assets	**12,399**	**147**	**0**	**11,707**	**-784**	**-165**	**-4,842**	**18,462**
Special depreciation/amortization of non-current assets	470	0	0	-103	0	20	-335	52
Gains from recognition at fair value	3,128	0	1,685	-1,145	0	0	0	3,668
Other (passive deferred income)	-1,689	0	0	7,588	0	-9	-4,507	1,383
Deferred tax liabilities	**1,910**	**0**	**1,685**	**6,339**	**0**	**11**	**-4,842**	**5,103**
Total change	**10,489**	**147**	**-1,685**	**5,368**	**-784**	**-176**	**0**	**13,359**

27 Liabilities from post-employment benefits to employees.

	March 31, 2019	March 31, 2020
Termination benefits	12,565	13,446
Pension benefits	13,560	14,165
Total	**26,125**	**27,611**

Parameter.

Termination benefits obligations were valued based on an interest rate of 0.30% – 0.45% (2018/19: 1.05% – 1.30%), retirement benefit obligations were valued based on an interest rate of 0.45% (2018/19: 1.30%) for the euro zone and based on an interest rate of 2.70% (2018/19: 3.80%) for Canada as well as compensation increases based on a rate of 2.50% – 3.00% (2018/19: 2.50%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVO 2018-P ANG (2018/19: AVO 2018-P ANG) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada. Pension increases were estimated at 1.67% on average (2018/19: 2.18%).

Termination benefits.

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

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

	2018/19	2019/20
Carrying amount as of March 31 of previous year	**10,341**	**12,564**
Remeasurements (actuarial gains/losses)	252	961
Current service cost	1,178	672
Past service costs	1,090	0
Interest expense	144	125
Payments	-438	-800
Currency translation differences	-2	-77
Carrying amount as of March 31 of financial year	**12,564**	**13,446**
Total, included in the staff costs (note 7)	2,268	672
Total, included in the financial result (note 11)	144	125

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

	2018/19	2019/20
Remeasurements from changes in demographic assumptions	163	63
Remeasurements from changes in financial assumptions	114	818
Remeasurements from other changes (experience adjustments)	-25	80
Total	**252**	**961**

The expected allocation for termination benefits for the next financial year 2020/21 amounts to EUR 300 k. The weighted average duration amounts to 8.5 years.

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

Sensitivities	**Changes in assumption**	**Decrease in assumption**	**Increase in assumption**
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 50 bp	545	-510
Expected annual interest expenses (IC)	± 50 bp	-61	56
Expected annual service costs (CSC)	± 50 bp	12	-11
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 bp	-473	500
Expected annual interest expenses (IC)	± 50 bp	-2	2
Expected annual service costs (CSC)	± 50 bp	-12	13
Impact of changes in fluctuation			
Defined benefit obligation (DBO)	± 5%	20	-19
Expected annual interest expenses (IC)	± 5%	0	-0
Expected annual service costs (CSC)	± 5%	1	-1

Pension benefits.

Liabilities for retirement benefits recognized at the balance sheet date relate mainly to retirees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are not covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the Group (see note 7). For retirement benefits the Group bears the risk of longevity and inflation due to pension increases.

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

	2018/19	2019/20
Carrying amount as of March 31 of previous year	**13,364**	**13,560**
Remeasurements of employee benefit obligations after termination of the employment relationship	610	1,332
Current service cost	40	6
Interest expense	252	225
Payments	-834	-871
Currency translation differences	129	-87
Carrying amount as of March 31 of financial year	**13,560**	**14,165**
Total, included in the staff costs (note 7)	40	6
Total, included in the financial result (note 11)	252	225

The remeasurements of employee benefit obligations after termination of the employment relationship are as follows:

	2018/19	2019/20
Remeasurements from changes in demographic assumptions	144	271
Remeasurements from changes in financial assumptions	252	881
Remeasurements from other changes	213	180
Total	**610**	**1,332**

The expected allocation for pension benefits for the next financial year 2020/21 amounts to EUR 121 k. The weighted average duration amounts to 11.7 years.

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

Sensitivities	**Changes in assumption**	**Decrease in assumption**	**Increase in assumption**
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 50 bp	727	-671
Expected annual interest expenses (IC)	± 50 bp	-67	61
Expected annual service costs (CSC)	± 50 bp	1	-1
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 bp	-526	621
Expected annual interest expenses (IC)	± 50 bp	-2	3
Expected annual service costs (CSC)	± 50 bp	0	0

Analysis of expected maturity of undiscounted benefits.

	2020/21	2021/22	2022/23	2023/24	2024/25	over 5 years	Total
Termination benefits	966	669	685	787	911	10,086	14,105
Pension benefits	856	849	840	831	820	10,803	14,999

28 Provisions.

	March 31, 2019	March 31, 2020
Non-current provisions	6,681	4,295
Current provisions	14,734	23,375
Total	**21,415**	**27,670**

The provisions changed as follows:

	March 31, 2019	Addition from accu-mulation	Addition	Utilization	Disposal	Reclassi-fication	Currency translation differences	March 31, 2020
Obligations from anniversary bonuses	1,758	20	463	0	-22	0	-24	2,195
Warranties	2,472	0	0	0	0	-2,016	0	456
Projects (excl. impending losses)	151	0	0	0	0	-25	0	126
Other non-current provisions	2,301	35	308	-133	-7	-719	-268	1,519
Non-current provisions, total	**6,681**	**55**	**771**	**-133**	**-28**	**-2,760**	**-292**	**4,295**
Warranties	538	0	1,525	-1,541	-43	2,016	-119	2,375
Provision for losses from onerous contracts	3,461	0	7,045	-83	-1,383	0	170	9,210
Projects (excl. impending losses)	5,734	0	2,670	-31	-70	25	-90	8,238
Legal fees, costs of litigation and contract risks	2,709	0	1,520	-558	-1,797	0	-28	1,846
Other current provisions	2,292	0	3,509	-3,918	-704	719	-192	1,706
Current provisions, total	**14,734**	**0**	**16,269**	**-6,132**	**-3,997**	**2,760**	**-260**	**23,375**
Total	**21,415**	**55**	**17,041**	**-6,265**	**-4,025**	**0**	**-551**	**27,670**

	March 31, 2018	Addition from accu-mulation	Addition	Utilization	Disposal	Reclassi-fication	Currency translation differences	March 31, 2019
Obligations from anniversary bonuses	1,391	16	397	-51	0	0	4	1,758
Warranties	1,906	0	0	0	0	566	0	2,472
Projects (excl. impending losses)	689	0	0	0	0	-539	0	151
Other non-current provisions	4,923	39	1,041	0	-2,910	-533	-259	2,301
Non-current provisions, total	**8,911**	**55**	**1,438**	**-51**	**-2,910**	**-506**	**-255**	**6,681**
Warranties	435	0	889	-186	-105	-566	70	538
Provision for losses from onerous contracts	0	0	4,853	-476	-1,034	0	117	3,461
Projects (excl. impending losses)	4,887	0	839	-59	-514	539	43	5,734
Legal fees, costs of litigation and contract risks	3,033	0	1,342	-1,480	-658	237	235	2,709
Other current provisions	1,245	0	2,681	-1,313	-464	296	-151	2,292
Current provisions, total	**9,600**	**0**	**10,605**	**-3,515**	**-2,775**	**506**	**314**	**14,734**
Total	**18,510**	**55**	**12,042**	**-3,566**	**-5,685**	**0**	**58**	**21,415**

The provision for "anniversary bonuses" relates to non-current entitlements of employees based on Collective Agreements. The valuation was based on an interest rate of 0.30% – 0.50% (2018/19: 1.05% – 1.35%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVO 2018-P ANG (2018/19: AVO 2018-P ANG) by Pagler & Pagler. Increases in salary were considered at 2.50% (2018/19: 2.50%). It is expected that an amount of EUR 109 k will be used in financial year 2020/21 and the remaining amount in the following financial years. A change in discount rates, salaries and fluctuation of 50 bp each would only have an insignificant impact on the balance sheet and the statement of comprehensive income.

As manufacturer, dealer and service provider, the Group issues “product warranties” at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of EUR 1,380 k will be used in the first half of financial year 2020/21, EUR 996 k in the second half of the year and the remaining amount of EUR 456 k in the following financial years.

In financial year 2019/20, an amount of EUR 9,210 k was set up in the short-term area of provisions for “losses from onerous contracts”. A major part of this amount was provided by an American subsidiary for various implementation projects, which cannot be completed with a profit. In the first half of financial year 2020/21 utilization in the amount of EUR 47 k and in the second half of the year utilization in the amount of EUR 9,163 k is expected.

The provisions for “projects (excl. impending losses)” mainly relate to maintenance-, extension- and repair services for current toll projects. It is expected that an amount of EUR 6,749 k will be used in the first half of the financial year 2020/21, EUR 1,489 k in the second half of the year and the remaining amount of EUR 126 k in the following financial years.

Provisions for “legal fees, costs of litigation and contract risks” mainly relate to current legal cases and consulting costs. In 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. The provision for this dispute was released in financial year 2019/20. It is expected that the full amount of provisions for “legal fees, costs of litigation and contract risks” will be used in financial year 2020/21, of which EUR 929 k will be used in the first half of the year.

“Other provisions” mainly include provisions for taxes and duties, provisions for commissions and bonuses and provisions for dismantling, removing and restoring assets. It is expected that an amount of EUR 585 k will be used in the first half of financial year 2020/21, EUR 1,121 k in the second half of the year and the remaining amount of EUR 1,519 k in the following financial years.

29 Other non-current liabilities.

	March 31, 2019	March 31, 2020
Truck toll collection system Czech Republic	573	0
Other	773	830
Total	**1,346**	**830**

The item “Truck toll collection system Czech Republic” related in the previous financial year to trade payables (non-current) to subcontractors for the construction of the Czech truck toll system in the amount of EUR 573 k. This liability was paid completely in financial year 2019/20. As of March 31, 2020 other non-current liabilities included liabilities from derivatives amounting to EUR 315 k.

The remaining term of other non-current liabilities, as in the previous year, is more than 1 year, but less than 5 years from the balance sheet date. The gross cash flows of other non-current liabilities of less than 2 years sum up to EUR 464 k (March 31, 2019: EUR 972 k), between 2 and 3 years to EUR 117 k (March 31, 2019: EUR 254 k) and more than 3 years to EUR 275 k (March 31, 2019: EUR 189 k).

30 Other liabilities and deferred income.

	March 31, 2019	March 31, 2020
Other prepayments received	4,566	3,804
Other employee liabilities	32,166	33,422
Liabilities to tax authorities (other than income tax)	16,227	12,695
Liabilities from tax allocation to the tax group leader	3,668	0
Sundry liabilities and deferred income	15,168	10,626
Total	**71,800**	**60,554**

The position “sundry liabilities and deferred income” included in financial year 2018/19 the short-term portion of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% interest in Kapsch Telematic Services spol. s r.o., Czech Republic, amounting to EUR 2,000 k. This was fully paid in financial year 2019/20.

The development of the earn-out liabilities was as follows:

	2018/19	2019/20
Carrying amount as of March 31 of previous year	**12,750**	**1,989**
Addition	0	0
Disposal	-10,798	-2,000
Interests	37	11
Carrying amount as of March 31 of financial year	**1,989**	**0**

The taxable income of Kapsch TrafficCom AG, Vienna as part of the tax group of KAPSCH-Group Beteiligungs GmbH, Vienna has been negative in financial year 2019/20. The liabilities from tax allocation to the tax group leader have been netted with receivables from tax allocation to the tax group leader and are presented in current tax receivables (EUR 1,993 k).

31 Contingent liabilities and other commitments.

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

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

Contract, warranty, performance and bid bonds	March 31, 2019	March 31, 2020
North America (toll collection systems)	0	26,399
Australia (toll collection systems)	29,926	5,935
South Africa (toll collection system)	30,742	0
Other	161	0
Total	**60,829**	**32,333**

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutes and insurance companies. In case the contractual obligations cannot be fulfilled, there is a risk of utilization, that can result in a recourse claim of the financial institute or insurance company against the Group. Such an outflow of resources is deemed unlikely. This kind of contract, warranty, performance and bid bonds in the amount of EUR 266,061 k (2018/19: EUR 319,055 k) are not included in the balance sheet or in the contingent liabilities respectively.

Disclosures regarding the joint venture autoTicket GmbH, Germany, are stated in note 2.

Assets of Kapsch TrafficCom AB, Sweden, in the amount of EUR 10,849 k (March 31, 2019: EUR 11,541 k) were pledged as collateral for contingent liabilities in favor of a Swedish bank.

32 Interests in subsidiaries.

32.1 Consolidated group.

As of March 31, 2020 the consolidated group (including parent company Kapsch TrafficCom AG, Vienna) consists of 59 entities (March 31, 2019: 57 entities). The consolidated group changed as follows:

	2018/19	2019/20
Amount of entities at the beginning of the financial year	55	57
Initial consolidation	4	3
Deconsolidations	-2	-1
Amount of entities in the consolidated group	**57**	**59**

The regional distribution of subsidiaries was as follows:

	2018/19	2019/20
Austria	7	7
EMEA (excluding Austria)	31	30
Americas	15	18
APAC	4	4
Total	**57**	**59**

The following companies are included in the consolidated financial statements:

	March 31, 2019		March 31, 2020	
Entity, headquarter of entity	**Group's share**	**Non-controlling interests**	**Group's share**	**Non-controlling interests**
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100.0%	–	100.0%	–
Consorcio ITS Parques del Rio, Bogotá, Colombia [1]	n.a.		60.0%	40.0%
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	100.0%	–	100.0%	–
FLUIDTIME Data Services GmbH, Vienna	75.5%	24.5%	75.5%	24.5%
Intelligent Mobility Solutions Limited, Lusaka, Zambia	51.0%	49.0%	51.0%	49.0%
Kapsch Components GmbH & Co KG, Vienna	100.0%	–	100.0%	–
Kapsch Components GmbH, Vienna	100.0%	–	100.0%	–
Kapsch Road Services Sp. z o.o., Warsaw, Poland	100.0%	–	100.0%	–
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	100.0%	–	100.0%	–
Kapsch Telematic Services GmbH, Vienna	100.0%	–	100.0%	–
Kapsch Telematic Services IOOO, Minsk, Belarus	100.0%	–	100.0%	–
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	100.0%	–	100.0%	–
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	100.0%	–	100.0%	–
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	100.0%	–	100.0%	–
Kapsch Traffic Solutions (Consortium), Sofia, Bulgaria	100.0%	–	100.0%	–
Kapsch TrafficCom - Rowing - UTE (Consortium), Buenos Aires, Argentina [3]	50.0%	50.0%	50.0%	50.0%
Kapsch TrafficCom AB, Jonkoping, Sweden	100.0%	–	100.0%	–
Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain	100.0%	–	100.0%	–
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	100.0%	–	100.0%	–
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	100.0%	–	100.0%	–
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.0%	–	100.0%	–
Kapsch TrafficCom Canada Inc., Mississauga, Canada	100.0%	–	100.0%	–
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	100.0%	–	100.0%	–
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	100.0%	–	100.0%	–
Kapsch TrafficCom Dominican Republic S.R.L., Santo Domingo, Dominican Republic [1]	n.a.		100.0%	–
Kapsch TrafficCom France SAS, Paris, France	100.0%	–	100.0%	–
Kapsch TrafficCom Holding Corp., McLean, USA	100.0%	–	100.0%	–
Kapsch TrafficCom Holding II US Corp., McLean, USA	100.0%	–	100.0%	–

Entity, headquarter of entity	March 31, 2019 Group's share	March 31, 2019 Non-controlling interests	March 31, 2020 Group's share	March 31, 2020 Non-controlling interests
Kapsch TrafficCom Inc., McLean, USA	100.0%	–	100.0%	–
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	100.0%	–	100.0%	–
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	100.0%	–	100.0%	–
Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan [2]	100.0%	–	–	–
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	51.0%	49.0%	51.0%	49.0%
Kapsch TrafficCom Ltd., Middlesex, United Kingdom	100.0%	–	100.0%	–
Kapsch TrafficCom New Zealand Ltd., Auckland, New Zealand	100.0%	–	100.0%	–
Kapsch TrafficCom Norway AS, Oslo, Norway	100.0%	–	100.0%	–
Kapsch TrafficCom Peru S.A.C., Lima, Peru	100.0%	–	100.0%	–
Kapsch TrafficCom PTE. LTD.,The Heeren, Singapore	100.0%	–	100.0%	–
Kapsch TrafficCom Russia, OOO, Moscow, Russia	100.0%	–	100.0%	–
Kapsch TrafficCom S.A.S., Bogotá, Colombia	100.0%	–	100.0%	–
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	100.0%	–	100.0%	–
Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia	100.0%	–	100.0%	–
Kapsch TrafficCom Services USA, Inc., McLean, USA [1]	n.a.	–	100.0%	–
Kapsch TrafficCom South Africa (Pty) Ltd., Sunninghill, South Africa	100.0%	–	100.0%	–
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.0%	–	100.0%	–
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	100.0%	–	100.0%	–
Kapsch TrafficCom Transportation Brasil Ltda., São Paulo, Brazil	100.0%	–	100.0%	–
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.0%	–	100.0%	–
Kapsch TrafficCom USA, Inc., McLean, USA	100.0%	–	100.0%	–
KTS Beteiligungs GmbH, Vienna	100.0%	–	100.0%	–
Mobiserve (Pty) Ltd., Cape Town, South Africa [5]	100.0%	–	100.0%	–
MTS Maut & Telematik Services GmbH, Berlin, Germany	100.0%	–	100.0%	–
SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico	100.0%	–	100.0%	–
Streetline Inc., Foster City, USA	93.9%	6.1%	97.0%	3.0%
Telvent Thailand Ltd., Bangkok, Thailand	100.0%	–	100.0%	–
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa [5]	100.0%	–	100.0%	–
tolltickets GmbH, Rosenheim, Germany	65.0%	35.0%	65.0%	35.0%
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4]	49.0%	51.0%	49.0%	51.0%
Trust South Africa, Cape Town, South Africa [5]	100.0%	–	100.0%	–

[1] Foundation/acquisition/acquisition of additional shares in financial year 2019/20
[2] Deconsolidation in financial year 2019/20
[3] Consolidation due to voting-right-agreements
[4] Power over the relevant activities of the entity based on substantive rights
[5] IFRS 10 control of Trust South Africa and thus full consolidation with 100%

Kapsch TrafficCom Dominican Republic S.R.L., Dominican Republic, was founded on May 25, 2019 and Kapsch TrafficCom Services Inc., USA, was founded on November 13, 2019. Both entities are wholly-owned subsidiaries of Kapsch TrafficCom.

In June 2019 the consortium Consorcio ITS Parques del Rio, Colombia, was formed. Kapsch TrafficCom holds 60% and controls the relevant activities of the consortium, hence Kapsch TrafficCom fully consolidates it.

Moreover Kusa Kokutsha (Pty.) Ltd, South Africa, was founded on August 26, 2019. The company however did not start any business activities in the financial year 2019/20 and therefore is not consolidated.

Kapsch TrafficCom KGZ OOO, Kyrgyzstan, was liquidated in the third quarter of 2019/20.

For all entities mentioned above the headquarter of the company complies with the country of incorporation. The Group's share shows the share at which the companies are included in the consolidated financial statements.

The following entities do not report at balance sheet date as of March 31 due to legal restrictions or other reasons, but present interim financial statements:

- Kapsch TrafficCom Russia OOO, Moscow, Russia (December 31)
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria (December 31)
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan (December 31)
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus (December 31)
- KTS Beteiligungs GmbH, Vienna (December 31)
- Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania (December 31)

32.2 Business combinations.

Intelligent Mobility Solutions Ltd., Zambia, was consolidated for the first time in August 2018. The purchase price allocation was preliminary calculated as of March 31, 2019 and was finalized in August 2019 in compliance with the 12-month deadline.

Based on the updated assessment on the further business activities in Zambia, as of March 31, 2020 there was an impairment of both the intangible assets and the goodwill of CGU IMS-EMEA.

The fair values after final purchase price allocation were as follows:

	Fair Value preliminary	Fair Value final
Intangible assets	2,959	2,959
Intangible assets from service concession arrangements	10,503	10,503
Other non-current assets	3,425	0
Receivables and other current assets	1,285	1,285
Cash and cash equivalents	3	3
Non-current financial liabilities	-2,895	-2,895
Deferred tax liabilities	-1,685	-1,685
Current financial liabilities	-320	-320
Trade payables	-4,719	-4,719
Other current liabilities and deferred income	-1,259	-1,259
Net assets acquired	**7,295**	**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.

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 preliminary	Difference final
Fair value of previously held shares	5,356	5,356
Share of net assets relating to non-controlling interest	3,575	1,897
Less fair value of proportionate net assets acquired	-7,295	-3,871
Goodwill	**1,636**	**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 (March 31, 2019: EUR 1,636 k). The goodwill was allocated to the cash-generating unit IMS-EMEA.

Since its full consolidation starting from September 1, 2018 till August 30, 2019 the acquired company contributed 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 in financial year 2019/20. Net assets acquired only referred to intangible assets and amounted to EUR 884 k. On December 12, 2019 the second part of the purchase price was paid (EUR -177 k) und was included as net cash outflow in financial year 2019/20 (2018/19: EUR -707 k).

33 Non-controlling interests.

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

Information on the balance sheet.

