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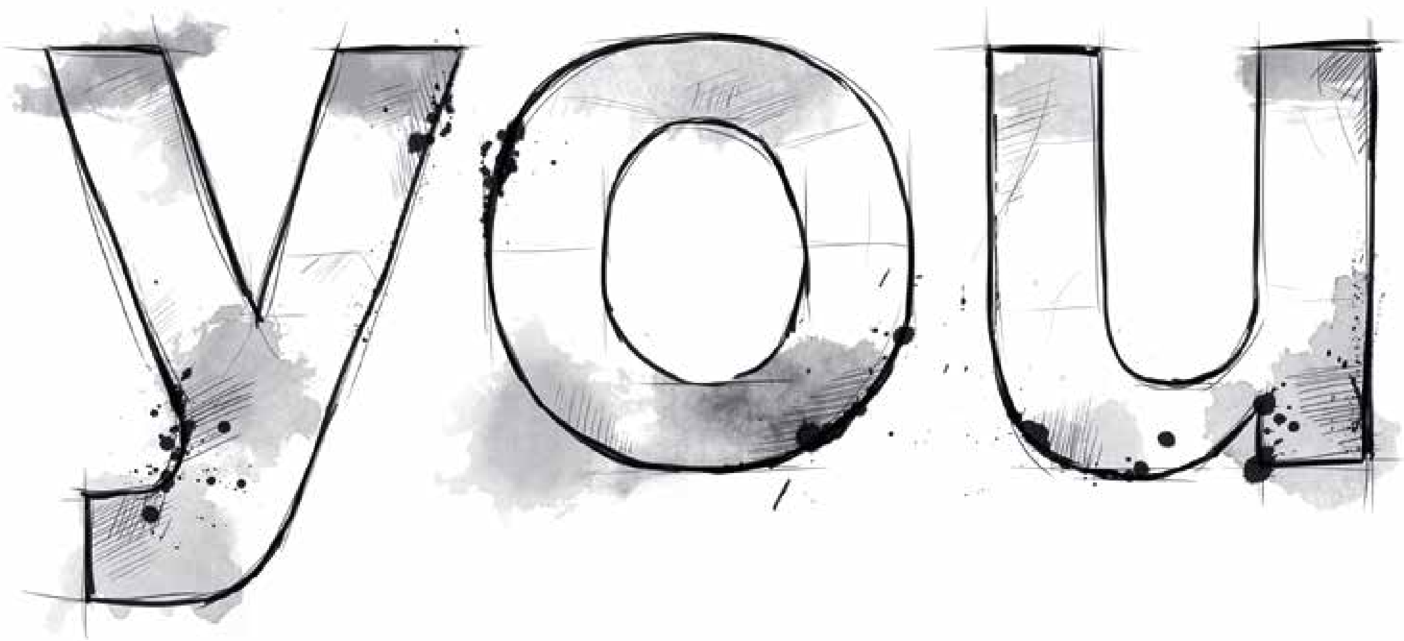
Kapsch TrafficCom

Report on the first quarter of 2018/19



Selected key data.

2018/19 and 2017/18: refers to the respective fiscal year (April 1 – March 31)
Q1: first quarter of fiscal year (April 1 – June 30)
All figures presented in EUR million unless otherwise stated

Earnings Data	2017/18	Q1 2017/18	Q1 2018/19	+/-
Revenues	693.3	164.3	158.2	-3.7%
Share of ETC segment	75.2%	75.1%	75.6%	0.5%p
Share of IMS segment	24.8%	24.9%	24.4%	-0.5%p
EBITDA	64.9	15.7	10.6	-32.8%
EBITDA margin	9.4%	9.6%	6.7%	-2.9%p
EBIT	50.1	11.7	7.1	-39.3%
EBIT margin	7.2%	7.1%	4.5%	-2.6%p
Result before taxes	44.2	9.3	3.6	-61.4%
Result for the period	28.0	6.6	2.5	-62.3%
Result for the period attributable to equity holders	28.7	6.8	2.7	-60.6%
Earnings per share in EUR	2.21	0.52	0.21	-60.3%
Business segments	**2017/18**	**Q1 2017/18**	**Q1 2018/19**	**+/-**
Electronic Toll Collection (ETC)				
Revenues	521.6	123.4	119.6	-3.1%
EBIT	53.5	14.6	7.0	-52.3%
EBIT margin	10.3%	11.9%	5.8%	-6.0%p
Intelligent Mobility Solutions (IMS)				
Revenues	171.6	40.9	38.7	-5.5%
EBIT	-3.4	-2.9	0.1	—
EBIT margin	-2.0%	-7.1%	0.3%	7.5%p
Revenues by region	**2017/18**	**Q1 2017/18**	**Q1 2018/19**	**+/-**
EMEA	63.7%	64.9%	64.5%	-0.4%p
Americas	30.2%	29.6%	29.3%	-0.3%p
APAC	6.1%	5.5%	6.2%	0.7%p
Balance sheet data	**March 31, 2018**		**June 30, 2018**	**+/-**
Total assets	621.1		614.8	-1.0%
Total equity [1]	229.9		231.4	0.6%
Equity ratio [1]	37.0%		37.6%	0.7%p
Net cash (+)/debt (-) [2]	16.2		-5.8	—
Gearing [3]	—		2.5%	—
Capital employed [4]	398.4		400.5	0.5%
Net working capital [5]	239.2		229.3	-4.2%
Cash flow	**2017/18**	**Q1 2017/18**	**Q1 2018/19**	**+/-**
Net CAPEX [6]	8.8	1.3	1.4	10.7%
Free cash flow [7]	33.1	-4.3	-12.2	-186.6%
Other information	**2017/18**	**Q1 2017/18**	**Q1 2018/19**	**+/-**
Employees, end of period	5,259	4,829	5,274	9.2%
On-board units, in million units	12.65	2.94	3.29	12.0%

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

Highlights Q1 2018/19.

Revenues Q1

EUR 158.2 million
(-3.7%)

EBIT Q1

EUR 7.1 million
(-39.3%)

Earnings/share Q1

EUR 0.21
(-60.3%)

Deferments in certain projects caused results below expectation in the first quarter.

> Some of the revenues and earnings budgeted in the current fiscal year could be deferred into the next fiscal year.
> The general order situation remains positive.

Outlook for the fiscal year 2018/19 adapted.

> Revenues and EBIT on previous year's level.

Modernization of the truck toll system in Switzerland.

> Modernization of the roadside and central toll system components.
> Functional extension to establish interoperability with the European Electronic Toll Service (EETS).
> Maintenance and system operation through 2020, can be extended annually through 2024.
> Order value: Just over EUR 20 million.

New business in Spain.

> León: Access control system for the historic center.
> Irún: Modernization of the Irun-Barrera toll system (joint venture with Construcciones Amenabar).
> Bilbao: Maintenance of the railway and tram ticketing systems over the upcoming four years (in collaboration with INSITEL).
> In Spain, solutions from Kapsch TrafficCom are now used in more than 20 cities all over the country.

Efforts for follow-up business in nation-wide toll projects.

> Czech Republic: Tender for the new contract stopped, existing agreement with Kapsch TrafficCom runs until the end of 2019 at the latest.
> Poland: Tender stopped, existing agreement with Kapsch TrafficCom runs until the beginning of November 2018.

Completion of the modernization of the Austrian truck toll system.

> The technical operations will be provided over a period of ten years, with the possibility of five extensions of one year each.

Letter from the CEO.

Q1 2018/19:
> Revenues -3.7%
> EBIT -39.2%

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

Positive order situation.

By the end of the year, decisions on major projects expected.

Dear Shareholders,

The project business accounts for a significant portion of Kapsch TrafficCom's revenues (more than 25% in Q1 2018/19). It can occasionally happen that project milestones are reached in a different quarter than planned. Sometimes even a short delay (beyond the end of a reporting period) is enough to cause shifts between quarters. The reasons for this are diverse and can lie with customers, suppliers and, of course, with us. Therefore, I prefer to review and analyze the earnings of Kapsch TrafficCom over a longer period of time than, as required, per quarter.