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

	Amounts before intercompany eliminations					
	Non-current assets	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Net assets**	**Carrying amount of non-controlling interests**
Streetline Inc., USA	0	290	0	452	-163	-38
FLUIDTIME Data Services GmbH, Austria	641	771	173	390	849	116
tolltickets GmbH, Germany	1,308	3,423	1,097	4,067	-433	-152
Kapsch TrafficCom Lietuva UAB, Lithuania	0	43	0	9	35	20
Intelligent Mobility Solutions Limited, Zambia	0	2,290	5,989	5,838	-9,537	-5,970
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	291	2,055	169	1,780	397	199
Consorcio ITS Parques del Rio, Colombia	0	2,424	0	2,060	364	146
Carrying amount as of March 31, 2020						**-5,680**

	Amounts before intercompany eliminations					
	Non-current assets	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Net Assets**	**Carrying amount of non-controlling interests**
Streetline Inc., USA	1,766	1,823	18,065	3,338	-17,813	-1,186
FLUIDTIME Data Services GmbH, Austria	447	1,069	1	678	837	113
tolltickets GmbH, Germany	153	3,984	0	4,089	48	17
Kapsch TrafficCom Lietuva UAB, Lithuania	1	38	0	9	30	17
Intelligent Mobility Solutions Limited, Zambia [1)]	11,510	4,474	3,964	8,695	3,326	1,059
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	0	685	9	411	265	79
Carrying amount as of March 31, 2019						**98**

[1)] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Information on the statement of comprehensive income.

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

	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
2019/20	**Revenues**	**Result for the period**	**Other compre-hensive income**	**Total compre-hensive income**	**Result for the period**	**Other compre-hensive income**	**Total compre-hensive income**
Streetline Inc., USA	1,792	17,855	-205	17,650	534	26	559
FLUIDTIME Data Services GmbH, Austria	2,283	12	0	12	3	0	3
tolltickets GmbH, Germany	2,562	-482	0	-482	-168	0	-168
Kapsch TrafficCom Lietuva UAB, Lithuania	0	5	0	5	3	0	3
Intelligent Mobility Solutions Limited, Zambia	-1,106	-16,528	2,256	-14,272	-8,284	1,255	-7,029
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	3,536	362	-28	334	160	-16	144
Consorcio ITS Parques del Rio, Colombia	3,909	430	-66	364	172	-26	146
Total					**-7,582**	**1,239**	**-6,343**

	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
2018/19	**Revenues**	**Result for the period**	**Other compre-hensive income**	**Total compre-hensive income**	**Result for the period**	**Other compre-hensive income**	**Total compre-hensive income**
Streetline Inc., USA	2,712	-5,012	-1,283	-6,295	-304	-78	-382
FLUIDTIME Data Services GmbH, Austria	2,225	204	0	204	50	0	50
tolltickets GmbH, Germany	2,517	-519	0	-519	-182	0	-182
Kapsch TrafficCom Lietuva UAB, Lithuania	0	3	0	3	1	0	1
Intelligent Mobility Solutions Limited, Zambia [1]	3,579	-1,710	-870	-2,579	-885	47	-838
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	792	132	0	132	66	-26	40
Total					**-1,253**	**-56**	**-1,310**

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Information on the cash flow statement and dividends.

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

	Cash flow from				
2019/20	**Operating activities**	**Investing activities**	**Financing activities**	**Cash net increase/ decrease**	**Dividends paid to non-controlling interests**
Streetline Inc., USA	-3,305	20,759	-18,065	-611	0
FLUIDTIME Data Services GmbH, Austria	183	-5	-247	-69	0
tolltickets GmbH, Germany	-920	-21	307	-635	0
Kapsch TrafficCom Lietuva UAB, Lithuania	12	0	0	12	0
Intelligent Mobility Solutions Limited, Zambia	-4,880	750	4,144	15	0
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	401	-74	-164	163	0
Consorcio ITS Parques del Rio, Colombia	625	0	0	625	0
Total					**0**

	Cash flow from				
2018/19	**Operating activities**	**Investing activities**	**Financing activities**	**Cash net increase/ decrease**	**Dividends paid to non-controlling interests**
Streetline Inc., USA	-6,056	-427	6,115	-369	0
FLUIDTIME Data Services GmbH, Austria	-196	1,488	-739	554	0
tolltickets GmbH, Germany	-1,177	-1	1,025	-153	0
Kapsch TrafficCom Lietuva UAB, Lithuania	-3	0	0	-3	0
Intelligent Mobility Solutions Limited, Zambia	2,948	-7,548	4,602	2	0
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	0	0	0	0	0
Total					**0**

34 Related parties.

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

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

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

The following table provides an overview of revenues and expenses in the past financial years for related parties.

	2018/19	2019/20
Parent company		
Revenues	0	0
Expenses	-1,222	-1,223
Income (+) / Expense (-) from tax allocation	-3,594	5,597
Affiliated companies		
Revenues	7,382	1,378
Expenses	-29,668	-17,788
Associated companies		
Revenues	25	25
Expenses	0	0
Joint ventures		
Revenues	10,201	23,594
Expenses [1]	-4,390	-4,616
Other related parties		
Revenues	129	161
Expenses	-178	-10,728

[1] adjusted

The following table provides an overview of receivables and liabilities at the respective balance sheet dates for related parties.

	March 31, 2019	March 31, 2020
Parent company		
Trade receivables and other assets	0	0
Trade payables and other liabilities	-342	-176
Receivables (+) / Liabilities (-) from tax allocation	-3,603	1,993
Affiliated companies		
Trade receivables and other non-current and current assets	2,436	149
Trade payables and other liabilities	-4,401	-3,982
Associated companies		
Trade receivables and other non-current and current assets	335	1,144
Trade payables and other liabilities	0	0
Joint ventures		
Trade receivables and other non-current and current assets	0	677
Contract assets	9,058	0
Trade payables and other liabilities	-400	-451
Other related parties		
Trade receivables and other non-current and current assets	15	0
Trade payables and other payables including pension benefits	-11,277	-15,401

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

Parent company.
The parent company KAPSCH-Group Beteiligungs GmbH provides services to the Group in the area of Group consolidation (including costs for the implementation of new accounting standards) and legal advice for all topics relating to corporate law. Expenses incurred by the Group in financial year 2019/20 amounted to EUR 1,022 k (2018/19: EUR 1,152 k). Furthermore, the parent company invoiced insurance costs (directors & officers liability insurance) to the Group amounting to EUR 57 k (2018/19: EUR 55 k).

The parent company acts as the tax group leader in a tax group formed in March 2005, in which the Austrian subsidiaries of this group are also members. Accordingly, all tax effects of the group companies that are tax group members are to be considered related party transactions. As of March 31, 2020, the Group has receivables from tax allocation to the parent company in the amount of EUR 1,993 k (March 31, 2019: liabilities from tax allocation to the parent company EUR 3,603 k).

Affiliated companies.
Due to the sale of Kapsch CarrierCom AG, Vienna, as well as its direct and indirect subsidiaries and the sale of subsidiaries of Kapsch Public TransportCom, Vienna in the first quarter 2019/20, revenues and expenses declined in comparison to the previous financial year. In the past, the Group regularly provided its affiliated companies with manufacturing services in the area of GSM-R as well as logistics services. In financial year 2019/20 (until time of sale on May 31, 2019), revenue relating to GSM-R amounted to EUR 804 k (2018/19: EUR 4,437 k) and relating to logistics services to EUR 71 k (2018/19: EUR 770 k).

In previous financial year 2018/19 revenues from recharging of expenses to affiliated companies amounting to EUR 1,011 k resulted from a customer project in the USA.

The Group's lease income from subleasing to affiliates in financial year 2019/20 totaled EUR 258 k (2018/19: EUR 339 k). The remainder of revenues to affiliated companies related to other goods and services.

Expenses from transactions with affiliated companies relate to a large extent to goods and services in the area of IT, data processing and telephone services (leasing of telephone and IT equipment as well as IT support), through Kapsch BusinessCom AG, Vienna. The expenses of the Group in this context amounted to EUR 2,039 k in financial year 2019/20 (2018/19: EUR 10,346 k). Since financial year 2019/20 most expenses relating to goods and services in the area of IT, data processing and telephone services are not attributable to Kapsch BusinessCom AG, Vienna, but to the other related party Kapsch Financial Services GmbH, Vienna.

In addition, affiliated companies supplied hardware (IT equipment) on behalf of the Group as well as provided maintenance and other services for various customer projects (mainly in Austria, Bulgaria, the USA and South Africa) in the amount of EUR 4,904 k (2018/19: EUR 6,115 k mainly in Austria, in Bulgaria, in the USA and in South Africa).

At the end of November 2018 an affiliated company (Kapsch Public TransportCom Belgium NV), which has been sold in the first quarter of financial year 2019/20, sold a software license (including source code) as well as hardware and assets relating to a solution in the area of public transport for the African market. Within the scope of this transaction, customer projects already started were also included. Moreover, the agreement includes a sales based earn-out liability for future business under this license. The expenses of the Group in financial year 2018/19 in this context amounted to EUR 1,609 k. There were no further payments in financial year 2019/20.

In connection with the use of the Kapsch trademark and the logo, the Group is charged royalties by Kapsch Aktiengesellschaft, Vienna. The license fee amounts to 0.5% of all third-party sales of the Group. Expenses incurred by the Group in financial year 2019/20 amounted to EUR 3.659 k (2018/19: EUR 3,670 k).

Services regarding human resources (payroll services, administration, recruiting, advice on labor law, human resource development and secondments) as well as the provision of apprentices and trainees are performed centrally by Kapsch Partner Solutions GmbH, Vienna for the Group. In financial year 2019/20 expenses amounting to EUR 2,743 k (2018/19: TEUR 2,440 k) were incurred in the Group in this regard.

Other expenses of the Group from transactions with affiliated companies in financial year 2019/20 include with EUR 1,945 k (2018/19: EUR 2,090 k) activities in the area of corporate development, public relations, sponsoring and other marketing activities, with EUR 1,329 k (2018/19: EUR 1,798 k) management and consulting services, with EUR 896 k (2018/19: EUR 852 k), insurance contracts covering all Group companies and EUR 125 k (2018/19: EUR 125 k) running costs for a software tool (Hyperion Financial Management). The remainder of the expenses to affiliated companies relates to other goods and services provided to the Group.

Associated companies and joint ventures.
In financial year 2019/20 trade receivables and other non-current and current assets with associated companies amounted to EUR 1,144 k (2018/19: EUR 335 k) and mainly refer to loans to Traffic Technology Services Inc., USA, with EUR 783 k.

Revenues with joint ventures in financial year 2019/20 relate to autoTicket GmbH, Germany, amounting to EUR 20,810 k (2018/19: EUR 9,058 k) for the toll collection project ("passenger vehicle toll") of and EUR 2.784 k for other operating income. As of March 31, 2019 the revenues with autoTicket GmbH were fully included as contract assets.

In financial year 2018/19 revenues to the traffic safety and management project of Intelligent Mobility Solutions Ltd., Zambia, amounting EUR 1,143 k were included. Intelligent Mobility Solutions Ltd., Zambia, was classified as a joint venture until the end of August 2018 and is fully consolidated as of September 2018.

In financial year 2019/20 the expenses of joint ventures amount to EUR 4,616 k (2018/19 adjusted: EUR 4,390 k) and were mainly related to the consortium MyConsorzio.

Other related parties.
Revenues from other related parties in financial year 2019/20 relate to rental income from subleasing in the amount of EUR 161 k (2018/19: EUR 129 k).

Expenses to other related parties are mainly attributable to Kapsch Financial Services GmbH, Vienna. This company performs services centrally in the area of IT, data processing and telephone services (leasing of telephone and IT equipment as well as IT support) for the Group. This expenses amount to EUR 10.719 k in financial year 2019/20. In previous financial year 2018/19 most of these services were performed by Kapsch BusinessCom AG, Vienna. Services in the area of vehicle management and vehicle services amounted EUR 9 k (2018/19: EUR 74 k).

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

Details of compensation and other payments to executive bodies are presented in note 40. Details to contingent liabilities of related parties are included in note 31.

35 Risk management.

As regards the risks of the Group as well as risk management, we refer to item 3.3 in the management report for the Group. The impact of financial risks as described in the management report for the Group, in particular foreign exchange risk, interest rate risk, liquidity risk and credit risk, is disclosed in the following:

35.1 Foreign exchange risk.

Kapsch TrafficCom operates internationally and is exposed to foreign exchange risk. This risk originates from business transactions that are executed in a currency which is not in conformity with the functional currency of the respectively subsidiary (hereinafter referred to as “foreign currency”). The foreign exchange risk exists in relation to assets and liabilities as well as net investments of foreign business locations not in the Eurozone. During the consolidation process these positions have to be translated to the group currency „euro“.

From group perspective the relevant foreign currencies where the US dollar, the South African rand as well as the Bulgarian lev in financial year 2019/20. Because the terms of agreement are stipulated in euro, no foreign exchange risk arises to the Group with regard to the Belorussian ruble.

Customer orders are mainly invoiced in the local currencies of the respective group companies. Only in cases in which the Group expects to be exposed to significant foreign exchange risk, major orders denominated in foreign currencies will be hedged by forward foreign exchange contracts.

Argentina has been classified as a hyperinflationary country since July 1, 2018. The remeasurement in accordance with IAS 29 has been made. The financial statements including comparative figures have been adjusted due to the change in public purchasing power of the Argentinian peso. In financial year 2019/20 the income from hyperinflation adjustment amounts to EUR 285 k and the expenses from hyperinflation adjustment amount to EUR -2,598 k. The hyperinflation adjustment in financial year 2019/20 was net EUR 1.958 k.

The following table simulates the effect of changes in the exchange rate on the result before taxes. To do so a change in exchange rate (‘volatility’) of ceteris paribus +/- 10 % relating to current and non-current receivables and payables as of March 31, 2020 and March 31, 2019 respectively has been assumed. The line „EUR“ in the table below shows the total impact ceteris paribus of the volatility to the euro on the result before taxes for all subsidiaries whose functional currency is not the euro. The impact on equity would be insignificantly different.

	Effect on result before taxes			
	2018/19		2019/20	
Currency	Volatility +10%	Volatility -10%	Volatility +10%	Volatility -10%
USD	-6,676	8,159	-8,266	10,103
BGN	-2,827	3,456	-1,220	1,492
ZAR	-2,282	2,789	-1,965	2,402
GBP	-232	283	-868	1,061
PLN	-628	767	-675	825
AUD	-616	753	-110	134
EUR	2,444	-2,987	1,215	-1,485

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

	Effect on equity and result			
	2018/19		2019/20	
Currency	Volatility +10%	Volatility -10%	Volatility +10%	Volatility -10%
NOK	-1,035	1,265	-521	637

35.2 Interest rate risk.

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

In the case of variable interest balance sheet items, the risk relates to the cash flow. With variable interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable interest (both current and non-current) financial liabilities account for almost 30% of interest-bearing financial liabilities. If the market interest rate had been 50 basis points higher (lower) (+/- 0.5%) as of March 31, 2020, this, as in the previous year, would not have had any material impact on the result of the Group.

In the Group, derivative instruments in an insignificant proportion exist to minimize interest rate risk of financial liabilities.

35.3 Liquidity risk.

The ongoing monitoring, control and measurement of financial and liquidity positions is carried out at the level of the operational entities, is monitored and optimized in the overall group.

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

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

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

Cash flows (gross cash flows including interest) show the liquidity risk of future periods and are split into:
- First half year of the next financial year
- Second half year of the next financial year
- Between 1 and 2 years
- Between 2 and 3 years
- Between 3 and 4 years
- Between 4 and 5 years
- More than 5 years

This information is included in note 24 and 25.

35.4 Credit risk.

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

In the case of large toll collection projects, there is a credit risk essentially in the phase of the construction of the toll system. With the exception of the toll collection projects in Bulgaria there is no concentration of credit risk relating to trade receivables since the Group generally has a large number of customers worldwide. Based on the Group's experiences, the default risk for trade receivables can be considered low.

The calculation of the impairment of financial assets is disclosed in notes 20 and 21.

The maximum credit risk corresponds to the following book values:

	March 31, 2019	March 31, 2020
Other non-current financial assets and investments	15,861	10,873
Non-current contract assets	16,847	13,778
Non-current lease receivables	0	1,245
Other non-current assets [1)]	4,457	270
Other current financial assets	1,135	1,296
Current contract assets	122,555	138,178
Trade receivables and other current assets	209,419	176,984
Current lease receivables	0	442
Current income tax receivables	2,573	4,656
Cash and cash equivalents	94,652	122,632
Total	**467,500**	**470,354**

[1)] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

35.5 Equity price risk.

The Group is exposed to equity securities price risk resulting from a material investment, the Norwegian investment Q-Free ASA, Norway. This investment is measured at fair value through profit or loss in accordance with IFRS 9.

The impact of increases/decreases in the stock price of Q-Free ASA, Norway, on equity and the result would be EUR 573 k (2018/19: EUR 1,139 k) if stock price would have increased by 10% and EUR -573 k (2018/19: EUR -1,139 k) if stock price would have decreased by 10%. The analysis is based on the assumption that the stock price increases/decreases by 10% with all other variables held constant.

36 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the equity ratio, calculated as the ratio of equity to total assets. The Group's capital management strategy aims among other things to ensure that the Group companies' capital resources comply with local requirements. The Group focuses on maintaining the equity ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. Due to the result in financial year 2019/20 not all financial covenants could be complied with. Kapsch TrafficCom agreed on a new credit agreement with affected banks. This agreement confirms, that the affected banks do not insist on the compliance with the keyfigures agreed on as of balance sheet date and continue the consisting financing as well as future collaboration. With regards to this agreement, new margins and keyfigures were agreed on. Furthermore, the Group partly could not meet internal target values of the capital management as of balance sheet date due to the result of the past financial year. Despite that, the target values stay valid and the Group aims to reach those again through active capital management as soon as possible. Apart from the short-term targets such as to secure sufficient liquidity, the capital management is seen as a crucial instrument to secure going concern in the medium and long term. Cash and cash equivalents as at March 31, 2020 remain high amounting to EUR 122,632 k. With this approach shareholders and other stakeholders can be ensured, that their requirements can be fulfilled in a high-quality and sustainable manner and that returns for shareholders and benefits for other stakeholders can be provided. Other essential objectives of the Group's capital management include the financing of the envisaged growth path and the maintenance of an optimal capital structure.

Net debt as of March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2019	March 31, 2020
Non-current financial liabilities	139,330	185,231
Current financial liabilities	29,934	50,702
Non-current lease liabilities	0	50,057
Current lease liabilities	0	13,589
Total financial liabilities	**169,264**	**299,579**
Cash and cash equivalents	94,652	122,632
Other current financial assets	1,135	1,296
Net cash (+) / net debt (-)	**-73,478**	**-175,650**
Equity [1]	257,542	182,482
Gearing	**29%**	**96%**

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

As of March 31, 2020 non-current and current lease liabilities are included in the calculation of net debt due to initial application of IFRS 16. Without application of IFRS 16 net debt would have been EUR 112,005 k and gearing 61.2%.

37 Accounting and valuation principles.

The accounting and valuation principles, which form the basis for these consolidated financial statements, were applied unchanged to the previous period and supplemented by new mandatory IFRS and IFRIC applicable from the financial year.

37.1 Consolidation.

37.1.1 Subsidiaries.

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

All Group internal assets and liabilities, equity, expenses and income as well as unrealized gains and losses from transactions between Group companies are completely eliminated in the course of Group consolidation. In case of consolidation processes affecting profit or loss, income tax effects are taken into consideration and deferred taxes are recognized.

37.1.2 Transactions with non-controlling interests.

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

If the Group loses its control over any of the companies, the assets and liabilities of the former subsidiary are to be removed from the consolidated balance sheet. The remaining interest is to be remeasured at fair value and regarded as the initially recognized value of a financial asset pursuant to IFRS 9, Financial Instruments: Recognition and measurement or as acquisition costs in case of the addition of an interest in an associated company or joint venture. Any resulting gains or losses which are attributable to the controlling interest are recognized in the income statement. In addition, any amounts previously recognized in other comprehensive income with respect to the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified from equity to the result for the period.

37.1.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

The Group differentiates according to the contractual arrangements at which decisions are made unanimously, concerning rights and obligations of the controlling parties between joint ventures and joint operations. Parties belonging to a joint venture enjoy rights to net assets. In the consolidated financial statements, the result, assets, and liabilities are included subject to the equity method. If a contractual agreement creates rights to assets and obligations for debts, then such joint arrangement will be deemed to be a joint operation. Inclusion within the consolidated financial statements occurs proportionate.

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

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

The accounting and valuation principles of joint ventures correspond substantially to those of the parent company.

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

37.1.4 Associated companies.

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

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

The cumulative shares of the Group in the profits and losses as well as in the other comprehensive income of the associated company after the acquisition are offset against the carrying amount of the investment. If the Group's share in the losses of an associate, including any unsecured receivables, equals or exceeds its interest in that associated company, the Group will not disclose any additional losses, unless it has made commitments or payments to the associate. A negative carrying amount is only recognized if the Group has entered into legal or constructive obligations for the associated company or has made payments for the associated company.

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

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

The accounting and valuation principles of associated companies correspond substantially to those of the parent company.

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

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

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

Any contingent consideration to be transferred by the Group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is measured in accordance with IFRS 9 and a resulting profit or loss recognized in the statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

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

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

37.1.6 Foreign currency translation.

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

Translation of foreign financial statements.

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

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

Pursuant to IAS 29, a separate measurement is required for hyperinflationary countries. As in accordance with IAS 21, monetary items are translated into the reporting currency of the Group using the prevailing mean exchange rate at the balance sheet date. All non-monetary assets and liabilities are measured either at adjusted cost, or at net realizable value or at fair value. Argentina has been classified as a hyperinflationary country since July 1, 2018. All items in the statement of comprehensive income are to be restated as of the date of initial recognition of the income and expenses in the financial statements, using the general price index. A restatement in accordance with IAS 29 applies.

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

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

	2018/19		**2019/20**	
	Average exchange rate	**Exchange rate as at balance sheet date**	**Average exchange rate**	**Exchange rate as at balance sheet date**
AUD	1.589	1.582	1.635	1.797
CAD	1.525	1.500	1.482	1.562
CZK	25.740	25.802	25.727	27.312
GBP	0.882	0.858	0.874	0.886
PLN	4.290	4.301	4.320	4.551
SEK	10.379	10.398	10.657	11.061
USD	1.161	1.124	1.111	1.096
ZAR	15.823	16.264	16.619	19.610

Foreign currency transactions.