Delays in existing implementation projects (ETC segment) were also the primary reason that revenues and earnings in Q1 2018/19 fell short of expectations. I would like to emphasize here that we have not lost any significant orders, but there have been differences between the planned and current project progress in some projects for various reasons – which were sometimes beyond our control. As a result, certain revenues and contribution margins could not be achieved yet. As a consequence, we have reduced our outlook for the fiscal year and are now assuming revenues and EBIT on the previous year's level.

Higher currency losses weighed on the financial result in the first quarter; these amounted to a loss of EUR 3.7 million in total as compared to a loss of EUR 1.2 million in the previous year. A fictitious tax rate of 30% was applied to the pre-tax earnings (actual values are not calculated until the end of the fiscal year). All this led to a decline of more than 60% in the result for the period and to earnings per share of EUR 0.21.

Apart from the delays mentioned above, the order situation remains positive. For example, we were contracted to modernize the Swiss truck toll system as well as to handle its maintenance and system operation through 2020, which can be extended to 2024. By the end of the calendar year, we also expect decisions on the awarding of a number of major projects and should find out what will happen in the Czech Republic and Poland. In both countries, the tenders for nation-wide toll systems were canceled. Our teams are working hard to remain a strong partner for governments in toll collection.

The strong balance sheet with an equity ratio of 37.6% provides us with support for new major projects, and the gearing ratio of 2.5% gives us sufficient flexibility in my opinion. I therefore remain optimistic about the future and hope that we will be able to report additional new business in the coming months.

The Group's growth and increasing internationalization mean that internal measures for increasing operational excellence are constantly gaining significance. Better and more intensive global cooperation is essential for the performance and ongoing growth of Kapsch TrafficCom.

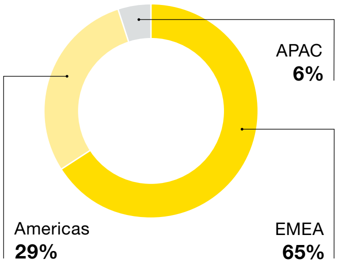
Sincerely,

Georg Kapsch
Chief Executive Officer

Analysis of the Results and Balance Sheet Q1 2018/19.

Revenues and earnings.

Revenues by region.



In the first quarter of the current fiscal year Kapsch TrafficCom's revenues reached EUR 158.2 million and were thus 3.7% below the previous year's level (EUR 164.3 million). Revenues for the current fiscal year are presented in accordance with the new accounting standard IFRS 15, however, the transition did not result in any deviation from the revenue recognition in the fiscal year 2017/18.

The operating result (EBIT) was EUR 7.1 million and thus well below the previous year's figure of EUR 11.7 million. This corresponds to an EBIT margin of 4.5% (Q1 2017/18: 7.1%). Deferments within existing projects were mainly responsible for this decrease. Currency effects from operating activities had a positive effect in the first quarter of the current fiscal year.

Despite positive effects from the valuation of the other investment Q-Free ASA, Norway, in the amount of EUR 0.9 million and lower interest expenses, the financial result declined in the first quarter of the current fiscal year to EUR -3.5 million compared to EUR -2.3 million in the same period of the previous year. The main reason for this was higher currency losses which burdened the financial result with a total of EUR -3.7 million (Q1 2017/18: EUR -1.2 million) and are mainly due to exchange rate fluctuations of the South African rand (ZAR) in respect to the euro (EUR).

In the first quarter of 2018/19 a tax rate of 30% was applied to the Group's pre-tax result and gives rise to the tax expense of EUR -1.1 million. In the same period of the previous year tax expense amounted to EUR -2.6 million or 28.6% of the Group's pre-tax result.

The profit for the period for the first quarter of 2018/19 was EUR 2.5 million (Q1 2017/18: EUR 6.6 million). The decrease of 62.3 % compared to the same period of the previous year is primarily attributable to the above mentioned effects in EBIT and in the financial result.

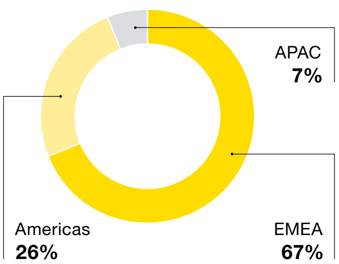
The segments developed as follows in the first quarter:

Electronic Toll Collection (ETC).

ETC revenues:
EUR 119.6 million (-3.1%).

At EUR 119.6 million, revenues in the ETC segment were 3.1% below the previous year's figure of EUR 123.4 million and thus contributed 75.6% to total revenues (Q1 2017/18: 75.1%).

ETC revenues by region.



The largest contribution to revenues (EUR 79.6 million, Q1 2017/18: EUR 86.0 million) continued to be generated in the EMEA region with the nation-wide toll projects in the Czech Republic, Poland, Belarus and Austria as well as projects in South Africa. The volume of implementation projects decreased slightly compared to the same period of the previous year.

Revenues in the Americas region rose slightly from EUR 29.9 million to EUR 31.0 million in the first quarter. This was above all due to the revenues of Simex, which was fully taken over in the second quarter of the previous year.

In the APAC region a rise in revenues of EUR 1.5 million was recorded compared to the same period of the previous year. Revenues particularly increased in Singapore.

In the first quarter of the fiscal year, a record number of 3.3 million on-board units were sold (Q1 2017/18: 2.9 million units). Increases were recorded particularly in the USA, Morocco, Spain and Russia, while sales in Norway, France and Turkey declined compared to the same period in the previous year.

ETC EBIT:
EUR 7.0 million (-52.3%).

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

in EUR million	Q1 2017/18	Q1 2018/19	+/-
Revenues	**123.4**	**119.6**	**-3.1%**
Implementation	27.1	25.1	-7.6%
Operations	69.8	67.2	-3.8%
Components	26.4	27.3	3.4%
EBIT	**14.6**	**7.0**	**-52.3%**

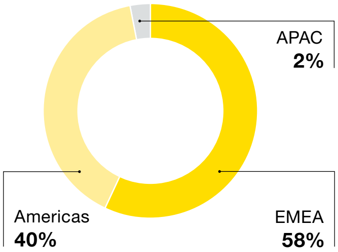
EBIT in the ETC segment fell by 52.3% compared to the same period in the previous year and reached EUR 7.0 million. Cost of materials and other production services, as well as staff costs, increased in the first quarter of the current fiscal year, despite lower revenues. The operating currency result improved by EUR 4.1 million to EUR 0.9 million compared to the same period in the previous year (foreign exchange gains increased by EUR 1.8 million and foreign exchange losses decreased by EUR -2.3 million). Other operating expenses fell slightly by EUR 1.4 million. In addition to lower foreign exchange losses (EUR -2.3 million), lower maintenance costs (EUR -0.9 million) were the reason for this decline, while increases in IT expenses (EUR +0.8 million) and in legal and consulting fees (EUR +0.9 million) counteracted the positive effect.

Intelligent Mobility Solutions (IMS).

IMS revenues:
EUR 38.7 million (-5.5%).

Revenues in the IMS segment fell to EUR 38.7 million (-5.5%) in the first quarter of 2018/19, contributing 24.4% to total revenues (Q1 2017/18: 24.9%).

IMS revenues by region.



While revenues in the EMEA region increased (+8.9%), they decreased in the Americas region by 17.8% and in the APAC region by 46.7%.

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

in EUR million	Q1 2017/18	Q1 2018/19	+/-
Revenues	**40.9**	**38.7**	**-5.5%**
Implementation	18.6	16.3	-12.1%
Operations	20.1	19.6	-2.5%
Components	2.2	2.7	23.1%
EBIT	**-2.9**	**0.1**	**104.4%**

IMS EBIT:
EUR 0.1 million (>100%).

EBIT in the IMS segment amounted to EUR 0.1 million in the first quarter and was significantly above the previous year's level (Q1 2017/18: EUR -2.9 million). Cost of materials and other production services decreased sharply compared to the same period in the previous year. Staff costs and other operating expenses also fell, resulting in an increased EBIT.

Financial situation.