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

Foreign exchange gains and losses which are attributable to the translation of cash and cash equivalents as well as financial receivables and financial liabilities are presented in the statement of comprehensive income within the financial result. All other foreign exchange gains and losses are presented in the statement of comprehensive income in other operating income or other operating expenses.

This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations which are designated as part of a hedge of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold (see note 13).

37.2 Fair value measurement.

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

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

37.3 Revenue recognition.

Revenue is recognized in accordance with IFRS 15 “Revenue from Contracts with Customers“.

Assessment of each contract is based on the five-step model:
> Identify the contract with a customer
> Identify the performance obligations
> Determine the transaction price
> Allocate the transaction price to the performance obligations
> Recognize revenue either over time or at a point in time

A customer is defined as a party that has contracted with an entity to obtain goods or services that are an output of the entity’s ordinary activities in exchange for a consideration. It is assessed if the contracts meet the criteria in accordance with IFRS 15.9, in particular the enforceable right to consideration. It is furthermore assessed if the consideration the entity is entitled to is enforceable and revenue is probable (see note 35.4. Credit risk).

The Group identified the following performance obligations:

Implementation projects include the construction of toll collection systems for both individual road sections and nation-wide road networks as well as the construction of systems for traffic monitoring, traffic control and traffic safety. Components such as on-board units which are necessary for putting the system into a condition ready for operation, are considered part of the implementation projects. Major software upgrades that are agreed in operation projects as well as implementation within the context of service concession arrangement also fall under this performance obligation.

Implementation projects meet the criteria for “satisfaction of the performance obligation over time“, as the Group creates assets that do not have an alternative use and the Group thus has an enforceable right to payment for the performance completed to date. The stage of completion is derived from the ratio of the costs already incurred and the estimated total costs of the corresponding order.

Operation projects mainly include the operation and maintenance of toll collection systems for both individual road sections and nation-wide road networks as well as the operation and maintenance of systems for traffic monitoring, traffic control and traffic safety. Operation within the context of service concession contracts also falls under this performance obligation.

Revenue from operation projects is recognized over time since the customer receives the benefits as the entity performs.

The sale of **components** that are not made under a implementation or operation project also constitutes a separate performance obligation. As for the sale of components, revenue is recognized as the control of the component is transferred.

The Group also assumes statutory warranties which do not represent a separate performance obligation but for which provisions are set up in accordance with IAS 37.

The transaction price is mostly fixed but some contracts may also contain elements of variable consideration which are usually bonuses or penalties. They are taken into account if and to the extent that the payment is highly probable or if penalties are highly improbable. The transaction price typically refers to the price of the individual performance obligation as the price is set on basis of the costs including a reasonable margin. Cross-subsidizations are not part of the business model of Kapsch TrafficCom. It is therefore for most contracts not necessary to allocate the transaction price to the performance obligations. For service concession arrangements, the transaction price is estimated for each performance obligation. In such cases, allocation is made based on the expected-cost-plus-margin approach. For contracts with a significant financing component, the consideration is adjusted by the interest component.

Contract assets are capitalized if the services are rendered before the consideration is received. Contract liabilities are recognized if the amount of consideration exceeds the amount of performance rendered. Service concession arrangements including the concession right to receive fees result in an intangible asset. That intangible asset increases with construction progress, thus revenue is recognized according to the stage of completion.
Certain costs arising in the course of initiating or performing a contract have to be recognized under IFRS 15 if the criteria are met. Those costs to obtain or fulfill a contract are amortized on a straight-line basis over the contract term of the project.

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

37.4 Segment information.

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

37.5 Property, plant and equipment.

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

Properties are not subject to scheduled depreciation. The useful lives generally range between 5 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery, and 3 to 10 years for other equipment, factory, and office equipment. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, in case of evidence leading to an adjustment. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

37.6 Intangible assets.

37.6.1 Goodwill.

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

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

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

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

37.6.2 Concessions and rights.

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

37.6.3 Research and development costs.

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

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

Other development expenditures that do not meet these criteria are recognized as an expense. The costs for producing the intangible asset are capitalized as from the point in time when the above criteria are initially met. Development costs previously recognized as an expense cannot be subsequently capitalized. Capitalized development costs are amortized, as soon as they are available for use, using the straight-line method on the basis of the normal useful life, which generally ranges between 3 and 15 years.

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

37.6.4 Service concession arrangements.

Service concession arrangements exist when a private entity develops and operates an infrastructure facility for public ser- vices, with the grantor being a public sector entity. The Group does not provide public infrastructure or overall public services considering most of the contracts. The isolated development or the operation of a toll collection system or systems for traffic monitoring, traffic control and traffic safety do not fall into the scope of this interpretation. In case service concession arrangements can be assumed, a distinction between those arrangements resulting in an intangible asset and those resulting in a financial asset has to be made. In case the operator receives an unconditional contractual right to receive an amount of cash or another financial asset from the grantor in return for the construction of a system, the operator recognizes a financial asset. In case the operator solely receives the right to charge for the use of a public sector service, the operator recognizes an intangible asset. The intangible asset is recognized during the construction phase as construction progresses, in line with the revenue recognition according to IFRS 15 relating to each stage of completion, and is amortized over the period of the operational phase after completion. Financial assets are settled through payment of the construction portion.

In accordance with this interpretation, Kapsch TrafficCom measured one construction project as intangible asset as well as the corresponding operation project as of March 31, 2020. This has been fully impaired in financial year 2019/20.

37.7 Impairment of non-financial assets.

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

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. At entity level an impairment is posted if there is any indication that an asset may be impaired. Hereon at the level for cash generating units the goodwill is tested. First, the goodwill is amortized by the amount of the impairment. If the impairment is higher than the carrying amount of the goodwill, the carrying amounts of the other assets of these cash-generating units (CGUs) are proportionately reduced.

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

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

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

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

37.8 Borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. A qualifying asset is an asset that requires a substantial period of time (with regard to the Group at least 12 months) to be made ready for its intended use or sale.

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

In financial year 2019/20, the criteria for a qualified asset were fulfilled for the service concession arrangement that is included as intangible asset. Otherwise no other assets meet the requirements of a qualifying asset. Due to immateriality no borrowing costs were capitalized.

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

37.9 Government grants.

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

Due to materiality considerations, government grants are not disclosed separately in the Financial Statements.

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

37.10 Leasing.

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 future leases 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. Extension and termination options are recognized if virtually certain.

The lessor continues to distinguish between finance or operating leases for accounting purposes. Kapsch TrafficCom has sub-leasing contracts with affiliated companies as well as the parent company and therefore discloses lease receivables instead of right-of-use assets from leases. The Group only acts as lessor to an insignificant extent, and thus does not expect any material impact on the Group’s financial statements from such leases.

The Group applies exemptions regarding short-term leases with a term of not more than twelve months and leases of low-value assets (around EUR 5 k). Those leases will not be recognized in the balance sheet, instead, payments made for such leases will continue to be recognized as expenses.

For the calculation of the present value of liabilities from leasing contracts the incremental borrowing rate according to the corresponding maturity is calculated and applied.

37.11 Financial instruments.

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

37.11.1 Financial assets.

In accordance with IFRS 9, financial assets are subdivided as follows:
- amortized cost,
- fair value through profit or loss or
- fair value through other comprehensive income.

The classification depends on the business model used by the entity to control financial assets and the characteristics of the contractual cash flows of the financial asset.

Financial assets are measured **at amortized cost** if they meet the following two conditions and are not designated as at fair value through profit or loss:
- they are held in a business model whose objective is to hold financial assets to collect the contractual cash flows and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest rate method. If not material, they are not discounted. Cash and cash equivalents, trade receivables and parts of other financial receivables and assets fall into this category.

Financial assets that are neither held to collect the contractual cash flows nor held to collect and sell the contractual cash flows are measured **at fair value through profit or loss**. Assets may be designated or also fall into this category if the contractual cash flows are not solely payments of principal and interest of the principal amount outstanding. The assets are measured at fair value, with gains or losses recognized in the income statement. The fair values are determined through transactions on an active market or, if there is no active market, by using valuation techniques. Debt instruments that do not include solely payments of principal and interest of the principal amount outstanding, and derivative financial instruments fall into this category. Such derivatives that are designated as cash flow hedges to hedge foreign currency risks continue to be accounted for as hedging instruments in accordance with IAS 39.

Financial assets that are measured **at fair value through other comprehensive income** (FVOCI) are such debt instruments that are held in the business model hold to collect the contractual cash flows and sell, and that are solely payments of principal and interest of the principal amount outstanding. Those financial assets that fulfill the requirement of the FVOCI-business model and that are not optional designated at fair value through profit or loss are measured at fair value through other comprehensive income. The assets are measured at fair value, with gains or losses recognized in other comprehensive income. The fair values are determined through transactions on an active market or, if there is no active market, by using valuation techniques. When financial assets are disposed, the difference between the proceeds from the disposal and the carrying amount is recognized as expense or income in the statement of comprehensive income. The amount stated in equity is additionally recognized through profit or loss in the statement of comprehensive income.

Generally, equity investments are mandatorily measured at fair value through profit or loss. In accordance with IFRS 9, an entity can make an irrevocable election at initial recognition to classify equity investments at fair value through other comprehensive income (without recycling). The assets are measured at fair value, with gains or losses recognized in other comprehensive income without recycling. The fair values are determined through transactions on an active market or, if there is no active market, by using valuation techniques.

All purchases and sales are recognized at the settlement day, acquisition costs includes transaction costs.

Financial instruments whose maturity does not exceed twelve months after the balance sheet date are stated as current assets, all others are stated as non-current assets.

37.11.2 Cash and cash equivalents.

Cash and cash equivalents include cash and cash equivalents, short-term bank deposits held at call and other bank balances, which are convertible to known amounts of cash and subject to insignificant risk of changes in value. Changes in cash and cash equivalents are presented in the cash flow statement. Overdrafts are reported in the balance sheet under current financial liabilities.

37.11.3 Financial liabilities.

In accordance with IFRS 9, financial liabilities are subdivided as follows:

- amortized cost and
- fair value through profit or loss.

Financial liabilities are non-derivative financial assets with fixed or determinable payments. They are initially recognized at fair value less transaction costs incurred and subsequently at amortized cost, taking into account the effective interest method. Financial liabilities with a remaining term of up to one year are reported as current liabilities; if the remaining term is longer, they are reported under non-current liabilities. Liabilities from current accounts are disclosed under current financial liabilities on the balance sheet. Borrowing costs are recognized as an expense in the statement of comprehensive income on an accrual basis. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date.

Financial liabilities include non-current and current financial liabilities, lease liabilities, trade payables, as well as portions of other liabilities.

There are no liabilities that were designated at fair value through profit or loss.

37.11.4 Derivative financial instruments.

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

Kapsch TrafficCom designates certain derivative financial instruments (swaps, forwards) as collateral against certain cash flow hedge risks associated with a recognized asset, liability or expected and highly probable forecast transaction. Derivatives are currently only used as hedges of cash flows from forecast transactions. The Group decided to continue applying the accounting principles for hedge accounting in accordance with IAS 39.

Kapsch Traffic Com has a group-wide treasury policy in place to generally regulate hedging transactions. Moreover, the Group documents at the inception of each hedging transaction the relationship between hedging instruments and hedged items, as well as the underlying strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

Gains or losses accumulated in equity are reclassified to profit or loss as income or expense in the period when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument (forecast transaction) expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss only when the originally hedged forecast transaction takes place. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss. As of March 31, 2020 no cash flow hedges nor fair value hedges are recognized in the financial statements.

In addition to that, the Group has stand-alone derivatives that are not held for hedging purposes. They are therefore designated as financial instruments held for trading and measured at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive fair values at the balance sheet date are recognized under financial assets and negative fair values under financial liabilities. Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other operating income or other operating expenses or the financial result, depending on the derivative's purpose. The fair value of derivative financial instruments is presented in note 17.

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

37.11.5 Impairment of financial assets.

In accordance with IFRS 9, recognition of expected credit losses applies to the following financial assets:

- Trade receivables
- Contract assets
- Lease receivables
- Cash and cash equivalents

The Group uses for trade receivables as well as for contract assets from contracts with customers without a significant financing component and for lease receivables the simplified impairment model and accordingly calculates impairment at the amount of the lifetime expected credit losses (expected credit loss model) based on a provision matrix in which financial assets are structured according to ageing and the respective default rates are determined for different maturity bands. The age structure breaks down as follows: not past due, 1–30 days, 31–60 days, 61–90 days, 91–180 days, 181–270 days, more than 270 days past due. For financial assets the Group expects a loss if contractual payments are past due 270 days or more.

In preparing the provision matrix, historical data on actually incurred defaults as well as forward-looking information and expectations are taken into account by overall estimating a potential loss by Kapsch TrafficCom. For forward-looking information and expectations changes in country specific CDS spreads are taken into account as the CDS-market represents all publicly available information and expectations in regard of market-related changes. These CDS spreads contain impacts due to the COVID-19-pandemic as of March 31, 2020. The financial assets are allocated to different regions and credit risk and/or the changes to credit risk for the corresponding region are taken into account. Contract assets from contracts with customers represent receivables not yet invoiced and do not significantly differ from trade receivables from comparable contracts as regards the risk criteria. Therefore, the same default rates as for receivables not past due are applied. The impairment of lease receivables is not material as of March 31, 2020. Financial assets are written off if no reasonable expectation of recovery exists. For example the debtor is insolvent or no agreement is possible and therefore the cash inflow cannot be anticipated anymore.

Any impairment on cash and cash equivalents would be insignificant and was thus not taken into consideration.

The Group assesses at each balance sheet date whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets. If such evidence exists, the Group accounts for that impairment, and the proportionate loss previously recognized in equity for debt instruments measured at fair value through other comprehensive income is removed from equity and recognized through profit or loss in the statement of comprehensive income. The cumulative loss reclassified from equity to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If in subsequent periods the fair value of the impaired financial instrument increases and that increase is directly related to an event occurring after the impairment was recognized through profit or loss in the statement of comprehensive income, the Group reverses the impairment loss.

37.12 Inventories.

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

37.13 Employee benefits.

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

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

Next to the defined contribution plans, there are defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually de- pendent on one or more factors such as age, years of service, and compensation.

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

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

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

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

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

37.14 Provisions.

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

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

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

37.15 Current and deferred income tax.

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

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

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

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

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

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

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

Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future (IAS 12.39).

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

37.16 Non-current assets held for sale and discontinued operations.

Non-current assets are classified as “held for sale“ if the benefit arising from the remaining carrying amount is to be realized predominately through the sale and not through the further use of the asset. The assets are remeasured in accordance with IFRS 5 immediately prior to their classification as “held for sale”. The assets are subsequently measured at the lower of carrying amount and fair value less costs to sell. Any impairment is initially allocated to goodwill and subsequently to the other assets and liabilities on a pro rata basis, and recognized in the statement of comprehensive income.

As of March 31, 2020 there are no non-current assets held for sale and discontinued operations.

37.17 Contingent liabilities.

With regard to contingent liabilities, the Group classifies the possibility of an outflow of resources embodying economic benefits as remote, and a liability does not have to be recognized yet pursuant to IFRS.

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

37.18 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in financial year 2019/20.

	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 statements
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. Further information is presented in note 37.10 Leasing.

Kapsch TrafficCom adopted the new standard as of the mandatory date of initial application (April 1, 2019) and elects to apply the modified retrospective approach as a transitional method, not providing comparative figures for the previous period. 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 is applied. Those leases are not recognized in the balance sheet, instead, payments made for such leases will continue to be recognized as expenses. The right-of-use assets from leases have been reported in the same amount as lease liabilities at the time of application. Kapsch TrafficCom only acts as lessor to an insignificant extent, and thus does not expect any material impact on the Group's financial statements from such leases.

The Group established a project team, which reviewed and assessed all of the Group's leases with respect to IFRS 16 in the past financial year. The standard primarily affects the accounting treatment of contracts previously classified as operating leases. The Group implemented a software solution for recording the lease contracts and captured the individual lease contracts 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. The average incremental borrowing rate for the valuation of lease liabilities is 1.92% as of April 1, 2019.

As of April 1, 2019, the initial application of IFRS 16 had the following effects:

Adjustments due to IFRS 16	March 31, 2019 Carrying amount	Adjustments due to new IFRS	April 1, 2019 Carrying amount adjusted
Property, plant and equipment	**21,956**	**50,888**	**72,844**
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	3,439	10,417
Prepayments	0	0	0
Non-current and current lease receivables	**-**	**2,111**	**2,111**
Non-current lease receivables	0	1,666	1,666
Current lease receivables	0	444	444
Non-current and current lease liabilities	**-**	**52,999**	**52,999**
Non-current lease liabilities	0	40,617	40,617
Current lease liabilities	0	12,382	12,382

The initial application of IFRS 16 effected the statement of comprehensive income in depreciation on right-of-use assets (see note 8), other operating expenses (see note 10), finance costs (see note 11) and insignificantly in other operating income (see note 4). The following effects arose on key figures in the financial statements:

	March 31, 2019	April 1, 2019		March 31, 2020	
	Reported amount	IFRS 16 effect	Reconciled amount	Reported amount	IFRS 16 effect
Total assets [1]	676,566	52,999	729,565	727,182	63,614
Total equity [1]	257,542	-1	257,542	182,482	-676
Equity ratio	38.1%	-2,8%p	35.3%	25.1%	-2,5%p
Net cash (+)/debt (-)	-73,478	-52,999	-126,477	-175,650	-63,646
Gearing	28.5%	20,6%p	49.1%	96.3%	35,1%p
	2018/19			2019/20	
	Reported amount			Reported amount	IFRS 16 effect
EBIT	57,028			-39,168	785
EBITDA	71,540			13,634	14,637
Financial result	-1,714			-23,111	-1,461
Result for the period	46,567			-55,718	-676

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

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:

	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	-7,264
Recognition exemptions for short-term leases and low-value leases	-4,979
Adjustments as a result of different treatment of extension and termination options and other changes	4,391
Lease liabilities before discounting	**56,818**
Effect from discounting at incremental borrowing rate at the date of initial application	-3,819
Lease liabilities recognized as of April 1, 2019	**52,999**

The remaining of the new and amended standards and interpretations which have to be applied as of January 1, 2019 do not cause a material change in the financial statements of Kapsch TrafficCom.

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

	New/amended IFRS	Published by the IASB and adopted by the EU	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statements
IFRS 9, IAS 39, IFRS 7	Interest Rate Benchmark Reform	September 2019	January 1, 2020	None
IAS 1, IAS 8	Definition of Material	October 2018	January 1, 2020	None
Frame-work	References to the Conceptual Framework in IFRS Standards	March 2018	January 1, 2020	None
IFRS 3	Definition of a Business	October 2018	January 1, 2020	None

	New/amended IFRS	Published by the IASB but not yet adopted by the EU	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statements
IFRS 17	Insurance Contracts	May 2017	January 1, 2023	None
IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	January 2020	January 1, 2023	not yet determined
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	May 2020	January 1, 2022	not yet determined
IAS 16	Amendments to IAS 16: Proceeds before Intended Use	May 2020	January 1, 2022	None
IFRS 16	Amendments to IFRS 16 related to COVID-19	May 2020	June 1, 2020	not yet determined

The Group does not apply these new or amended standards and interpretations. These standards and interpretations are either not relevant for Kapsch TrafficCom or do not have a material impact on the result, the assets or liabilities as well as the cash flows of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform" comment on the potential effects based on the change of the existing interest rate benchmark with an alternative interest rate in reference to the IBOR reform.

Amendments to IAS 1 and IAS 8: "Definition of Material" align the definition of "material". The new definition is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

Amendments to IFRS 3: „Definition of a Business" adjust the definition for the acquisition of a business or a group of assets.

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

38 Earnings per share.

Earnings per share (undiluted earnings) are calculated by dividing the result for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by Kapsch TrafficCom and held as treasury shares. As of March 31, 2020, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2018/19	2019/20
Result for the period attributable to equity holders of the company (in EUR)	47,820,497	-48,136,697
Weighted average number of ordinary shares	13,000,000	13,000,000
Earnings per share (in EUR)	**3.68**	**-3.70**

39 Events after the reporting period.

No subsequent events to be reported, have occurred after March 31, 2020.

40 Supplementary disclosures.

The average number of staff in financial year 2019/20 was 4,337 salaried employees and 748 waged earners (2018/19: 4,399 salaried employees and 760 waged earners).

Expenses for the auditor.

The expenses for the auditor amount to EUR 296 k (2018/19: EUR 239 k) and are broken down as follows:

	2018/19	2019/20
Audit of the consolidated financial statements	83	91
Other assurance services	83	96
Tax advisory services	0	0
Other services	74	109
Total	**239**	**296**

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

In financial year 2019/20, the following persons served on the Executive Board:

- Georg Kapsch (Chief Executive Officer)
- André Laux
- Alfredo Escribá Gallego (since May 1, 2019)
- Alexander Lewald (until April 30, 2019)

The compensation paid to members of the Executive Board in financial year 2019/20 is shown below:

	2018/19	2019/20		
	Total	**Total**	**Fixed**	**Variable**
Georg Kapsch	1,021	1,107	766	342
André Laux	571	637	519	117
Alfredo Escribá Gallego (since 01.05.2019)	n.a.	392	392	n.a.
Alexander Lewald (until 30.04.2019)	513	386	229	157
Total	**2,104**	**2,522**	**1,906**	**616**
Expenses for termination benefits	1,060	167		
Expenses for pension benefits	85	48		
Expenses for termination and pension benefits	**1,145**	**214**		

Individual pension agreements were granted to André Laux and Alexander Lewald (until resignation). Therefore, in financial year 2019/20 Kapsch TrafficCom AG paid to an external pension fund. Details can be found in the table above.