The balance sheet total of Kapsch TrafficCom as at June 30, 2018 amounted to EUR 614.8 million (March 31, 2018: EUR 621.1 million).

Assets.
On the assets side of the balance sheet loans to other investments as well as the valuation of other investments in connection with the first-time adoption of IFRS 9 led to an increase in "other non-current financial assets and investments". "Contract assets" are presented separately for the first time in accordance with IFRS 15 (non-current: EUR 2.1 million; current: EUR 112.4 million). Previously, amounts due from customers for contract work as well as for service and maintenance contracts (March 31,2018: EUR 83.9 million) were included in "trade receivables and other current assets". As a result of the separate presentation, "trade receivables and other current assets" fell by EUR 108.4 million in total. In addition, trade receivables in Austria, the USA and South Africa decreased. "Cash and cash equivalents" decreased by EUR 21.2 million compared to the level as at March 31, 2018. This was mainly due to the negative free cash flow in the first quarter and payments from the acquisition of minority shares.

Liabilities and equity.
On the liabilities side of the balance sheet "contract liabilities" are presented separately for the first time in accordance with IFRS 15 (non-current: EUR 13.6 million; current: EUR 23.4 million). Previously, amounts due to customers for contract work (March 31,2018: EUR 31.5 million) were included in other liabilities, which consequently fell significantly. "Other liabilities and deferred income" are thus EUR 42.6 million lower, including the payment of earn-out liabilities from the acquisition of Kapsch Telematic Services GmbH, Vienna, in the amount of EUR 3.5 million. The increase in equity by EUR 1.4 million to EUR 231.4 million compared to March 31, 2018 resulted from the "total comprehensive income for the period" amounting to EUR 1.8 million, whereby the first-time adoption of the new standards IFRS 15 and IFRS 9 had a negative impact of EUR -0.5 million. The equity ratio as at June 30, 2018 was at 37.6% (March 31, 2018: 37.0%).

Key figures.
While "amounts due from customers for contract work" – being part of the position "trade receivables and other current assets" – have already been included in the calculation of net working capital, "amounts due to customers for contract work" – being part of the position "other liabilities and deferred income" – have not been included. The separate presentation of "current contract liabilities" which is required in accordance with IFRS 15 prompted Kapsch TrafficCom to consider this position in the calculation of net working capital as of June 30, 2018. The first-time inclusion resulted in a decrease of net working capital to EUR 229.3 million as at June 30, 2018 (March 31, 2018: EUR 239.2 million).

After reporting a net cash of EUR 16.2 million as at March 31, 2018, the Group showed a net debt of EUR 5.8 million as at June 30, 2018, corresponding to a gearing ratio of 2.5% (March 31, 2018: n/a).

Cash flow.

Net cash flow from operating activities amounted to EUR -10.8 million in the first quarter of the fiscal year (Q1 2017/18: EUR -3.0 million). The decline is due to the lower operating result in the reporting period (EUR -4.6 million) and the decrease in the amount of EUR -6.3 million in "trade payables and other current payables" including "contract liabilities" (Q1 2017/18: EUR +1.3 million) and in the amount of EUR -8.4 million in "trade receivables and other assets" also including "contract assets" (Q1 2017/18: EUR -3.9 million).

Net cash flow from investing activities amounted to EUR -4.3 million in the first quarter of 2018/19, which is lower than the figure in the first quarter of 2017/18 (EUR -1.3 million). EUR 0.9 million were paid in the first quarter for the acquisition of additional shares in IMS Zambia. The net CAPEX for property, plant and equipment and intangible assets were roughly at the previous year's level. Furthermore, loans of EUR 2.0 million were given to other investments.

Net cash flow from financing activities was also negative at EUR -4.4 million in the first quarter (Q1 2017/18: EUR +0.4 million), the majority of which was due to the settlement of earn-out liabilities from previous acquisitions.

Free cash flow (net cash flow from operating activities minus net CAPEX) of EUR -12.2 million was significantly below the previous year's figure of EUR -4.3 million. Free cash flow decreased despite stable net CAPEX, as a result of the decline in operating result and the negative effects from net working capital.