In financial year 2019/20, the following persons served on the Supervisory Board:

- Franz Semmernegg (Chairman)
- Kari Kapsch (Deputy-Chairman)
- Sabine Kauper
- Harald Sommerer

Delegated by the works council:

- Christian Windisch
- Claudia Rudolf-Misch

Remunerations paid to Supervisory Board members (including travel costs) and recognized as an expense amounted to EUR 122 k (2018/19: EUR 121 k) in total.

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

Proposed appropriation of retained earnings.

The Group intends, if legally permissible in the context of COVID-19, to distribute EUR 3,250 k from the unappropriated retained earnings of Kapsch TrafficCom AG (2018/19: EUR 19,500 k), corresponding to a dividend per share of EUR 0.25 for financial year 2019/20 and to carry forward the remaining balance to new account.

Authorized for issue:
Vienna, June 15, 2020

Georg Kapsch Chief Executive Officer	André Laux Executive Board member	Alfredo Escribá Gallego Executive Board member

Consolidated Management Report.

1 Economic environment.

1.1 General economic situation.

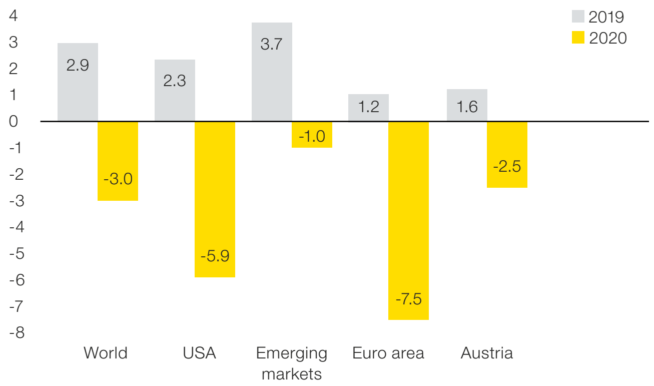
Global economy.

In 2019, global economic activity lost momentum. The growth rate of aggregate output slowed to 2.9% (previous year: 3.7%). This was due to a rise in economic, political and social tensions in many parts of the world. World trade, in particular, was adversely affected by international challenges like the ongoing trade war between the United States and China. The volume of goods and services exchanged worldwide de facto stagnated in 2019 (previous year: 3.9%). As for 2020, economists had to revise their predictions of a moderate recovery. The outbreak of the COVID-19 pandemic threatens to cause the worst downturn since the 2008/09 crash. Hence, global economic growth is expected to turn negative in 2020.

Global economic growth at 2.9%.

GDP growth 2019 and 2020.

(in %)



USA.

Economic growth in the United States stood at a solid 2.3% in 2019, despite persistent protectionist tendencies. The main driver for this above-average expansion rate in comparison with other advanced nations was buoyant domestic demand. This was in turn fueled by strong labor market conditions and stimulating tax incentives for US companies. In early 2020, the agreement on phase one of a new deal with China sparked hope that their protracted trade war could wind down after almost two years. Prospects for a durable resolution remain elusive, though, with US sanctions continuing to threaten global technology supply chains. Moreover, the administration's focus has shifted towards support measures for the economy and the financial market amidst a looming COVID-19 recession.

US economy grew by 2.3%.

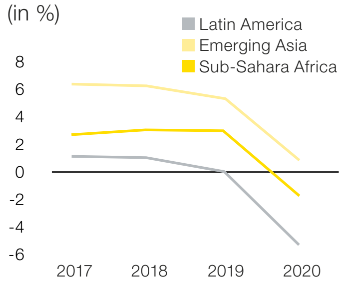
Emerging markets and developing economies.

Economic activity in the emerging and developing economies expanded by 3.7% in 2019, thus slightly less dynamically than in previous years. Overall, Asia continued to be the strongest driver of growth. While the *ASEAN-5* economies (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) showed virtually no signs of a slowdown, *India's* GDP increase fell short of expectations due to weaker-than-predicted domestic demand (+4.2%). *China*, in contrast, once again surpassed the threshold of 6% growth in 2019. As for 2020, however, Asia's largest economy is likely to witness a loss of momentum. This is due to severe disruptions of business activity following the spread of the new virus SARS-CoV-2.

Emerging and developing economies grew by 3.7%.

Economic development in the *Commonwealth of Independent States (CIS)* was clouded by Russia's sluggish growth in the year under review. The largest regional economy expanded by a mere 1.3% in 2019, owing to high volatility on the international oil market as a result of geopolitical tensions and unrest. In March 2020, this instability was further exacerbated when Russia failed to agree with the OPEC members on extending production cuts. The ensuing price slump and over-supply stands to hit the oil-exporting countries of the *MENAP region* (Middle East and North Africa, Afghanistan, Pakistan) particularly hard. Having slipped below a growth level of 1% in 2019, the outlook for the year 2020 in this crisis-ridden region is equally sobering.

GDP growth 2017–20.
(in %)



The overall economic performance of *Latin America* was marked by stagnation in 2019. This can be attributed not only to muted growth in the regional powerhouses Brazil and Mexico, but also to the ongoing recession in Argentina and the eruption of political turmoil across the continent. Looking to 2020, Latin America's return to a growth path is not to be expected. The outlook for *Sub-Saharan Africa* is slightly more favorable. This region defied the global downward trend in 2019 and expanded by 3.1%. Growing debt levels, however, pose particular risks to this region.

Europe.

The 2019 economic figures for Europe showed mixed results. Overall growth in the *European Union* slowed to 1.5%. This was primarily due to the developments in the large member states. Germany's export-oriented industry, in particular, came under pressure from the challenging global environment. Moreover, France was confronted with a large wave of protests while Italy continued to face structural problems. All this was aggravated by Britain's exit from the EU, which eventually took place at the end of January 2020 after multiple delays. On the positive side, economic recovery in the once-struggling peripheral countries (Greece, Spain and Portugal) continued and the EU unemployment rate steadily declined. As of early 2020, it reached 6.2%, the lowest level in over a decade. In March 2020, actions to fight the COVID-19 pandemic caused a sharp increase in unemployment.

Economic growth in the EU: 1.5%.

Economic activity in the *Eurozone* went up by 1.2% in 2019, propelled by solid private consumption and by the service industries. The inflation rate receded to 1.2% and thus further below the European Central Bank's medium-term target of 2%. Against this background, the period of low interest rates is unlikely to end in the foreseeable future. The launch of a new stimulus package by the ECB in March 2020 ("Pandemic Emergency Purchase Programme") is also indicative of a prolonged phase of loose monetary policy. In light of the COVID-19 crisis a contraction of the GDP in the Eurozone has to be expected in 2020.

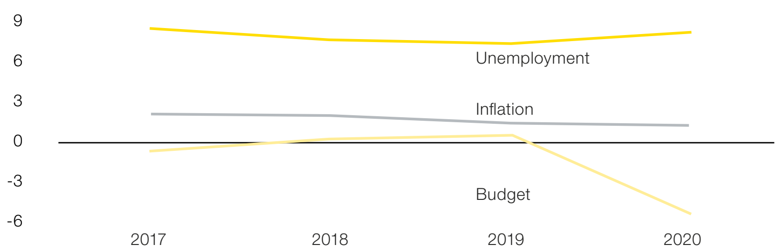
Central and Eastern Europe (CEE) continued its catching-up process with comparatively robust growth figures in 2019. The regional markets benefitted primarily from substantial public investment and strong household demand, fueled by wage increases. On a national level, the Hungarian (+4.9%), the Romanian (+4.1%) and the Polish (+4.0%) economy performed particularly well in the year under review. The Czech Republic and Slovakia, by contrast, registered growth rates below 3%, which can be explained by their close ties to Germany's struggling industrial production.

Austria.

The Austrian economy slowed down only modestly in 2019. More specifically, the national GDP increase amounted to 1.6%, which was once again above the corresponding Eurozone value. While the manufacturing sector and export business showed signs of weakness in the first half of the year, solid consumption and investment spending had a stabilizing effect. Domestic demand was boosted by a decline of the inflation rate to 1.5% and by the ongoing recovery on the labor market in the year under review. For 2020, economists expect that the state of emergency will lead to a GDP contraction.

GDP growth of 1.6% once again above the EU average.

Inflation, unemployment and budget in Austria 2017–20.
(in %)



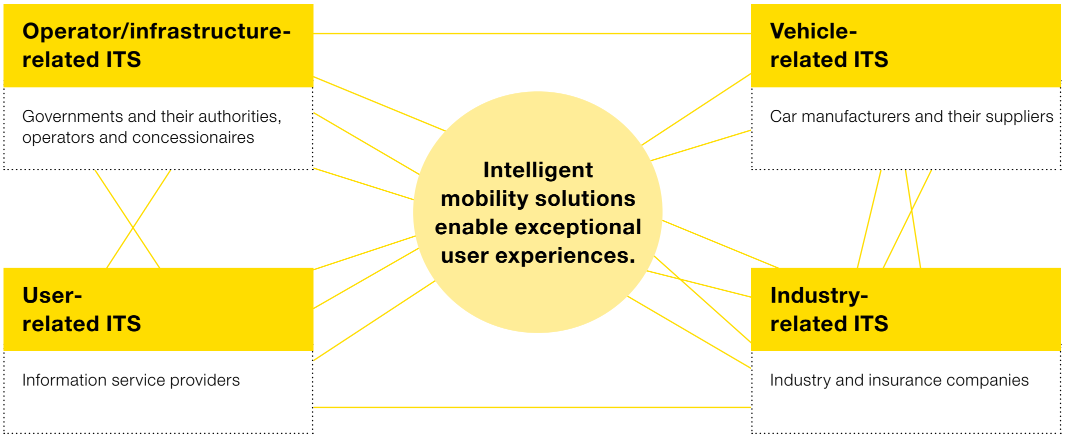
1.2 Market for intelligent transportation systems.

Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). Intelligent transportation systems support and optimize transportation (including infrastructure, vehicles, users and industry). They use information and communication technologies for this.

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

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

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



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

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

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

Intelligent, integrated mobility solutions will be the future.

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

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. Roads are part of a country's basic infrastructure. However, both construction and maintenance are extremely costly. According to a study by McKinsey Global Institute, around USD 900 billion must be invested annually in road infrastructure worldwide to keep pace with expected economic growth. In addition to financing sources for the required investments, decision-makers are also looking for ways to use existing infrastructure more efficiently. It is often not possible to build additional roads, especially in urban areas.

Global economic growth is leading to an increase in the transportation of goods. In addition, the increasing mobility of people and progressive urbanization pose challenges to transportation networks. At the same time, the impact of road traffic on the environment and people is becoming more relevant.

In view of tight government budgets, alternative financing models involving private investors will continue to gain in importance in the coming years. In order to ensure the economical operation of freeways, toll systems and traffic control systems will accordingly also play a more important role in the future.

Maintenance and expansion of road networks require new financing models.

Mobility. It is widely recognized that mobility is a basic human need and an important prerequisite for the functioning of a market economy. As prosperity increases, so does the volume of traffic. This in turn increases the demands placed on transportation systems.

The megatrends of urbanization and mobility influence and change also the ITS market.

Urbanization. The proportion of people living in cities is increasing. Whereas in year 1800 only 2% of the world's population was urban, in 2007 for the first time more than half of the world's population lived in cities. Based on a current figure of around 55%, the United Nations forecasts that the urban population will account for around 60% of the population in 2030 and 68% in 2050. At the same time, world population will rise from 7.6 billion people in 2018 to 8.5 billion in 2030 and 9.8 billion in 2050. By 2030 there is expected to be 43 mega-cities worldwide with more than ten million inhabitants; there are currently 31.

The OECD's International Transport Forum forecasts an increase in motorized mobility in cities of 41% between 2015 and 2030, and as much as 94% by 2050. The share of private motor vehicles will continue to rise sharply in developing regions and will decline only slightly in the industrialized countries. Urban congestion rates increased globally by 23% between 2008 and 2016 according to the TomTom Traffic Index. At the same time, the consulting firm Arthur D. Little has stated that many developed cities have neither a clear vision of what their mobility systems should look like in the future, nor the strategies to get there.

Environmental protection. Air pollution has significant effects on human health, impacts vegetation and ecosystems, contributes to climate change and damages materials and buildings. Road traffic plays an important role here. According to the European Environment Agency, road traffic is the largest emitter of nitrogen oxide in the EU with a share of 39%. The proportion is 20% for carbon monoxide, 28% black carbon, and 11% for particulate matter. Road traffic is responsible for one fifth of all greenhouse gases in the EU. Furthermore, noise pollution – with road traffic being the most widespread source – is an important environmental health problem in Europe.

Road traffic pollutes the environment with exhaust emissions, particulate matter and noise.

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.

Transportation industry undergoing radical change.

2 Economic Situation of Kapsch TrafficCom.

2.1 Business performance 2019/20.

Despite the loss of two major projects (nation-wide toll system in the Czech Republic and infrastructure charge [passenger vehicle toll] in Germany), revenues reached EUR 731.2 million (-0.9%) which is almost previous year's value.

Significant events and developments in financial year 2019/20:

> On June 18, 2019 the European Court of Justice (ECJ) published a surprising decision with far-reaching consequences: The passenger vehicle toll in its planned form, where in Germany accredited vehicles receive a tax relief simultaneously, violates the principles of the European Union. On the following day, the customer terminated the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019. Claims against the Federal Republic of Germany have been asserted.

> In Zambia, it was not possible to develop the business as originally planned. The company finally had to admit that it will be impossible to overcome regulatory hurdles in the foreseeable future. As a result, the anticipated business prospects in this country are also disappointing. It is for this reason that Kapsch TrafficCom has made impairments regarding the involvement in Zambia.

> Over the course of the financial year, Kapsch TrafficCom's struggles with the consequences of insufficient personnel levels in the US intensified. For quite some time now, the company has been unable to recruit enough adequately qualified personnel at reasonable conditions. Thanks to a changed recruiting strategy, the company was finally able to increase the workforce in the US significantly. However, this did not come close to filling all of the open positions, since the need for new employees continued to rise due to the good intake of orders and the positive business outlook.

> In November, Kapsch TrafficCom was informed to be best bidder for a major tolling project in South Africa. In March 2020, Kapsch TrafficCom was notified that the tendering had been discontinued. The existing tolling contract scheduled to end on December 2, 2019 has already been extended for an additional year.

> At the end of November 2019, the contract to operate the nation-wide toll system in the Czech Republic expired. This was a project with annual revenues of more than EUR 70 million.

> A competitor in the US was accusing Kapsch TrafficCom of infringing upon its patents. These accusations have now been dismissed by the court of last instance.

> In December, Kapsch TrafficCom was awarded a major project in the USA. The company will provide a consortium with tolling technology and operate and maintain the toll system. Implementation activities are scheduled to commence in 2023. The project volume for Kapsch TrafficCom is estimated to be more than USD 100 million over the 30 year term.

> The management of Kapsch TrafficCom is unaware of any company that has been able to demonstrate a sustainable and profitable business model in the area of smart on-street parking solutions. This is also true of the California Group company Streetline. That is why the activities of this company have been all but ended.

> Considerable additional expenses for the demanding implementation of new software in existing customer systems led to significant cost over-runs, particularly evident in the fourth quarter.

> The end of the financial year was dominated by global measures to curb the COVID-19 pandemic. Fortunately, the effects on Kapsch TrafficCom's results have been minimal.

> Significant one-time effects and operative challenges that resulted in huge costs led to a negative EBIT of EUR -39.2 million. The losses from foreign currency and the write-down of a financial asset weighed on the financial result in the extent of EUR -14.6 million. Due to the weak result for the period and as far as legally permissible in the context of COVID-19, the Executive Board intends to propose a reduced dividend of presumably EUR 0.25 per share to the Annual General Meeting.

2.2 Revenues and earnings.

Revenues. In financial year 2019/20, Kapsch TrafficCom achieved revenues of EUR 731.2 million, which was EUR -6.6 million (-0.9%) lower than the previous year's figure. Group revenues are broken down geographically as follows:

- EMEA region (Europe, Middle East, Africa): 55.2% (previous year: 58.4%)
- Americas region (North America, Central America, South America): 40.2% (previous year: 34.3%)
- APAC region (Asia-Pacific): 4.6% (previous year: 7.2%)

EBIT. The earnings before interest and taxes (EBIT) were negative at EUR 39.2 million, in particular due to high one-time effects (previous year: EUR +57.0 million). The EBIT margin was thus -5.4% (previous year: +7.7%). The earnings before interest, taxes, depreciation, and amortization (EBITDA) were positive at EUR 13.6 million (previous year: EUR 71.5 million) and the EBITDA margin was 1.9% (previous year: 9.7%). One-time effects related mainly to:

- Impairments and allowances in connection with the updated estimates on the IMS segment (EUR -26.6 million, see details in IMS segment) and
- Impairments, high legal and consulting fees as well as compensation for non-acceptance of financing due to early termination of the projects for the German passenger vehicle toll (roughly EUR -8.7 million).

Cost of materials and other purchased manufacturing services increased by EUR 11.5 million to EUR 334.9 million (previous year: EUR 323.5 million). The ratio of materials and other production services to revenues rose from 43.8% to 45.8%.

Personnel expenses rose by 6.5% to EUR 269.2 million (previous year: EUR 252.7 million), even though the average number of employees fell (by 74 persons). In comparison to the number of employees on the balance sheet date, however, there is an increase of 123 persons. Staff levels decreased in particular in South Africa (-208 persons) and the Czech Republic (-65 persons), where the operation of the nation-wide toll system ended. The Company hired additional employees in Poland due to the new contract for manual tolling (+235 persons) and in the United States (+145 persons, excluding Streetline) due to strong incoming orders. The staff ratio (ratio of personnel expenses to revenues) increased from 34.3% in the previous year to 36.8%.

Expenses for scheduled depreciation rose to EUR 27.9 million (previous year: EUR 14.5 million). A total of EUR 13.8 million of this is due to the initial application of IFRS 16.

Impairment charges of EUR 24.9 million were recognized in the financial year. They relate to the impairment of costs to obtain a contract in the amount of EUR 4.1 million due to the early termination of the German passenger vehicle toll projects and impairment in connection with the updated estimates on the IMS segment – particularly on the ongoing course of business in Zambia (EUR 13.8 million) – and the impairment of goodwill in the amount of EUR 6.9 million.

Other operating expenses fell year-on-year by 6.0% to EUR 118.7 million. The application of IFRS 16 mainly led to a decline in rents of EUR 13.3 million and in automobile expenses of EUR 1.7 million. These are now included in the depreciation of right-of-use assets (EUR 13.8 million) and in the financial result (EUR 1.1 million). Legal and consulting costs fell by EUR 5.5 million, primarily in Australia, Austria, and the USA. By contrast, allowances on trade receivables and contract assets rose by EUR 9.1 million, primarily referring to allowances for Zambia and the United States. Exchange rate losses from operating activities rose by EUR 5.2 million.

The proportional result from joint ventures within EBIT mainly includes the proportional result of the joint venture in autoTicket GmbH, Germany, in an amount of EUR -4.6 million (previous year: EUR 0.7 million) and the proportional result of a joint venture in Colombia of EUR -0.06 million.

Financial result. The financial result fell substantially from EUR -1.7 million in the previous year to EUR -23.1 million. The losses from foreign currency rose to EUR -9.0 million (previous year: EUR -5.2 million), primarily in connection with the South African rand (ZAR) and the Zambian kwacha (ZMW). Interest expenses for lease liabilities (IFRS 16) totaled EUR -1.1 million in financial year 2019/20. The shares in Q-Free ASA, Norway, had to be written down by EUR -5.7 million (due to the decline of the stock price). Furthermore, losses on account of hyperinflation adjustments in Argentina in the amount of EUR -2.3 million were also recognized, as were losses from derivative financial instruments in the amount of EUR -1.4 million. In the previous year, the income of EUR 5.1 million from the sale of the equity investment in ParkJockey Global Inc., USA, was included.

Proportional result from associated companies and joint ventures from financial investments. Traffic Technology Services Inc., USA, contributed EUR -1.2 million (previous year: EUR -0.3 million).

Income taxes. These amounted to EUR 7.7 million (previous year: EUR -8.5 million). This amount consists of current taxes as well as deferred tax claims (from permanent tax differences and tax loss carry-forwards) and tax allocations. Solely the parent company, Kapsch TrafficCom AG, reported a positive tax allocation for the Austrian (tax) Group parent KAPSCH-Group Beteiligungs GmbH in the amount of EUR 5.6 million. For impairment charges incurred due to the changes in business expectations (above all in connection with the activities in Zambia), in particular, deferred tax assets were only recognized to a minor extent.

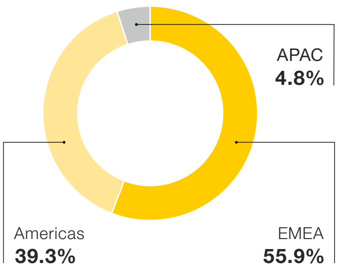
Result for the period. The result for the period was significantly negative at EUR -55.7 million (previous year: EUR 46.6 million). Earnings of EUR -48.1 million were attributable to the shareholders of the company. This corresponds to earnings per share of EUR -3.70 (previous year: EUR 3.68).

Other comprehensive income. This item mainly includes currency translation differences and revaluations of post-employment benefit obligations. Other comprehensive income amounted to EUR 0.2 million (previous year adjusted: EUR -1.4 million).

Total earnings. Total earnings as a sum of the result for the period and other comprehensive income were EUR -55.5 million (previous year adjusted: EUR 45.2 million).

Revenues and operating result (EBIT) by segment.

ETC revenue per region.



Electronic Toll Collection (ETC).
Revenues. In financial year 2019/20, revenues rose by 0.9% to EUR 563.5 million and contributed 77.1% (previous year: 75.7%) to total revenues.

The largest contribution to revenues at EUR 315.0 million (previous year: EUR 334.3 million) was once again generated in the EMEA region. Here, Kapsch TrafficCom has been working on nation-wide toll projects in the Czech Republic, Poland, Belarus, and Bulgaria, as well as on large projects in South Africa.

However, the volume of operations projects fell by 12.8%, mainly due to lower revenues in Poland and the Czech Republic. In Poland, a contract to operate the nation-wide toll system expired in November 2019. However, it was possible to reach an agreement with the Polish authorities: Kapsch TrafficCom will be supporting the operation of the toll system for another 27 months after the expiration of the (old) contract. The scope of service was substantially reduced, which is why the project revenues fell greatly year on year. In the Czech Republic, the contract to operate the nation-wide toll system expired at the end of November 2019. The loss of this major project with annual revenues in excess of EUR 70 million had a noticeable impact in the fourth quarter. The volume of implementation projects fell by 5.7%. Year-on-year sales revenues primarily fell in Belarus, Bulgaria, Austria, and Poland. In Austria, the Company finished an implementation project in the first half of the year. There have been no significant investments in expansion related to the restructuring of the activities in Poland. Component revenues in the EMEA region rose strongly (+36.1%).

Revenues in the Americas region increased substantially to EUR 221.4 million in the past financial year (+26.9%). The drivers were implementation revenues primarily in the USA, which increased by 61.6%. By contrast, component revenues fell by 3.8%. 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. Revenues from operations projects also fell by 3.5%.

In the APAC region, there was a decline in revenues from EUR 49.7 million to EUR 27.0 million relative to the comparable period of the previous year. This is primarily due to the decline in implementation revenues. A portion of the implementation projects, above all in Australia, have already reached an advanced stage or the final phase, and it was not possible to acquire new projects to a sufficient extent. While operations revenues remained at the level of the previous year, component revenues, particularly in Australia, fell (-41.8%). The reasons were expiring contracts and lower order quantities due to temporary fluctuations.

In financial year 2019/20, 13.2 million on-board units were sold. This was somewhat below the record level of 13.5 million units in financial year 2018/19. Increases were reported primarily in Spain. In the United States and in Australia, sales figures fell. Nonetheless, component revenues rose by 5.6%.

Segment ETC by business type.

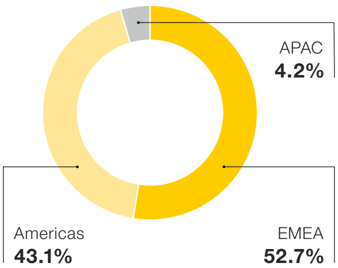
in EUR million	2018/19	2019/20	+/-
Revenues	**558.4**	**563.5**	**0.9%**
Implementation	190.5	219.3	15.1%
Operations	264.4	234.9	-11.1%
Components	103.5	109.3	5.6%
EBIT	**64.9**	**1.5**	**-97.7%**

EBIT. The operating result fell to EUR 1.5 million (previous year: EUR 64.9 million). This sharp decline is largely due to the higher cost of materials and other production services as well as due to higher staff costs. This related, in particular, to the Americas region where the volume of implementation projects increased sharply. Scheduled depreciation increased by EUR 14.4 million to EUR 21.7 million. The main reason for this was the initial application of IFRS 16, which led to a change from other operating expenses to depreciation (EUR 11.3 million) and interest (EUR 0.9 million). The impairment of assets in connection with the passenger vehicle toll projects in Germany hurt EBIT by EUR 3.7 million.

Other operating expenses fell to EUR 80.9 million (EUR -9.3 million). This could be attributed to a decline in rental expenses by EUR 11.0 million, mainly due to the application of IFRS 16. In addition, legal and consulting costs fell by EUR 4.0 million, while marketing and advertising costs dropped by EUR 2.3 million. By contrast, allowances on trade receivables and contract assets rose by EUR 1.4 million. The operating currency result (net) was EUR +0.7 million and was EUR 2.7 million lower than in the previous year.

Intelligent Mobility Solutions (IMS).

IMS revenue per region.



Revenues. In financial year 2019/20, revenues fell by 6.5% to EUR 167.7 million and contributed 22.9% (previous year: 24.3%) to total revenues. This was mainly due to lower revenues from operations projects and components.

Revenues of EUR 88.5 million were generated in the EMEA region (previous year: EUR 96.8 million). While implementation revenues remained at the same level, operations revenues dropped by 8.8%. Component revenues fell by EUR 2.5 million, in particular due to lower component sales to subsidiaries (especially to Kapsch CarrierCom).

Revenues also declined by 8.6% to EUR 72.2 million in the Americas region. Higher operations revenues (+9.0%) could not compensate for the declines in implementation projects (-19.1%). The latter was primarily due to the completion of the implementation project in Lima, Peru.

In the APAC region, revenues climbed from EUR 3.6 million to EUR 7.0 million, with both implementation and operations projects positively affected.

Segment IMS by business type.

in EUR million	2018/19	2019/20	+/-
Revenues	**179.4**	**167.7**	**-6.5%**
Implementation	80.8	73.6	-8.9%
Operations	86.4	84.4	-2.3%
Components	12.2	9.7	-20.6%
EBIT	**-7.9**	**-40.7**	**-413.5%**

EBIT. Although the majority of the IMS projects were profitable, EBIT in the IMS segment totaled EUR -40.7 million in financial year 2019/20 (previous year: -7.9 million). Mainly one-time effects were responsible for these negative earnings. Impairment charges and allowances on trade receivables and contract assets in connection with updated estimates for the IMS segment, in particular with regard to the future course of business in Zambia and the cash-generating unit IMS-EMEA amounted to EUR -26.6 million. The costs for the termination of the activities of Streetline, USA (intelligent on-street parking solutions) had an impact of EUR 2.6 million. Besides the one-time effects, it was primarily higher personnel costs, particularly in North America, that hurt earnings. Other taxes and charges were EUR 2.0 million lower than in the previous year, since there were other tax adjustments in the amount of EUR -2.0 million (net) in Brazil.

Revenues per region.

in EUR million	2018/19	2019/20	+/-
EMEA	**431.1**	**403.5**	**-6.4%**
Implementation	108.0	102.8	-4.8%
Operations	278.2	245.0	-11.9%
Components	44.9	55.7	24.0%
Americas	**253.4**	**293.6**	**15.9%**
Implementation	129.5	170.8	31.9%
Operations	65.8	67.0	1.7%
Components	58.1	55.9	-3.7%
APAC	**53.3**	**34.1**	**-36.0%**
Implementation	33.8	19.3	-43.0%
Operations	6.7	7.3	9.3%
Components	12.7	7.4	-41.6%
Total	**737.8**	**731.2**	**-0.9%**

2.3 Financial situation.

The balance sheet total of Kapsch TrafficCom amounted to EUR 727.2 million on March 31, 2020 (March 31, 2019 adjusted: EUR 676.6 million). The value as of 31 March 2019 was changed due to the final purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia.

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 from leases are capitalized as property, plant, and equipment and depreciated on a scheduled basis. Lease liabilities must be recognized for the leasing agreements. In the case of subleasing agreements, there is no capitalization of property, plant, and equipment, but rather receivables in the event of classification as finance leasing.

The carrying amount of property, plant, and equipment as of March 31, 2020 was EUR 60.3 million above the balance sheet value as of March 31, 2019. EUR 62.3 million of the increase is due to the initial application of IFRS 16 and the recognition of right-of-use assets from leases. Intangible assets fell by EUR 24.7 million as of March 31, 2020 compared to the adjusted amount of the previous year. The primary reasons for this decline were impairment charges in Zambia (EUR -13.8 million) and the impairment of goodwill for the cash-generating unit IMS-EMEA (EUR -6.9 million).

Investments in associates and joint ventures increased by EUR 12.6 million, primarily due to the financing for autoTicket GmbH, Germany (EUR +17.9 million) less negative proportional result (EUR -4.6 million). The decline in other non-current financial assets and investments (EUR -5.0 million) mainly resulted from the write-down of the equity investment in Q-Free ASA, Norway (EUR -5.7 million). The other non-current assets of EUR 4.5 million reported on the adjusted balance sheet as of March 31, 2019 mainly relate to costs to obtain a contract. In connection with the termination of the contracts for the German passenger vehicle toll, it was necessary to report an impairment of EUR 4.1 million in financial year 2019/20. As a result of the final purchase price allocation of Intelligent Mobility Solutions Ltd., Zambia, in August 2019, the non-current assets were fully not recognized (EUR -2.9 million) and the carrying amount as of 31 March 2019 was adjusted.

Deferred tax assets rose from EUR 18.5 million to EUR 26.3 million, mainly due to deferred tax assets in the United States.

Inventories fell from EUR 64.1 million to EUR 55.7 million, especially in Austria (EUR -4.4 million), Bulgaria (EUR -5.4 million), and Canada (EUR -2.6 million), while they rose in the United States (EUR +5.2 million).

The item “Trade receivables and other current assets” fell relative to March 31, 2019. The decrease by a total of EUR 32.4 million largely resulted from a payment in connection with the installation of the nation-wide vehicle and truck toll system in Bulgaria and lower trade receivables in the Czech Republic. By contrast, non-current and current contract assets rose by EUR 12.6 million, which was largely due to projects in the United States.

“Cash and cash equivalents” rose by EUR 27.9 million compared to March 31, 2019. The dividend payment of EUR 19.5 million was compensated by the slightly positive free cash flow in financial year 2019/20 and new long-term loans.

Liabilities and equity.
Appropriate lease liabilities were reported due to the initial application of IFRS 16. As of March 31, 2020, non-current lease liabilities amounted to EUR 50.1 million, while current lease liabilities amounted to EUR 13.6 million. On April 1, 2019, the date of initial application, these liabilities amounted to EUR 40.5 million and EUR 12.4 million, respectively.

The non-current financial liabilities rose by EUR 45.9 million to EUR 185.2 million in financial year 2019/20. Current financial liabilities totaled EUR 50.7 million on March 31, 2020 (EUR +20.8 million). Current provisions rose to EUR 23.4 million (previous year: EUR 14.7 Mio.), mainly due to higher provisions for pending losses.

Equity capital as of March 31, 2020 was EUR 182.5 million, and therefore EUR 75.1 million lower than the adjusted amounts at the end of the previous financial year. The total comprehensive income of EUR -55.5 million and the dividend paid (EUR 19.5 million) had a negative impact. The increase in the balance sheet total and the drop in equity led to an equity ratio of 25.1% as of March 31, 2020 (March 31, 2019: 38.1%). The equity ratio would have been 27.6% without the initial application of IFRS 16.

2.4 Financial position.

Cash Flow.
In financial year 2019/20, the cash flow from operating activities was positive at EUR 33.4 million (previous year: EUR -39.5 million). It should be mentioned that payments in connection with lease agreements (EUR -13.6 million) will be reported in the cash flow from financing activities as of this financial year (IFRS 16).

Since the increase in depreciation, amortization and impairments does not impact the cash flow statement, the Group achieved a positive cash flow from earnings of EUR 2.1 million (previous year: EUR 34.5 million) despite the negative EBIT of EUR -39.2 million. Changes in net working capital amounted to EUR 31.3 million (previous year: EUR -74.0 million). In particular, total "trade receivables and other current assets" and "contract assets" fell by EUR 16.9 million (previous year: increase of EUR 77.8 million). Inventories fell by EUR 8.4 million while they increased by EUR 25.2 million in the previous year. The decline in "trade payables and other liabilities"—including "contract liabilities"—had a slightly negative impact of EUR -2.7 million on the cash flow (previous year: increase of EUR 23.8 million).

Cash flow from investing activities amounted to EUR -31.0 million in financial year 2019/20 and was thus significantly more negative than in the previous financial year (EUR -18.0 million). In particular, payments for the "purchase of securities, investments, and other non-current financial assets" rose. This related mainly to the financing of the joint venture company autoTicket GmbH, Germany (EUR -17.9 million), which was converted to equity as of March 31, 2020. In the previous year, investments in associates, joint ventures, and other investments amounting to EUR -17.9 million were included, which were also mostly attributable to the joint venture company autoTicket GmbH, Germany. However, the sale of the equity investment in ParkJockey Global Inc., USA, in the previous year, which accounted for EUR +10.7 million, contributed to a major improvement in the cash flow from investing activities. The net CAPEX in 2019/20 amounted to EUR -11.4 million, similar to the previous year.

The free cash flow (cash flow from operating activities plus cash flow from investing activities) was EUR 2.4 million in financial year 2019/20 (previous year: EUR -57.5 million). This development reflects the decline in net working capital. The aforementioned reclassification of payments related to leases (EUR 13.6 million) due to the initial application of IFRS 16 must be taken into account.

Free Cash flow: EUR 2.4 million

The cash flow from financing activities in financial year 2019/20 was positive at EUR 31.4 million (previous year: EUR -27.1 million). This is primarily due to the increase in non-current financial liabilities by EUR 62.6 million. Payments in connection with lease agreements totaled EUR -13.6 million. These were part of the cash flow from operating activities in the previous year. The payment of a dividend of EUR 19.5 million and earn-out payments of EUR 2.0 million from earlier acquisitions reduced the cash flow from financing activities.

Cash and cash equivalents as of March 31, 2020 totaled EUR 122.6 million (March 31, 2019: EUR 94.7 million).

Key figures.
The net working capital amounted to EUR 168.3 million (March 31, 2019: EUR 193.3 million). Net debt reached EUR 175.7 million (March 31, 2019: EUR 73.5 million). This corresponds to a debt ratio of 96.3% (March 31, 2019 adjusted: 28.5%). The increase in the net debt resulted primarily from the initial application of IFRS 16, the increase in financial liabilities, the negative cash flow from investing activities, and the dividend payment. Without the application of IFRS 16, the net debt would have been EUR 112.0 million, with a debt ratio of 61.2%.

3 Miscellaneous company information.

3.1 Research and development.

The established structure with Solution Centers and a Corporate Technology function ensures a tight alignment along the innovation process.

Established structure with:
> Solution Centers
> Corporate-Technology-Function

Solution Centers oversee a specific market/solution segment. Their task is to define, develop and – in close cooperation with the sales regions – market products and solutions in their area of responsibility. Furthermore, the Solution Centers shall support the sales regions to ensure a seamless delivery of customer-specific solutions.

Corporate Technology is a cross functional organization supporting the Solution Centers. Major objectives are to identify and evaluate emerging new technologies as a key lever to stay competitive. Furthermore, Corporate Technology develops and integrates solutions built from products and solutions of different Solution Centers. Also, this organization provides tools, processes, common services and modules used by the Solution Centers and supports with IPR (intellectual property rights) issues.

During the financial year 2019/20 the patent portfolio has been further streamlined in areas of high strategic importance for Kapsch TrafficCom. The current patent portfolio consists of 166 patent families with more than 1,243 individual patents and 106 pending patent applications. During financial year 2019/20, eight new patent families in the tolling and connected roads area were filed.

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

The United States District Court in Delaware dismissed with prejudice Neology, Inc. (Neology)'s outstanding patent infringement related claims against Kapsch TrafficCom. The dismissal confirms that Kapsch TrafficCom does not violate any Neology patent assertions by importing, marketing, or selling certain products. To be precise, the dispute was about electronic tolling products using the ISO/IEC 18000-6C communications protocol ("6C Standard"). The dismissal effectively confirms the 6C Standard as open and non-proprietary. It is available for use across the tolling industry. Kapsch TrafficCom has been a firm proponent of open standards to facilitate national electronic tolling interoperability.

Kapsch TrafficCom strives to mitigate the risk of patent infringements and to foster the patenting of new ideas. Hence, the IPR management focusses on supporting product management and product development. Patent analysis in various areas ensures that products and solutions are actually free to operate. Additionally the worldwide patent monitoring was further extended. Patent applications of competitors as well as in other relevant technology segments are analyzed to gain a better overview of the strategies of competitors.

Kapsch TrafficCom has major development sites in Austria, Sweden, Argentina, the USA, Canada and Spain. Further development resources are located in countries such as Italy, South Africa and Chile. These sites all around the globe may also support the research and development initiatives at the headquarter in the areas of programming, engineering assistance and various other related support services. On March 31, 2020, Kapsch TrafficCom employed 942 engineers (previous year: 860 engineers) for its research and development activities. The development expenses of Kapsch TrafficCom amounted to EUR 130.7 million in financial year 2019/20 (previous year adjusted: EUR 111.3 million). This corresponds to about 17.9% (previous year adjusted: 15.1%) of total Group revenues. The definition of which expenses should be assigned to research and development was revised. The previous year's figures were amended accordingly. The most significant change compared to the previous year is that expenses for IPR management are no longer included. The breakdown of development expenses was as follows: Expenses for customer-specific developments amounted to EUR 69.7 million (previous year adjusted: EUR 51.4 million), the expenses for product management, development support and generic development totaled EUR 61.0 million (previous year adjusted: EUR 59.9 million).

3.2 Non-financial performance indicators.

Kapsch TrafficCom Group prepares a separate consolidated non-financial report that complies with the legal requirements of Section 267a Austrian Commercial Code (UGB). It is part of the combined report 2019/20.

3.3 Risk report.

Risk management.
The Corporate Risk & Opportunity Management is positioned as its own function within the finance department of Kapsch TrafficCom AG and primarily focuses on Enterprise Risk Management (ERM) and project-based risk management.

ERM provides a company-wide framework for the structured and systematic recording, quantification, mitigation and reporting of risk. The starting point is an analysis of the risk profile of Kapsch TrafficCom. On this basis, the company identified business processes that generate significant risks for the further development of the business. ERM defines special requirements for dealing with risks. These are implemented in the respective business processes. In this way, ERM systematically considers risks where they arise.

Risk management entails the identification, assessment and control of risks .

The ERM approach is aimed at the early identification, assessment and control of the risks that may materially influence the achievement of the strategic and operational goals of the company. The primary goal is not risk avoidance. It is much more a question of the controlled and conscientious handling of risks and the timely recognition and exploitation of opportunities that arise. ERM makes a valuable contribution to corporate management.

As part of ERM, the major risks are identified, quantified, and globally aggregated on a quarterly basis. The risk report derived from this enables the concise assessment and monitoring of the major business risks. The report is sent to the Executive Board, the audit committee of the Supervisory Board, and the first reporting level.

The project-oriented risk management encompasses both customer projects and internal development projects. Using institutionalized processes, an analysis of all relevant risks and opportunities is already carried out in the course of offer preparation. Consequently, a basis is created for decisions and for the timely planning and implementation of control measures.

Measures in connection with the COVID-19 pandemic. The management of Kapsch TrafficCom has activated existing business continuity plans. The internal technical infrastructure was quickly adapted so that employees could work from home for the most part. This has allowed the company preserve its ability to do business and operate. Furthermore, the company has established a temporary business continuity organization. This focused on handling the effects of the pandemic on the Group and enabled a rapid response to current developments.

The main generic risks and opportunities of Kapsch TrafficCom and the general handling of these risks are briefly discussed in the following.

Industry-specific risks.
Volatility of new orders. Kapsch TrafficCom's most relevant customer groups include government agencies and municipal authorities as well as private concessionaires, public-private partnerships and consumers. Larger contracts are usually tendered. Until a contract is actually awarded to Kapsch TrafficCom, there are a number of uncertainty factors both within and outside of the company's area of influence. For example, political changes, appeals or lawsuits by unsuccessful bidders can lead to a delay in the awarding of a contract, to its cancellation or to a modification of the tender. There is also the risk that offers made by Kapsch TrafficCom will not succeed for technological, financial, formal or other reasons.

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

The continuous expansion into new business areas that are compatible with the core business of Kapsch TrafficCom is intended not only to increase revenue but also to smooth over revenue spikes in the interest of more stable revenue development. This is to be achieved through increasing geographic diversification, by further broadening the customer and product portfolios, and by increasing the share of revenue from operations (technical and commercial operations of systems usually built by the company). The latter is usually commissioned on a long-term basis and is therefore characterized by better predictable revenues.

The economic situation of relevant national economies, possible government investment programs, changes in political priorities, an increasing focus on sustainability, trade conflicts, military conflicts or epidemics can have a significant impact on incoming orders. For example, the sudden and rapid spread of SARS-CoV-2 has increased uncertainty with regard to new incoming orders. Previous assumptions, particularly regarding the expected time of new customer orders had to be questioned and revised in some cases. As of June 3, 2020, the business continuity organization expected no impact for around 86% of the identified prospective projects; while delays were anticipated for around 11%. Around 3% were reported as paused or stopped.

Risks of project execution. Electronic toll systems and intelligent mobility solutions are frequently ambitious and technologically complex systems. that must be implemented within a strict time frame. However, the final project environment cannot be fully analyzed and taken into account during the preparation of an offer. Therefore, uncertainties remain with regard to integration expenses for third-party systems, expenses for interfaces and other factors accelerating or delaying the handling of projects. Necessary dependencies on suppliers and service providers can also have a negative effect on the quality and timely completion of a project. All of these factors affect the risk of missed deadlines and/or system and product defects.

Technical challenges and tight schedules produce typical project risks.

In connection with the installation of systems, Kapsch TrafficCom is generally contractually obligated to issue performance and delivery date guarantees. If the contractual services are not fulfilled or if deadlines are exceeded, penalties and damages usually have to be paid, in some cases even damages for lost toll revenue. Significant missed deadlines can also result in premature termination of a contract by the customer. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or failed implementation of a project could reduce the chances of success in future tenders. There is also the risk that projects of Kapsch TrafficCom cannot be realized at the previously calculated costs. Due to the strong social opposition to toll systems that is sometimes encountered, the risk of a late or limited start to toll collection exists, which can have further consequences on revenues, profitability and payment flows in the operation project.

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

As of June 3, 2020, the business continuity organization expected no impact from the COVID-19 pandemic for around 96% of the execution projects; while delays were anticipated for around 3%. Around 1% was reported as paused or stopped.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In reaction to the COVID-19 pandemic, Kapsch TrafficCom implemented temporary business continuity structures and measures. Among other things, they provide for an increase in the monitoring of expected incoming payments. This will allow the company to react quickly to unexpected delays in incoming payments.

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

Personnel risk.

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

Kapsch TrafficCom is taking attractive measures to counteract personnel risk.

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

Legal risk.

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

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

IT risk.

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

Opportunities.

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

The early identification of opportunities opens up new potential.

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

Opportunities also arise with change requests from customers during the execution of a project. These change requests result in an expansion of the contractual components and are priced and paid separately.

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

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

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

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

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

Impact of the COVID-19 Pandemic. Economic institutes anticipate a substantial decline in economic output in some cases for 2020, both globally and in the most important markets for Kapsch TrafficCom. It is also unclear how long it will take for economies to recover from the measures introduced to fight the virus. The effects on Kapsch TrafficCom cannot be fully assessed at the present time.

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was advanced again in financial year 2019/20, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

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

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

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

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

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

The internal control system is implemented locally and monitored centrally.

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

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2020. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. As at March 31, 2020, there were no other shareholders who held more than 10% of the voting rights in Kapsch TrafficCom AG.

No shares with special control rights exist. No restrictions exist with respect to the exercising of the voting right by employees with capital participation. There are no special provisions regarding the appointment and recall of the members of the Executive Board and the Supervisory Board or modification of the articles of association. Neither authorized capital nor conditional capital currently exists at the company, which empowers the Executive Board to issue shares with the approval of the Supervisory Board and without (renewed) consideration by the annual general meeting. Conventional “change of control” clauses, which may lead to termination of the contract, relate to financing agreements, such as the promissory note bond (“Schuldscheindarlehen”) and further financing, totaling about EUR 200 million, or to various customer contracts in North America. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.6 Corporate Governance Report.

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

4 Outlook.

A large number of negative effects came together in the 2019/20 financial year. Many challenges have already been taken care of (Zambia, Streetline, US patent dispute), and other economically burdensome factors are known: The personnel shortage in North America will presumably last until the end of 2020. Additional expenses for the implementation of new software will probably be incurred up to the first half of the year. At the same time, the company is facing the challenge of making up for the loss of the nation-wide toll project in the Czech Republic—with a high revenue and result contribution—at the end of November 2019.

In the US, Kapsch TrafficCom is currently rolling out a new mobility service that makes it possible to pay tolls using a cell phone. Development costs were already incurred for this in the last few years. The management plans to continue to invest in developing this service in the 2020/21 and 2021/22 financial years as well. In return, the management expects that this will contribute noticeably to revenues and results in the years to come.

It is not currently possible to quantify the effects of COVID-19 on Kapsch TrafficCom's business. The management only sees a slight effect at present; however, things are being postponed in a few regions. It goes without saying that the visibility, particularly with regard to invitations to tender, has come down. It is therefore too early to provide a quantitative outlook for the financial year. The management anticipates that 2020/21 will be better than the previous year and that Kapsch TrafficCom will manage to generate a clearly positive EBIT again.

Too early for a quantitative outlook for financial year 2020/21. Clearly positive EBIT expected.

Mid-term targets. Revenues are expected to increase in both segments. In the coming years, however, the strongest impetus for growth will continue to come from the toll segment.

Vienna, June 15, 2020

Georg Kapsch	André Laux	Alfredo Escribá Gallego
Chief Executive Officer	Executive Board member	Executive Board member

Auditor's Report.

Report on the Consolidated Financial Statements.

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

Audit opinion.
We have audited the consolidated financial statements of Kapsch TrafficCom AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at March 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

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

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

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

1 Impairment of goodwill.

Description.
The consolidated financial statements contain goodwill in the amount of EUR 44,072 k under the item intangible assets, of which EUR 11,783 k is allocated to the CGU ETC-Americas and EUR 21,316 k to the CGU ETC-EMEA. The Group carries out an impairment test at least once a year and additionally if a triggering event occurs (impairment test in accordance with IAS 36). In the fiscal year 2019/2020, goodwill of the CGU IMS-EMEA amounting to EUR 6,941 k was fully impaired.

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

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

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

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

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

Reference to related disclosures.
The Group's disclosures on goodwill are set out in note 15 "Intangible assets", note 9 "Impairment charge" and note 37.6.1 "Goodwill" in section 37 "Accounting and valuation principles".

2 Estimates and assumptions regarding the recognition of revenue from implementation projects.

Description.
A significant part of the Group's revenues and earnings contributions reported during the fiscal year comes from the construction of toll systems (ETC) and from the construction of systems for traffic monitoring, traffic control and traffic safety (IMS). The non-current and current contract assets as at March 31, 2020 amount to EUR 151,956 k, and the non-current and current contract liabilities amount to EUR 30,303 k. In the fiscal year 2019/20 revenue from the implementation of ETC and IMS systems was generated in the amount of EUR 292,873 k. The Group realizes revenues for its implementation projects in accordance with IFRS 15 based on the percentage of completion, which is determined from the ratio of the costs already incurred to the estimated total costs for the respective contract. This requires an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts, which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the contract margin. Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. For single contracts, a variable consideration is included in the transaction price, which also leads to estimates. For service concession arrangements the total contract value is estimated. The major projects of the Group usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.

Due to the material impact of the major projects, in particular during the construction phase, on the Group's assets and liabilities, financial situation and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the revenues from implementation projects, the Group's result and the project-related balance sheet items contain a material misstatement, and this was therefore identified as key audit matter.

Audit approach and key observations.
Within the framework of our risk-based audit approach, we have gained an understanding of the revenue process and internal controls and tested the effectiveness of selected internal controls. This mainly related to automatic and manual internal controls in connection with the approval of order calculation for new contracts, approval of ongoing cost updates and status reports on major projects. We reviewed and assessed the Group's technical concept for the implementation of IFRS 15. In addition, we performed audit procedures related to the IT system for revenue recognition according to IFRS 15 ("Revenue Engine") which was implemented on a group-wide level in the fiscal year 2018/19, and recalculated revenues based on the percentage of completion. Based on samples we looked at project requests, customer contracts, Supervisory Board minutes, the project budgeting tool as well as detailed cost estimates and held discussions with the project managers and the management team regarding the status

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

The valuation methods and underlying assumptions applied for revenue recognition from implementation projects are reasonable. The disclosures in the notes required by IFRS 15 are complete.

Reference to related disclosures.
The Group's information on revenue recognition can be found in note 1.4.1 "Revenue recognition for contract work", in note 21 "Contract assets and contract liabilities" as well as in note 37.3 "Revenue recognition" in section 37 "Accounting and valuation principles".

3 Termination of the contract for the commissioning for the collection of the German infrastructure charge.

Description.
In 2018, the joint venture autoTicket GmbH, Germany, was awarded the contract to collect the infrastructure charge (passenger vehicle toll) in Germany. Additionally and prior to this, the Group company MTS Maut & Telematik Services GmbH, Germany, was commissioned as the sole service contractor for the automatic control system of the German passenger vehicle toll in a separate award procedure.

On June 18, 2019, the European Court of Justice (ECJ) published a ruling in which it held that the infrastructure charge planned in Germany (passenger vehicle toll) is incompatible with EU law. On the following day, the customer terminated the contracts for the installation and operation of the passenger vehicle toll effective September 30, 2019.

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

The termination of the contract resulted in impairment losses on other non-current assets and in considerable legal and consulting expenses within the Group in the fiscal year 2019/20. In the consolidated financial statements, particularly the interest in the joint venture autoTicket GmbH, Germany, reported using the equity method in the amount of EUR 24,045 k had to be tested for impairment, and an assessment regarding the recognition of contingent receivables and liabilities and the completeness of the required disclosures in the notes had to be made, and this was therefore identified as key audit matter.

Audit approach and key observations.
In the course of our audit, we discussed matters with the Group's Executive Board and legal department. We evaluated the contractual terms with respect to termination and obtained external confirmations from the lawyers advising the Group regarding the matter. Further, we inspected the audited financial statements as at December 31, 2019 of autoTicket GmbH, Germany, and instructed its statutory auditor to perform audit procedures with regard to the group reporting package as at March 31, 2020 required for the accounting under the equity method. We also had several discussions and video conferences with the statutory auditor in this regard. Furthermore, we involved specialists in our National Office IFRS, in particular as regards the recognition of contingent receivables and liabilities and the required disclosures in the notes.

The impairment losses recognized on other non-current assets and the underlying assumptions regarding the recoverability of the interest in the joint venture autoTicket GmbH, Germany, are reasonable. The presentation of the contingent receivables and liabilities is appropriate and the disclosures in the notes particularly required pursuant to IAS 37 are complete.

Reference to related disclosures.
The Group's information on the termination of the contract for the commissioning for the collection of the German infrastructure charge can be found, in particular, in note 2 "German infrastructure charge", note 9 "Impairment charge", note 16 "Interests in associates and joint ventures" and note 31 "Contingent liabilities and other commitments".

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements.

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

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

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

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

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

Other information.

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

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

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

Additional information in accordance with article 10 of the EU regulation.

We were appointed as statutory auditor at the ordinary general meeting dated September 10, 2019. We were engaged by the Supervisory Board on December 16, 2019. We have audited the Group for an uninterrupted period since the year 2006.

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

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

Responsible engagement partner.

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

Vienna, June 15, 2020

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

Statement of all Members of the Executive Board.

Pursuant to Sec. 124 (1) Stock Exchange Act 2018.

We declare to the best of our knowledge that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Consolidated Management Report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced by the Group.

Vienna, June 15, 2020

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alfredo Escribá Gallego
Executive Board member

Financial Statements.

Kapsch TrafficCom AG as at March 31, 2020.

Balance sheet as at March 31, 2020
(Translation)

A s s e t s

	March 31, 2020		March 31, 2019	
	EUR	EUR	EUR '000	EUR '000
A. Fixed assets				
I. Intangible assets				
1. Industrial property and similar rights and assets, and licenses in such rights and assets		20,741,081.17		17,583
2. Prepayments made and assets under construction		211,571.47		1,158
		20,952,652.64		18,741
II. Tangible assets				
1. Leasehold improvements		1,608,030.68		1,752
2. Technical equipment and machinery		462,519.49		296
3. Other equipment, factory and office equipment		1,545,373.24		1,562
		3,615,923.41		3,610
III. Financial assets				
1. Shares in affiliated companies		199,735,418.43		177,518
2. Loans to affiliated companies		50,350,677.47		62,395
thereof with a remaining maturity of more than one year	*50,350,677.47*		*62,395*	
3. Participating interests		43,063,830.85		30,861
4. Securities		4,375.00		4
		293,154,301.75		270,778
		317,722,877.80		293,129
B. Current assets				
I. Inventories				
1. Merchandise		7,750,382.21		8,594
2. Services not yet invoiced		23,676,745.82		28,551
3. Prepayments made		424,680.10		574
		31,851,808.13		37,719
II. Receivables and other assets				
1. Trade receivables		8,571,038.48		6,543
thereof with a remaining maturity of more than one year	*0.00*		*0*	
2. Receivables from affiliated companies		117,312,672.43		116,883
thereof with a remaining maturity of more than one year	*0.00*		*20,544*	
3. Receivables from companies in which the Company has a participating interest		2,077,380.26		6,581
thereof with a remaining maturity of more than one year	*1,134,049.79*		*335*	
4. Other receivables and assets		9,792,561.66		10,876
thereof with a remaining maturity of more than one year	*0.00*		*0*	
		137,753,652.83		140,883
III. Cash on hand, cash at banks		27,590,404.12		19,704
		197,195,865.08		198,306
C. Prepaid expenses and deferred charges		2,277,290.48		1,679
D. Deferred tax assets		2,712,338.80		2,559
		519,908,372.16		495,673

Balance sheet as at March 31, 2020
(Translation)

S h a r e h o l d e r s' e q u i t y a n d l i a b i l i t i e s

	March 31, 2020		March 31, 2019	
	EUR	EUR	EUR '000	EUR '000
A. Shareholders' equity				
I. Share capital called up and paid in		13,000,000.00		13,000
Share capital subscribed	*13,000,000.00*		*13,000*	
II. Capital reserves				
Appropriated		117,400,000.00		117,400
III. Unappropriated retained earnings		124,617,211.76		158,864
thereof prior period unappropriated retained earnings brought forward	*139,363,668.80*		*127,945*	
		255,017,211.76		289,264
B. Accruals and provisions				
1. Accruals for severance payments		7,747,158.61		6,480
2. Other accruals and provisions		16,910,396.44		17,251
		24,657,555.05		23,731
C. Accounts payable				
thereof with a remaining maturity of less than one year	*56,718,150.73*		*43,433*	
thereof with a remaining maturity of more than one year	*183,515,454.62*		*139,245*	
1. Promissory note bonds		75,303,454.62		74,961
thereof convertible	*0.00*		*0*	
thereof with a remaining maturity of less than one year	*0.00*		*0*	
thereof with a remaining maturity of more than one year	*75,303,454.62*		*74,961*	
2. Bank loans and overdrafts		125,709,462.56		69,282
thereof with a remaining maturity of less than one year	*17,497,462.56*		*4,998*	
thereof with a remaining maturity of more than one year	*108,212,000.00*		*64,284*	
3. Prepayments received		651,513.19		615
thereof with a remaining maturity of less than one year	*651,513.19*		*615*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
4. Trade payables		3,970,949.45		6,753
thereof with a remaining maturity of less than one year	*3,970,949.45*		*6,753*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
5. Payables to affiliated companies		30,184,608.82		23,323
thereof with a remaining maturity of less than one year	*30,184,608.82*		*23,323*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
6. Payables to companies in which the Company has a participating interest		1,110,429.01		3,962
thereof with a remaining maturity of less than one year	*1,110,429.01*		*3,962*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
7. Other liabilities		3,303,187.70		3,782
thereof taxes	*74,816.51*		*73*	
thereof social security payables	*815,580.17*		*757*	
thereof with a remaining maturity of less than one year	*3,303,187.70*		*3,782*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
		240,233,605.35		182,678
		519,908,372.16		495,673

Income statement for the fiscal year 2019/20
(Translation)

	2019/20		2018/19	
	EUR	EUR	EUR '000	EUR '000
1. Net sales		191,930,368.06		175,093
2. Change in services not yet invoiced		-4,874,677.20		5,217
3. Other operating income				
a) Income from the retirement of fixed assets excluding financial assets		15,917.72		0
b) Income from the reversal of accruals and provisions		317,775.42		297
c) Other		4,054,002.43		7,947
		4,387,695.57		8,244
4. Cost of materials and other purchased services				
a) Cost of materials		-37,223,239.01		-30,554
b) Cost of purchased services		-69,042,411.50		-57,421
		-106,265,650.51		-87,975
5. Personnel expenses				
a) Wages		-129,134.11		-87
b) Salaries		-32,085,267.55		-30,897
c) Social benefits		-9,983,300.53		-9,554
thereof expenses for pensions	*-97,500.00*		*-136*	
thereof expenses for severance payments and contributions to staff provision funds	*-1,431,804.11*		*-1,709*	
thereof expenses for statutory social security, payroll-related taxes and mandatory contributions	*-8,184,259.29*		*-7,505*	
		-42,197,702.19		-40,538
6. Depreciation and amortization of fixed tangible and intangible assets		-6,247,351.37		-4,790
7. Other operating expenses		-48,159,722.93		-50,794
thereof taxes not included in line 16	*-287,485.94*		*-154*	
8. Subtotal of lines 1 to 7		-11,427,040.57		4,457
9. Income from participating interests		19,390,139.60		27,708
thereof from affiliated companies	*19,390,139.60*		*27,708*	
10. Other interest and similar income		6,230,900.83		5,799
thereof from affiliated companies	*6,163,023.53*		*5,567*	
11. Income from the disposal and write-up of fixed financial assets		0.00		732
12. Expenses on fixed financial assets		-32,144,743.45		-1,892
thereof write-downs	*-32,137,373.01*		*-1,892*	
thereof relating to affiliated companies	*-26,490,356.87*		*-1,892*	
13. Interest and similar expenses		-2,397,017.72		-2,422
thereof relating to affiliated companies	*-291,133.27*		*0*	
14. Subtotal of lines 9 to 13		-8,920,720.74		29,925
15. Loss/Profit before taxation (subtotal of lines 8 and 14)		-20,347,761.31		34,382
16. Taxes on income		5,601,304.27		-3,463
thereof recharged to group parent	*5,489,539.35*		*-3,668*	
thereof deferred taxes	*153,043.35*		*240*	
17. Loss/Profit after taxation		-14,746,457.04		30,919
18. Net loss/Net income for the year		-14,746,457.04		30,919

Notes to the financial statements for fiscal year 2019/20

(Translation)

A. General principles

The financial statements as at March 31, 2020 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code (UGB) as amended.

In preparing these financial statements, the previous form of presentation has been maintained.

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

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

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

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

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

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

At present, it is not possible to fully assess the impact of the COVID-19 pandemic, though management currently believes the influence to be of minor extent.

B. Group relations

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

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

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

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

C. Accounting and valuation methods

The previously applied accounting and valuation methods have been maintained.

1. Fixed assets

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

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

Intangible assets

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

In the fiscal year, intangible assets in the amount of EUR 6,155,465.13 (prior year: EUR 11,057 k) were acquired from affiliated companies.

Tangible assets

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

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

No write-downs were charged in the fiscal year.

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

Financial assets

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

Write-ups to fixed assets

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

2. Current assets

2.1. Inventories

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

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

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

2.2. Receivables and other assets

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

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

2.3. Cash on hand, cash at banks

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

3. Prepaid expenses and deferred charges

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

4. Deferred tax assets

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

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

5. Accruals and provisions

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

The **accruals for severance payments** and **the provisions for anniversary bonuses** were calculated as stated in the AFRAC (Austrian Financial Reporting and Auditing Committee) opinion 27 "Accruals for pensions and severance payments, provisions for anniversary bonuses and comparable obligations falling due in the long term under the provisions of the Austrian Commercial Code" (March 2018, available in German only) pursuant to accepted actuarial methods in accordance with IAS 19 using the projected unit credit method.

A discount rate of 0.5% (prior year: 1.35%) was used for the calculation of the provisions for anniversary bonuses and a discount rate of 0.45 % (prior year: 1.3%) for the calculation of accruals for severance payments. A rate of 2.5 % (prior year: 2.5%) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables AVÖ 2018-P for salaried employees. Staff turnover rates were determined based on the period of service.

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

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

6. Accounts payable

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

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

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

D. Comments on items in the balance sheet

A s s e t s

Fixed assets

Movements in fixed assets:

	Acquisition cost				
	Balance April 1, 2019	Additions	Disposals	Transfers	Balance March 31, 2020
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
1. Industrial property and similar rights and assets, and licenses in such rights and assets	35,978,225.04	6,463,614.47	378,197.95	2,100,489.39	44,164,130.95
2. Prepayments made and assets under construction	1,158,448.67	1,153,612.19	0.00	-2,100,489.39	211,571.47
	37,136,673.71	7,617,226.66	378,197.95	0.00	44,375,702.42
II. Tangible assets					
1. Leasehold improvements	6,395,768.14	227,378.47	0.00	0.00	6,623,146.61
2. Technical equipment and machinery	2,613,612.72	259,768.36	119,511.96	0.00	2,753,869.12
3. Other equipment, factory and office equipment	7,262,586.81	362,771.29	295,443.45	0.00	7,329,914.65
	16,271,967.67	849,918.12	414,955.41	0.00	16,706,930.38
III. Financial assets					
1. Shares in affiliated companies	185,076,936.02	27,209,365.35	14,781.44	0.00	212,271,519.93
2. Loans to affiliated companies	62,394,334.66	9,462,503.27	0.00	0.00	71,856,837.93
3. Participating interests	37,122,526.21	17,856,922.21	0.00	0.00	54,979,448.42
4. Securities	4,375.00	0.00	0.00	0.00	4,375.00
	284,598,171.89	54,528,790.83	14,781.44	0.00	339,112,181.28
	338,006,813.27	62,995,935.61	807,934.80	0.00	400,194,814.08

	Accumulated amortization/depreciation				Net book value	
	Balance April 1, 2019	Additions	Disposals	Balance March 31, 2020	Balance March 31, 2020	Balance March 31, 2019
	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets						
1. Industrial property and similar rights and assets, and licenses in such rights and assets	18,395,186.51	5,406,061.22	378,197.95	23,423,049.78	20,741,081.17	17,583,038.53
2. Prepayments made and assets under construction	0.00	0.00	0.00	0.00	211,571.47	1,158,448.67
	18,395,186.51	5,406,061.22	378,197.95	23,423,049.78	20,952,652.64	18,741,487.20
II. Tangible assets						
1. Leasehold improvements	4,644,209.74	370,906.19	0.00	5,015,115.93	1,608,030.68	1,751,558.40
2. Technical equipment and machinery	2,317,871.08	92,990.51	119,511.96	2,291,349.63	462,519.49	295,741.64
3. Other equipment, factory and office equipment	5,700,133.49	377,393.45	292,985.53	5,784,541.41	1,545,373.24	1,562,453.32
	12,662,214.31	841,290.15	412,497.49	13,091,006.97	3,615,923.41	3,609,753.36
III. Financial assets						
1. Shares in affiliated companies	7,559,275.53	4,976,825.97	0.00	12,536,101.50	199,735,418.43	177,517,660.49
2. Loans to affiliated companies	0.00	21,506,160.46	0.00	21,506,160.46	50,350,677.47	62,394,334.66
3. Participating interests	6,261,230.99	5,654,386.58	0.00	11,915,617.57	43,063,830.85	30,861,295.22
4. Securities	0.00	0.00	0.00	0.00	4,375.00	4,375.00
	13,820,506.52	32,137,373.01	0.00	45,957,879.53	293,154,301.75	270,777,665.37
	44,877,907.34	38,384,724.38	790,695.44	82,471,936.28	317,722,877.80	293,128,905.93

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

	In the following fiscal year		In the next 5 fiscal years	
	EUR	Prior year EUR k	EUR	Prior year EUR k
Obligations from rental and lease agreements	7,350,723.88	7,894	18,903,696.34	21,674

Financial assets

Loans

In the fiscal year 2019/20, write-downs on loans relate to the subsidiary Intelligent Mobility Solutions Limited, Lusaka, Zambia, in the amount of EUR 5,424 k and to the subsidiary Electronic Toll Collection (Pty) Ltd., Cape Town, South Africa, in the amount of EUR 16,082 k.

Loans amounting to EUR 0.00 (prior year: EUR 0 k) granted to affiliated companies have a residual term of less than one year.

Shares in affiliated companies and participating interests

Supplementary disclosures pursuant to Section 238 No. 2 UGB

Figures as at March 31, 2020	Share	Shareholders' equity	Result of fiscal year	FN
	%	EUR k	EUR k	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100.00	42,350	6,415	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95.00	2,761	-327	1)
Kapsch Components GmbH & Co KG, Vienna	100.00	8,840	3,855	1)
Kapsch Components GmbH, Vienna	100.00	131	6	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.00	140,302	74	1)
Kapsch Telematic Services GmbH, Vienna	93.00	7,403	3,957	1)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czechia	99.00	397	59	1)
Kapsch TrafficCom S.r.l.´a socio unico, Milan, Italy	100.00	-77	-33	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100.00	99	-29	1)
Kapsch TrafficCom Ltd., Middlesex, Great Britain	100.00	824	-340	1)
Artibrain Software Entwicklungsgesellschaft mbH, Vienna	100.00	47	-2	1)
Kapsch TrafficCom Russia o.o.o., Moscow, Russia	100.00	427	108	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	538	244	1)
Electronic Toll Collection (Pty) Ltd., Cape Town, South Africa	25.00	-23,071	-5,979	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.00	7,306	-6,150	1)
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	100.00	66	7	1)
KTS Beteiligungs GmbH, Vienna	100.00	233	769	1)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates	49.00	143	71	1)
Kapsch Telematic Services IOOO, Minsk, Belarus	99.00	5,739	3,016	1)
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	51.00	35	5	1)
Kapsch TrafficCom KGZ, Kyrgyzstan	100.00	0	-3	1)
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.00	16,816	40	1)
tolltickets GmbH, Rosenheim, Germany	65.00	-433	-482	1)
Fluidtime Data Services GmbH, Vienna, Austria	75.50	849	12	1)
Kapsch TrafficCom S.A.S., Bogotá, Colombia	100.00	1,056	407	1)
Intelligent Mobility Solutions Limited, Lusaka, Zambia	50.00	-9,537	-16,528	1)
MTS Maut & Telematik Services GmbH, Berlin, Germany	100.00	3,504	2,037	1)
Kapsch TrafficCom Dominican Republic S.R.L., Santo Dominigo, Dominican Republic	99.00	100	59	1)
Kapsch TrafficCom Norway AS, Oslo, Norway	100.00	5	0	1)
SIMEX, Integracion de Sistemas, S.A.P.I. de C.V. Mexico City, Mexico	67.00	1,653	-114	1)
Kapsch TrafficCom Peru S.A.C., Lima, Peru	99.93	-24	-183	1)
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	95.00	3,286	-1,942	1)
b) Participating Interests				
Q-Free ASA, Trondheim, Norway	15.41	35,348	-4,402	2)
Traffic Technology Services Inc., Beaverton, United States	41.56	8,365	-2,809	1)
MoKA SAS, Paris, France	50.00	251	1	3)
autoTicket GmbH, Berlin, Germany	50.00	-35,330	-55,354	4)

1) Figures as at March 31, 2020 (IFRS)
2) Figures as at December 31, 2019 (IFRS)
3) Figures from November 5, 2018 to December 31, 2019
4) Figures as at December 31, 2019 (German Commercial Code (dHGB))

Per purchase agreement dated June 28, 2016, Kapsch TrafficCom AG acquired two call options for the purchase of a further 10% each of the shares in tolltickets GmbH, Rosenheim, Germany. One option would have had to be exercised by September 30, 2019.

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

The write-down on shares in affiliated companies in the fiscal year 2019/20 in the amount of EUR 4,976,825.97 relates to the shares in the subsidiary Intelligent Mobility Solutions Limited, Lusaka, Zambia.

With regard to the participating interests in Q-Free ASA, Trondheim, Norway, in the fiscal year 2019/20, a write-down in the amount of EUR 5,654,386.58 on the share price was made at the balance sheet date.

Current assets

Inventories

Valuation allowances in the amount of EUR 8,027,943.94 (prior year: EUR 6,812 k) were set up for inventories.

Receivables

Receivables from affiliated companies pertain to trade receivables in the amount of EUR 78,963,753.94 (prior year: EUR 76,927 k), loan receivables in the amount of EUR 38,348,918.49 (prior year: EUR 39,956 k) and receivables resulting from tax allocation in the amount of EUR 5,489,539.35 (prior year: EUR 0 k).

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

Other receivables include income in the amount of EUR 5,313,077.12 (prior year: EUR 6,835 k) that will affect cash flow only after the balance sheet date.

Deferred tax assets

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

Deferred taxes include long-term temporary differences in the amount of EUR 2,647,551.95 (prior year: EUR 2,624 k).

Shareholders' equity and liabilities

Shareholders' equity

Disclosures on share capital

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

Authorized capital

The Annual General Meeting of Kapsch TrafficCom AG on September 10, 2019 authorized the Executive Board of Kapsch TrafficCom, for the duration of a period of 30 months, pursuant to Section 65 (1) No. 8 as well as (1a) and (1b) Austrian Stock Corporation Act (AktG):

a. to purchase own shares on the stock exchange and over-the-counter up to a total amount 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.

As at March 31, 2020, Kapsch TrafficCom AG has no own shares.

Proposed appropriation of retained earnings

The Company intends to distribute a dividend in the amount of EUR 3,250,000.00 (prior year: EUR 19,500 k) and to carry forward the remaining amount to the next fiscal year.

Amount subject to a prohibition of profit distribution

According to Section 235 UGB, unappropriated retained earnings in the amount of EUR 2,712,338.80 (prior year: EUR 2,559 k) resulting from deferred tax assets are not available for distribution.

Accruals and provisions

Other accruals and provisions include the following items:

	March 31, 2020 EUR	March 31, 2019 EUR k
Outstanding project costs and risks	8,463,530.75	9,674
Invoices not yet received (excl. projects)	967,554.38	933
Personnel-related accruals and provisions (including vacation accruals of EUR 2,637,730.15 prior year: EUR 2,145 k)	5,239,547.95	5,593
Warranties and liabilities for construction flaws, as well as production and system defects	396,446.35	288
Other accruals and provisions	1,843,317.01	763
	16,910,396.44	17,251

Accounts payable

Of the payables, promissory note bonds in the amount of EUR 8,500,000.00 (prior year: EUR 8,500 k) and bank loans and overdrafts in the amount of EUR 60,000,000.00 (prior year: EUR 0 k) have a remaining maturity of more than 5 years.

In June 2016, five promissory note bonds in the following amounts were issued:

EUR 26,000,000.00	5 years	with a fixed interest rate of 1.22%
EUR 4,500,000.00	5 years	with a variable interest rate
EUR 23,000,000.00	7 years	with a variable interest rate
EUR 8,500,000.00	10 years	with a fixed interest rate of 2.26%, as well as
USD 14,500,000.00	5 years	with a variable interest rate

Due to the result in the fiscal year 2019/20 not all financial covenants could be complied with. Kapsch TrafficCom AG agreed on a new credit agreement with affected banks. This agreement confirms that, despite the non-compliance with the key figures agreed on as at the balance sheet date, the affected banks continue the consisting financing as well as future collaboration.

Payables to affiliated companies pertain to trade payables with the exception of liabilities resulting from tax allocation in the amount of EUR 3,990,363.02 (prior year: EUR 3,990 k).

Other liabilities include expenses in the amount of EUR 2,921,153.33 (prior year: EUR 2,804 k) that will affect cash flow only after the balance sheet date.

Collateral securities

The export promotion loan recognized in the amount of EUR 1,425,462.56 (prior year: EUR 1,425 k) as well as the loan for acquisitions in the amount of EUR 14,284,000.00 (prior year: EUR 17,856 k) are secured by bill of exchange.

Contingent liabilities and other financial obligations

	March 31, 2020 EUR	March 31, 2019 EUR
Assumption of liabilities on behalf of subsidiaries	42,653,954.55	65,232,068.21
Bank guarantees for the performance of contracts relating to major projects	44,663,515.93	62,572,779.92
Payment guarantees	254,458.00	310,563.32
Performance bonds	192,044,713.28	252,425,256.45
Other guarantees (security deposits, bid bonds and sureties)	596,234.94	592,206.24
	280,212,876.70	381,132,874.14

In addition, Kapsch TrafficCom AG, Vienna, provided performance bonds for export transactions and projects of Kapsch TrafficCom AB, Jönköping, Sweden, at a contract value of EUR 13.0 million (prior year: EUR 38.6 million).

A letter of subordination exists vis-à-vis Electronic Toll Collection (PTY) Ltd., Centurion, South Africa, in the amount of EUR 19.4 million (prior year: EUR 13,144 k).

As per April 24, 2019, the Company declared its intention to provide Kapsch Telematic Services spol. s.r.o., Prague, Czechia, with the necessary liquid funds to settle its liabilities until June 30, 2021.

Financial obligations and contingent liabilities vis-à-vis autoTicket GmbH, Berlin, Germany, relating to the agreement regarding the collection of infrastructure charges in Germany (passenger vehicle toll) dated December 30, 2018 (Operator Agreement):

In the operating agreement, the shareholders of autoTicket GmbH, Berlin, Germany, issued a limited-term joint and several liability declaration for an amount of around EUR 300,000 k to the Federal Republic of Germany, represented by the German Federal Motor Transport Authority ("Kraftfahrtbundesamt"). A claim is unlikely on account of the current state of proceedings and a legal appraisal.

Derivative financial instruments

At the balance sheet date, derivative financial instruments break down as follows and are included in the following balance sheet items:

Category	Amount		Fair value in EUR		Book value	Balance sheet item
Type of financial instrument	Nominal amount	Number	Positive	Negative		
Currency-related products						
Currency forward contracts	ZAR 76,500,000	1		1,831.94	1,831.94	other accruals and provisions
Interest rate-related products						
Interest rate swap	USD 7,500,000	1		113,390.28	113,390.28	other accruals and provisions
Interest rate swap	EUR 30,000,000	1		201,489.52	201,489.52	other accruals and provisions
Interest rate swap	EUR 30,000,000	1	59,145.76		n/a	n/a

Prior year:

Category	Amount		Fair value in EUR		Book value	Balance sheet item
Type of financial instrument	Nominal amount	Number	Positive	Negative		
Currency-related products						
Currency forward contracts	ZAR 65,000,000	1	50,056.28		n/a	n/a
Currency forward contracts	RUB 13,000,000	1		1,320.64	1,320.64	other accruals and provisions
Currency forward contracts	USD 6,000,000	1		116,720.12	116,720.12	other accruals and provisions
Currency forward contracts	USD 4,000,000	1		78,236.36	78,236.36	other accruals and provisions
Interest rate-related products						
Interest rate swap	USD 7,500,000	1	78,976.03		n/a	n/a

The fair value corresponds to the market value.

E. Comments on income statement items

Breakdown of net sales

By field of activity:	2019/20 EUR	2018/19 EUR k
Electronic Toll Collection (ETC)	170.683.391,17	160,573
Intelligent Mobility Solutions (IMS)	21.246.976,89	14,520
	191,930,368.06	175,093

By region:	2019/20 EUR	2018/19 EUR k
Domestic	12.466.870,53	27,578
European Union, excl. Austria	75.374.974,11	70,368
Non-European Union	104.088.523,42	77,147
	191,930,368.06	175,093

The item **salaries** includes expenses from changes in provisions for anniversary bonuses in the amount of EUR 297,751.45 (prior year: income in the amount of EUR 307 k).

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

	2019/20 EUR	2018/19 EUR k
Expenses for severance payments	1.024.131,81	1,346
Contributions to staff provision funds	407.672,30	363
	1,431,804.11	1,709

Expenses for the auditor

Expenses for the auditor amount to EUR 296,269.77 (prior year: EUR 239 k) and are broken down as follows:

	2019/20 EUR k	2018/19 EUR k
Audit of the financial statements	54	55
Other assurance services	133	110
Other services	109	74
	296	239

Taxes on income

The Company is member of a tax group. Parent of the tax group is KAPSCH-Group Beteiligungs GmbH, Vienna. In accordance with Section 9 (1) KStG (Austrian Corporate Income Tax Act), the relevant tax result of the respective group member is allocated to the relevant tax result of the participating group member or the group parent in the respective fiscal year. Pursuant to Section 7 (2) KStG, the income is determined at the group parent based on the consolidated result of the group and taxed. Tax is allocated using the stand-alone method.

Receivables resulting from tax allocation amount to EUR 5,489,539.35 (prior year: EUR 0 k) and liabilities resulting from tax allocation amount to EUR 3,990,363.02 (prior year: EUR 3,990 k), with the tax rate applicable to deferred taxes being 25%.

F. Other disclosures

Disclosures on board members and staff

The average number of staff during the fiscal year 2019/20 was 475 including 469 salaried employees and 6 waged workers (prior year: 436 salaried employees, 6 waged workers).

In fiscal year 2019/20, total remuneration of the Executive Board amounted to EUR 2,522 k (prior year: EUR 2,104 k), expenses for severance payments and pensions for managing directors amounted to EUR 214 k (prior year: EUR 1,155 k).

With regard to Supervisory Board members, remuneration (including travel expenses) in the amount of EUR 122,324.84 (prior year: EUR 121 k) was recognized as expenses.

The following persons served on the Executive and Supervisory Board:

Executive Board

Georg Kapsch (Chairman)
André Laux
Alexander Lewald (until April 30, 2019)
Alfredo Escribá Gallego (since May 1, 2019)

Supervisory Board

Franz Semmernegg (Chairman)
Kari Kapsch (Deputy Chairman)
Sabine Kauper
Harald Sommerer

delegated by the Works Council:

Christian Windisch
Claudia Rudolf-Misch

Subsequent events

No material events occurred after the balance sheet date.

Vienna, June 15, 2020

The Executive Board:

signed:	signed:	signed:
Georg Kapsch	André Laux	Alfredo Escribá Gallego

Management Report

(Translation)

Kapsch TrafficCom AG, Vienna
as at March 31, 2020

1. General economic situation.

Global economy.

In 2019, global economic activity lost momentum. The growth rate of aggregate output slowed to 2.9% (previous year: 3.7%). This was due to a rise in economic, political and social tensions in many parts of the world. World trade, in particular, was adversely affected by international challenges like the ongoing trade war between the United States and China. The volume of goods and services exchanged worldwide de facto stagnated in 2019 (previous year: 3.9%). As for 2020, economists had to revise their predictions of a moderate recovery. The outbreak of the COVID-19 pandemic threatens to cause the worst downturn since the 2008/09 crash. Hence, global economic growth is expected to turn negative in 2020.

USA.

Economic growth in the United States stood at a solid 2.3% in 2019, despite persistent protectionist tendencies. The main driver for this above-average expansion rate in comparison with other advanced nations was buoyant domestic demand. This was in turn fueled by strong labor market conditions and stimulating tax incentives for US companies. In early 2020, the agreement on phase one of a new deal with China sparked hope that their protracted trade war could wind down after almost two years. Prospects for a durable resolution remain elusive, though, with US sanctions continuing to threaten global technology supply chains. Moreover, the administration's focus has shifted towards support measures for the economy and the financial market amidst a looming COVID-19 recession.

Emerging markets and developing economies.

Economic activity in the emerging and developing economies expanded by 3.7% in 2019, thus slightly less dynamically than in previous years. Overall, Asia continued to be the strongest driver of growth. While the *ASEAN-5* economies (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) showed virtually no signs of a slowdown, *India's* GDP increase fell short of expectations due to weaker-than-predicted domestic demand (+4.2%). *China*, in contrast, once again surpassed the threshold of 6% growth in 2019. As for 2020, however, Asia's largest economy is likely to witness a loss of momentum. This is due to severe disruptions of business activity following the spread of the new virus SARS-CoV-2.

Economic development in the *Commonwealth of Independent States (CIS)* was clouded by Russia's sluggish growth in the year under review. The largest regional economy expanded by a mere 1.3% in 2019, owing to high volatility on the international oil market as a result of geopolitical tensions and unrest. In March 2020, this instability was further exacerbated when Russia failed to agree with the OPEC members on extending production cuts. The ensuing price slump and over-supply stands to hit the oil-exporting countries of the *MENAP region* (Middle East and North Africa, Afghanistan, Pakistan) particularly hard. Having slipped below a growth level of 1% in 2019, the outlook for the year 2020 in this crisis-ridden region is equally sobering.

The overall economic performance of *Latin America* was marked by stagnation in 2019. This can be attributed not only to muted growth in the regional powerhouses Brazil and Mexico, but also to the ongoing recession in Argentina and the eruption of political turmoil across the continent. Looking to 2020, Latin America's return to a growth path is not to be expected. The outlook for *Sub-Saharan Africa* is slightly more favorable. This region defied the global downward trend in 2019 and expanded by 3.1%. Growing debt levels, however, pose particular risks to this region.

Europe.
The 2019 economic figures for Europe showed mixed results. Overall growth in the *European Union* slowed to 1.5%. This was primarily due to the developments in the large member states. Germany's export-oriented industry, in particular, came under pressure from the challenging global environment. Moreover, France was confronted with a large wave of protests while Italy continued to face structural problems. All this was aggravated by Britain's exit from the EU, which eventually took place at the end of January 2020 after multiple delays. On the positive side, economic recovery in the once-struggling peripheral countries (Greece, Spain and Portugal) continued and the EU unemployment rate steadily declined. As of early 2020, it reached 6.2%, the lowest level in over a decade. In March 2020, actions to fight the COVID-19 pandemic caused a sharp increase in unemployment.

Economic activity in the *Eurozone* went up by 1.2% in 2019, propelled by solid private consumption and by the service industries. The inflation rate receded to 1.2% and thus further below the European Central Bank's medium-term target of 2%. Against this background, the period of low interest rates is unlikely to end in the foreseeable future. The launch of a new stimulus package by the ECB in March 2020 ("Pandemic Emergency Purchase Programme") is also indicative of a prolonged phase of loose monetary policy. In light of the COVID-19 crisis a contraction of the GDP in the Eurozone has to be expected in 2020.

Central and Eastern Europe (CEE) continued its catching-up process with comparatively robust growth figures in 2019. The regional markets benefitted primarily from substantial public investment and strong household demand, fueled by wage increases. On a national level, the Hungarian (+4.9%), the Romanian (+4.1%) and the Polish (+4.0%) economy performed particularly well in the year under review. The Czech Republic and Slovakia, by contrast, registered growth rates below 3%, which can be explained by their close ties to Germany's struggling industrial production.

GDP growth of 1.6% once again above the EU average.

Austria.
The Austrian economy slowed down only modestly in 2019. More specifically, the national GDP increase amounted to 1.6%, which was once again above the corresponding Eurozone value. While the manufacturing sector and export business showed signs of weakness in the first half of the year, solid consumption and investment spending had a stabilizing effect. Domestic demand was boosted by a decline of the inflation rate to 1.5% and by the ongoing recovery on the labor market in the year under review. For 2020, economists expect that the state of emergency will lead to a GDP contraction.

Market for intelligent transportation systems.
Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). Intelligent transportation systems support and optimize transportation (including infrastructure, vehicles, users and industry). They use information and communication technologies for this.

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

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

Vehicle-related ITS aim at in-car telematics such as remote diagnostics or driver assistance systems. They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles, as well as traffic safety and security. This field also includes systems for real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X.

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

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

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

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

Market trends and drivers.
Kapsch TrafficCom has identified the most important trends and drivers in the currently addressed markets as follows:

Development and financing of transport networks.
Roads are part of a country's basic infrastructure. However, both construction and maintenance are extremely costly. According to a study by McKinsey Global Institute, around USD 900 billion must be invested annually in road infrastructure worldwide to keep pace with expected economic growth. In addition to financing sources for the required investments, decision-makers are also looking for ways to use existing infrastructure more efficiently. It is often not possible to build additional roads, especially in urban areas.

Global economic growth is leading to an increase in the transportation of goods. In addition, the increasing mobility of people and progressive urbanization pose challenges to transportation networks. At the same time, the impact of road traffic on the environment and people is becoming more relevant.

Maintenance and expansion of road networks require new financing models.

In view of tight government budgets, alternative financing models involving private investors will continue to gain in importance in the coming years. In order to ensure the economical operation of freeways, toll systems and traffic control systems will accordingly also play a more important role in the future.

The megatrends of urbanization and mobility influence and change also the ITS market.

Mobility. It is widely recognized that mobility is a basic human need and an important prerequisite for the functioning of a market economy. As prosperity increases, so does the volume of traffic. This in turn increases the demands placed on transportation systems.

Urbanization. The proportion of people living in cities is increasing. Whereas in year 1800 only 2% of the world's population was urban, in 2007 for the first time more than half of the world's population lived in cities. Based on a current figure of around 55%, the United Nations forecasts that the urban population will account for around 60% of the population in 2030 and 68% in 2050. At the same time, world population will rise from 7.6 billion people in 2018 to 8.5 billion in 2030 and 9.8 billion in 2050. By 2030 there is expected to be 43 mega-cities worldwide with more than ten million inhabitants; there are currently 31.

The OECD's International Transport Forum forecasts an increase in motorized mobility in cities of 41% between 2015 and 2030, and as much as 94% by 2050. The share of private motor vehicles will continue to rise sharply in developing regions and will decline only slightly in the industrialized countries. Urban congestion rates increased globally by 23% between 2008 and 2016 according to the TomTom Traffic Index. At the same time, the consulting firm Arthur D. Little has stated that many developed cities have neither a clear vision of what their mobility systems should look like in the future, nor the strategies to get there.

Road traffic pollutes the environment with exhaust emissions, particulate matter and noise.

Environmental protection.
Air pollution has significant effects on human health, impacts vegetation and ecosystems, contributes to climate change and damages materials and buildings. Road traffic plays an important role here. According to the European Environment Agency, road traffic is the largest emitter of nitrogen oxide in the EU with a share of 39%. The proportion is 20% for carbon monoxide, 28% black carbon, and 11% for particulate matter. Road traffic is responsible for one fifth of all greenhouse gases in the EU. Furthermore, noise pollution – with road traffic being the most widespread source – is an important environmental health problem in Europe.

Technologies and concepts.

Transportation industry undergoing radical change.
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.

2. Economic Situation of Kapsch TrafficCom AG

2.1. General situation

Despite the loss of two major projects (nation-wide toll system in the Czech Republic and infrastructure charge (passenger vehicle toll) in Germany), net sales reached EUR 191.9 million, meaning an increase of 9.6% year on year (previous year: EUR 175.1 million).

Significant events and developments in the fiscal year 2019/20:
On June 18, 2019 the European Court of Justice (ECJ) published a surprising decision with far-reaching consequences: The German infrastructure charge (passenger vehicle toll) in its planned form violates the principles of the European Union. On the following day, the customer terminated the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019. Claims against the Federal Republic of Germany have been asserted.

In Zambia, it was not possible to develop the business as originally planned. The company finally had to admit that it will be impossible to overcome regulatory hurdles in the foreseeable future. As a result, the anticipated business prospects in this country are also disappointing. It is for this reason that Kapsch TrafficCom has made impairments regarding the involvement in Zambia.

In November, Kapsch TrafficCom was informed to be best bidder for a major tolling project in South Africa. In March 2020, Kapsch TrafficCom was notified that the tendering had been discontinued. The existing tolling contract scheduled to end on December 2, 2019 has already been extended for an additional year.

At the end of November 2019, the contract to operate the nation-wide toll system in the Czech Republic expired.

Considerable additional expenses for the demanding implementation of new software in existing customer systems led to significant cost over-runs, particularly evident in the fourth quarter.

The end of the fiscal year was dominated by global measures to curb the COVID-19 pandemic. Fortunately, the effects on Kapsch TrafficCom’s results have been minimal.

2.2 Earnings situation

Net sales of Kapsch TrafficCom AG reached EUR 191.9 million in the fiscal year 2019/20, thus up by 9.6% on the previous year (EUR 175.1 million). The Intelligent Mobility Solutions (IMS) segment exhibited an increase in net sales from EUR 14.5 million in the previous year to EUR 21.2 million. The Electronic Toll Collection (ETC) segment generated net sales in the amount of EUR 170.7 million (previous year EUR 160.6 million).

In comparison with the previous year, personnel expenses increased by EUR 1.7 million from EUR 40.5 million to EUR 42.2 million. The average number of staff increased from 442 to 475 in the fiscal year under review.

Other operating expenses were down by EUR 2.6 million from EUR 50.8 million to EUR 48.2 million.

The operating result (EBIT) of Kapsch TrafficCom AG amounts to EUR -11.4 million in the reporting year compared to EUR 4.5 million in the previous year.

The financial result of EUR -8.9 million (previous year: EUR 29.9 million) was mainly attributable to expenses on fixed financial assets.

2.3 Assets and liabilities

The balance sheet total of EUR 519.9 million at the balance sheet date March 31, 2020 increased by EUR 24.2 million compared to the end of the fiscal year 2018/19 (March 31, 2019: EUR 495.7 million).

At EUR 255.0 million, equity was below the amount of EUR 289.3 million as at March 31, 2019. At 49.1%, the equity ratio decreased as at March 31, 2020 as compared to the previous year (previous year: 58.4%).

On the assets side, inventories decreased from EUR 37.7 million to EUR 31.9 million.

The group receivables (incl. borrowings) decreased from EUR 179.3 million in the previous year to EUR 169.7 million in the reporting year 2019/20.

Liquid funds of EUR 27.6 million rose by EUR 7.9 million compared to the previous year (previous year: EUR 19.7 million).

On the liabilities side of the balance sheet, long-term liabilities increased from EUR 147.2 million in the previous year to EUR 192.8 million as at the balance sheet date March 31, 2020.

At EUR 17.5 million, short-term bank loans and overdrafts increased at the balance sheet date March 31, 2020 compared to EUR 5.0 million in the previous year. Group payables increased by EUR 4.0 million as compared to the previous year (EUR 27.3 million). Other liabilities fell from EUR 3.8 million in the previous year to EUR 3.3 million as at the balance sheet date March 31, 2020.

2.4 Financial position

The net cash flow from operating activities amounted to EUR 33.4 million after EUR 33.5 million in the comparative prior-year period.

At EUR -62.8 million (previous year EUR -69.8 million), the net cash flow from investing activities mainly results from capital increases and business acquisitions.

The net cash flow from financing activities in the amount of EUR 37.3 million (previous year EUR -23.1 million) resulted from the payment of the dividend and the taking out of operating loans. In total, cash and cash equivalents increased from EUR 19.7 million as at March 31, 2019 to EUR 27.6 million as at March 31, 2020.

3. Miscellaneous company information.

3.1. Research and development.

The established structure with Solution Centers and a Corporate Technology function ensures a tight alignment along the innovation process.

Solution Centers oversee a specific market/solution segment. Their task is to define, develop and – in close cooperation with the sales regions – market products and solutions in their area of responsibility. Furthermore, the Solution Centers shall support the sales regions to ensure a seamless delivery of customer-specific solutions.

Corporate Technology is a cross functional organization supporting the Solution Centers. Major objectives are to identify and evaluate emerging new technologies as a key lever to stay competitive. Furthermore, Corporate Technology develops and integrates solutions built from products and solutions of different Solution Centers. Also, this organization provides tools, processes, common services and modules used by the Solution Centers and supports with IPR (intellectual property rights) issues.

During the fiscal year 2019/20 the patent portfolio has been further streamlined in areas of high strategic importance for Kapsch TrafficCom Group. The current patent portfolio consists of 166 patent families with more than 1,243 individual patents and 106 pending patent applications. During the fiscal year 2019/20, eight new patent families in the tolling and connected roads area were filed.

The United States District Court in Delaware dismissed with prejudice Neology, Inc. (Neology)'s outstanding patent infringement related claims against Kapsch TrafficCom. The dismissal confirms that Kapsch TrafficCom does not violate any Neology patent assertions by importing, marketing, or selling certain products. To be precise, the dispute was about electronic tolling products using the ISO/IEC 18000-6C communications protocol ("6C Standard"). The dismissal effectively confirms the 6C Standard as open and non-proprietary. It is available for use across the tolling industry. Kapsch TrafficCom has been a firm proponent of open standards to facilitate national electronic tolling interoperability.

Kapsch TrafficCom strives to mitigate the risk of patent infringements and to foster the patenting of new ideas. Hence, the IPR management focusses on supporting product management and product development. Patent analysis in various areas ensures that products and solutions are actually free to operate. Additionally the worldwide patent monitoring was further extended. Patent applications of competitors as well as in other relevant technology segments are analyzed to gain a better overview of the strategies of competitors.

In the fiscal year 2019/20, research and development expenses of Kapsch TrafficCom AG amounted to EUR 43.9 million (previous year: EUR 46.3 million).

3.2. Non-financial performance indicators.

Kapsch TrafficCom Group prepares a separate consolidated non-financial report that complies with the legal requirements of Section 267a Austrian Commercial Code (UGB).

3.3. Risk report.

Risk management.
The Corporate Risk & Opportunity Management is positioned as its own function within the finance department of Kapsch TrafficCom AG and primarily focuses on Enterprise Risk Management (ERM) and project-based risk management.

ERM provides a company-wide framework for the structured and systematic recording, quantification, mitigation and reporting of risk. The starting point is an analysis of the risk profile of Kapsch TrafficCom. On this basis, the company identified business processes that generate significant risks for the further development of the business. ERM defines special requirements for dealing with risks. These are implemented in the respective business processes. In this way, ERM systematically considers risks where they arise.

The ERM approach is aimed at the early identification, assessment and control of the risks that may materially influence the achievement of the strategic and operational goals of the company. The primary goal is not risk avoidance. It is much more a question of the controlled and conscientious handling of risks and the timely recognition and exploitation of opportunities that arise. ERM makes a valuable contribution to corporate management.

As part of ERM, the major risks are identified, quantified, and globally aggregated on a quarterly basis. The risk report derived from this enables the concise assessment and monitoring of the major business risks. The report is sent to the Executive Board, the audit committee of the Supervisory Board, and the first reporting level.

The project-oriented risk management encompasses both customer projects and internal development projects. Using institutionalized processes, an analysis of all relevant risks and opportunities is already carried out in the course of offer preparation. Consequently, a basis is created for decisions and for the timely planning and implementation of control measures.

Measures in connection with the COVID-19 pandemic. The management of Kapsch TrafficCom has activated existing business continuity plans. The internal technical infrastructure was quickly adapted so that employees could work from home for the most part. This has allowed the company preserve its ability to do business and operate. Furthermore, the company has established a temporary business continuity organization. This focused on handling the effects of the pandemic on the Group and enabled a rapid response to current developments.

The main generic risks and opportunities of Kapsch TrafficCom and the general handling of these risks are briefly discussed in the following.

Industry-specific risks

Volatility of new orders.
Kapsch TrafficCom's most relevant customer groups include government agencies and municipal authorities as well as private concessionaires, public-private partnerships and consumers. Larger contracts are usually tendered. Until a contract is actually awarded to Kapsch TrafficCom, there are a number of uncertainty factors both within and outside of the company's area of influence. For example, political changes, appeals or lawsuits by unsuccessful bidders can lead to a delay in the awarding of a contract, to its cancellation or to a modification of the tender. There is also the risk that offers made by Kapsch TrafficCom will not succeed for technological, financial, formal or other reasons.

The continuous expansion into new business areas that are compatible with the core business of Kapsch TrafficCom is intended not only to increase revenue but also to smooth over revenue spikes in the interest of more stable revenue development. This is to be achieved through increasing geographic diversification, by further broadening the customer and product portfolios, and by increasing the share of revenue from operations (technical and commercial operations of systems usually built by the company). The latter is usually commissioned on a long-term basis and is therefore characterized by better predictable revenues.

The economic situation of relevant national economies, possible government investment programs, changes in political priorities, an increasing focus on sustainability, trade conflicts, military conflicts or epidemics can have a significant impact on incoming orders. For example, the sudden and rapid spread of SARS-CoV-2 has increased uncertainty with regard to new incoming orders. Previous assumptions, particularly regarding the expected time of new customer orders had to be questioned and revised in some cases. As of June 3, 2020, the business continuity organization expected no impact for around 86% of the identified prospective projects; while delays were anticipated for around 11%. Around 3% were reported as paused or stopped.

Risks of project execution.
Electronic toll systems and intelligent mobility solutions are frequently ambitious and technologically complex systems that must be implemented within a strict time frame. However, the final project environment cannot be fully analyzed and taken into account during the preparation of an offer. Therefore, uncertainties remain with regard to integration expenses for third-party systems, expenses for interfaces and other factors accelerating or delaying the handling of projects. Necessary dependencies on suppliers and service providers can also have a negative effect on the quality and timely completion of a project. All of these factors affect the risk of missed deadlines and/or system and product defects.

In connection with the installation of systems, Kapsch TrafficCom is generally contractually obligated to issue performance and delivery date guarantees. If the contractual services are not fulfilled or if deadlines are exceeded, penalties and damages usually have to be paid, in some cases even damages for lost toll revenue. Significant missed deadlines can also result in premature termination of a contract by the customer. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or failed implementation of a project could reduce the chances of success in future tenders. There is also the risk that projects of Kapsch TrafficCom cannot be realized at the previously calculated costs. Due to the strong social opposition to toll systems that is sometimes encountered, the risk of a late or limited start to toll collection exists, which can have further consequences on revenues, profitability and payment flows in the operation project.

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

As of June 3, 2020, the business continuity organization expected no impact from the COVID-19 pandemic for around 96% of the execution projects; while delays were anticipated for around 3%. Around 1% was reported as paused or stopped.

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

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

Strategic risks.

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

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

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

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

Financial risks.

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

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

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

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

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

In reaction to the COVID-19 pandemic, Kapsch TrafficCom implemented temporary business continuity structures and measures. Among other things, they provide for an increase in the monitoring of expected incoming payments. This will allow the company to react quickly to unexpected delays in incoming payments.

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

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

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

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

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

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

Opportunities.

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

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

Opportunities also arise with change requests from customers during the execution of a project. These change requests result in an expansion of the contractual components and are priced and paid separately.

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

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

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

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

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

Impact of the COVID-19 Pandemic. Economic institutes anticipate a substantial decline in economic output in some cases for 2020, both globally and in the most important markets for Kapsch TrafficCom. It is also unclear how long it will take for economies to recover from the measures introduced to fight the virus. The effects on Kapsch TrafficCom cannot be fully assessed at the present time.

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was advanced again in the fiscal year 2019/20, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

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

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

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

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

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

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2020. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. As at March 31, 2020, there were no other shareholders who held more than 10% of the voting rights in Kapsch TrafficCom AG.

No shares with special control rights exist. No restrictions exist with respect to the exercising of the voting right by employees with capital participation. There are no special provisions regarding the appointment and recall of the members of the Executive Board and the Supervisory Board or modification of the articles of association. Neither authorized capital nor conditional capital currently exists at the company, which empowers the Executive Board to issue shares with the approval of the Supervisory Board and without (renewed) consideration by the annual general meeting. Conventional “change of control” clauses, which may lead to termination of the contract, relate to financing agreements, such as the promissory note bond (“Schuldscheindarlehen”) and further financing, totaling about EUR 200 million, or to various customer contracts in North America. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.6. Corporate-Governance-Report.

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

4. Outlook and objectives.

Many negative effects came together in the 2019/20 fiscal year. Management thus expects a significant improvement in the fiscal year 2020/21. Additional expenses for the implementation of new software will probably be incurred up to the first half of the year. At the same time, the company is facing the challenge of making up as well as possible for the loss of the nation-wide toll project in the Czech Republic—with a high revenue and result contribution—at the end of November 2019.

It is not currently possible to assess the effects of COVID-19 on Kapsch TrafficCom’s business. The management only sees a slight effect at present; however, things are being postponed in a few regions. It goes without saying that the visibility, particularly with regard to invitations to tender, has come down. It is therefore too early to provide a quantitative outlook for the fiscal year 2020/21. The management anticipates that 2020/21 will be better than the previous year and that Kapsch TrafficCom will manage to generate a clearly positive EBIT again.

Kapsch TrafficCom AG plans to grow in both segments. In the coming years, however, the strongest impetus for growth will continue to come from the toll segment.

Vienna, June 15, 2020

Georg Kapsch Chief Executive Officer	André Laux Executive Board member	Alfredo Escribá Gallego Executive Board member

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

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Kapsch TrafficCom AG, Vienna, which comprise the balance sheet as at March 31, 2020, the income statement for the fiscal year then ended and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code.

Basis for Opinion

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

Key Audit Matters

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

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

1. Valuation of shares in affiliated companies and participating interests

- *Description*

As a holding company, Kapsch TrafficCom AG, Vienna, holds material shares in affiliated companies (book values in the amount of EUR 199,735k) and also participating interests (book values in the amount of EUR 43,064k) as at March 31, 2020. EUR 5,734k of the participating interests relate to Q-Free ASA, Trondheim, Norway, which is listed on the Oslo stock exchange, and EUR 37,330k relate to unlisted companies.

Pursuant to Section 204 (2) UGB, shares in affiliated companies and participating interests are to be written down in case a diminution in value occurs that is expected to be permanent.

Testing shares in affiliated companies and participating interests for write-downs requires management to make significant estimates as to the future market development and the probability of winning individual major contracts during the planning period. Moreover, there is significant area of judgement involved in the valuation, in particular with regard to the discount rate and the growth rate for the terminal value. With regard to the financial statements, there is a risk of an overstatement of participating interests due to these estimation uncertainties and it was therefore identified as key audit matter.

In the fiscal year 2019/20, write-downs on the participating interest in Intelligent Mobility Solutions, Lusaka, Zambia (EUR 4,977k) were made based on these tests for write-downs. The book value after write-downs amounts to zero.

As regards the participating interest in Q-Free ASA, Trondheim, Norway, in the fiscal year 2019/20, the development of the share price resulted in a write-down in the amount of EUR 5,654k on the share price as at the balance sheet date. The book value after write-downs amounts to EUR 5,734k.

Management believes that no further permanent diminutions in value apply to shares in affiliated companies and participating interests as at March 31, 2020 and that, consequently, no further write-downs are required.

- *Audit approach and key observations*

In combination with our assessment of the valuation of the most significant shares in affiliated companies and participating interests, we checked the corresponding valuation models. In doing so, we checked the valuation method used by management and assessed the parameters applied (planned cash flows and discount rates). We evaluated whether the models used are in line with accepted valuation principles and whether the assumptions made are reasonable and appropriate.

With regard to the participating interest in Intelligent Mobility Solutions, Lusaka, Zambia, we checked and recalculated whether the need for a write-down resulting from the previous business results exists.

With regard to the participating interest in Q-Free ASA, Trondheim, Norway, we checked whether the need for a write-down resulting from the share price trend exists and recalculated the market value based on securities account statements and share price data.

The valuation models used by the Company are appropriate to assess the valuation of the participating interests. The assumptions and parameters used in the valuation are reasonable.

- *Reference to related disclosures*

For further information, reference is made to the notes to the financial statements of Kapsch TrafficCom AG, Vienna, Section D. Comments on items in the balance sheet “Shares in affiliated companies and participating interests“.

2. Estimates and assumptions in project accounting

- *Description*

A significant part of net sales in the fiscal year is generated from the project business. Services not yet invoiced as at March 31, 2020 amount to EUR 23,677k and project-related accruals amount to EUR 8,464k. Projects related to the implementation of toll collection systems, in particular, require an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the project margin. Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Company usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.

Due to the material impact of the major projects, in particular during the construction phase, on the Company’s financial position and financial performance and the significant estimates involved in the accounting for these contracts, there is the risk that the project revenue, the result and the project-related balance sheet items contain a material misstatement, and this was therefore identified as key audit matter.

- *Audit approach and key observations*

Within the framework of our risk-based audit approach, we have gained an understanding of the processes and internal controls relevant for project accounting and tested the effectiveness of selected internal controls. This mainly referred to internal controls in connection with the release of order calculation upon the conclusion of new contracts, approval of the ongoing recalculation and status reports on major projects. In the course of our detailed audit procedures, we requested the project valuations for the major construction contracts and reperformed the calculation of the accruals/deferrals based on plan revenue and costs as well as the costs incurred up until the balance sheet date. Based on samples we looked at project requests, customer contracts, Supervisory Board minutes, the project budgeting tool as well as detailed cost estimates for individual significant projects and held discussions with the project managers and management regarding the status of the project, project risks and planning assumptions. In assessing the appropriateness of the estimates, a particular focus was on the review of the regular update of plan assumptions, in particular on the planned cost to complete and the project margin. In doing so, we have, among others, made use of historical experience regarding the accuracy of estimates of large-scale projects carried out in the past.

The valuation methods and underlying assumptions for the valuation of projects are appropriate.

- *Reference to related disclosures*

  For further information, reference is made to the notes to the financial statements of Kapsch TrafficCom AG, Vienna, Section C. Accounting and valuation methods "2.1. Inventories" and "5. Accruals and provisions" as well as Section D. Comments on items in the balance sheet under "Accruals and provisions".

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

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

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

Opinion

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

Statement

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

Other information

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

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

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

Additional Information in Accordance with Article 10 of the EU Regulation

We were appointed as statutory auditor at the ordinary general meeting dated September 10, 2019. We were engaged by the supervisory board on December 11, 2019. We have audited the Company for an uninterrupted period since 2002.

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

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

Responsible Engagement Partner

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

Vienna, June 15, 2020

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor's report is only allowed if the financial statements and the management report are identical with the German audited version. This auditor's report is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

Statement of all Members of the Executive Board.

Pursuant to Section 124 (1) Austrian Stock Exchange Act 2018.

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

Vienna, June 15, 2020

Georg Kapsch	André Laux	Alfredo Escribá Gallego
Chief Executive Officer	Executive Board member	Executive Board member

The paper used for this annual report comes from a FSC-certified (MixCredit) production. Due to the ISO environmental certification of the entire operation of the supplier all print productions are produced according to the requirements for environmental and resource-saving sustainable manufacturing processes.

Disclaimer.
Certain statements in this report are forward-looking statements. They contain the words “believe,” “intend,” “expect,” “plan,” “assume,” and terms of a similar meaning. Forward-looking statements reflect the beliefs and expectations of the company. Actual events can deviate significantly from the expected developments, due to a range of factors. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. Kapsch TrafficCom AG disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

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

When referring to people, the authors strive to use both the male and female forms as far as possible (for example he or she). For readability reasons, occasionally only the masculine form is used. However, this always refers to men, women, and non-binary persons.

This report does not constitute a recommendation or invitation to purchase or sell securities of Kapsch TrafficCom.

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Kapsch TrafficCom

Kapsch TrafficCom is a 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 2019/20, the about 5,100 employees of Kapsch TrafficCom generated revenues of EUR 731 million.

>>> www.kapsch.net

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