Cash and cash equivalents as of June 30, 2018 amounted to EUR 160.6 million (March 31, 2018: EUR 181.8 million).

Vienna, August 22, 2018

The Executive Board

Georg Kapsch Chief Executive Officer	André Laux Executive Board member	Alexander Lewald Executive Board member

Condensed Consolidated Interim Financial Information

as of June 30, 2018.)*

Kapsch TrafficCom – Consolidated statement of comprehensive income.

All amounts in TEUR	Note	Q1 2017/18	Q1 2018/19
Revenues	(6)	164,260	158,218
Other operating income	(7)	1,292	2,709
Changes in finished and unfinished goods and work in progress		326	-50
Other own work capitalized		141	0
Cost of materials and other production services		-58,464	-59,220
Staff costs		-59,922	-61,993
Amortization and depreciation		-4,024	-3,461
Other operating expenses	(8)	-31,893	-29,171
Proportional operating result of joint ventures	(12)	—	78
Operating result		**11,717**	**7,111**
Finance income		1,043	1,113
Finance costs		-3,377	-4,654
Financial result		**-2,334**	**-3,540**
Results from associates and joint ventures	(12)	-124	0
Result before income taxes		**9,259**	**3,570**
Income taxes	(9)	-2,644	-1,075
Result for the period		**6,615**	**2,496**
Result attributable to:			
Equity holders of the company adjusted [1]		6,756	2,682
Non-controlling interests adjusted [1]		-141	-187
		6,615	**2,496**
Earnings per share from the result for the period attributable to the equity holders of the company (in EUR)			
diluted and undiluted		0.52	0.21
Other comprehensive income for the period			
Items subsequently to be reclassified to the result for the period:			
Currency translation differences		798	-2,547
Currency translation differences from net investments in foreign operations		-2,833	2,366
Fair value gains/losses on financial assets:			
Fair value gains/losses recognized in other comprehensive income		-20	0
Fair value adjustments of cash flow hedges		50	48
Income tax relating to items subsequently to be reclassified to the result for the period		713	-591
Total items subsequently to be reclassified to the result for the period		**-1,292**	**-724**
Total items subsequently not to be reclassified to the result for the period		**0**	**0**
Other comprehensive income for the period net of tax	(10)	**-1,292**	**-724**
Total comprehensive income for the period		**5,323**	**1,771**
Total comprehensive income attributable to:			
Equity holders of the company adjusted [1]		5,431	2,000
Non-controlling interests adjusted [1]		-108	-229
		5,323	**1,771**

Earnings per share relate to 13.0 million shares.

[1] Non-controlling interests were adjusted for the first quarter of the fiscal year 2017/18. Details see note 16.

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

Kapsch TrafficCom – Consolidated balance sheet.

All amounts in TEUR	Note	March 31, 2018	June 30, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	(11)	21,409	20,470
Intangible assets	(11)	70,798	69,754
Interests in associates and joint ventures	(12)	7,502	8,519
Other non-current financial assets and investments	(13)	23,170	27,888
Non-current contract assets	(13)	—	2,088
Other non-current assets		385	324
Deferred tax assets		12,399	12,289
		135,663	**141,331**
Current assets			
Inventories		38,889	43,506
Trade receivables and other current assets	(13)	254,394	146,002
Current contract assets	(13)	—	112,444
Current tax receivables		7,563	8,215
Other current financial assets	(13)	2,804	2,678
Cash and cash equivalents	(13)	181,835	160,646
		485,484	**473,490**
Total assets		**621,147**	**614,821**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital		13,000	13,000
Capital reserve		117,509	117,509
Retained earnings and other reserves		100,466	101,962
		230,975	**232,471**
Non-controlling interests		**-1,045**	**-1,099**
Total equity		**229,930**	**231,372**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(13, 14)	141,759	142,516
Liabilities from post-employment benefits to employees		23,706	23,906
Non-current provisions	(15)	8,911	8,018
Non-current contract liabilities	(13)	—	13,623
Other non-current liabilities	(13)	4,292	3,727
Deferred tax liabilities		1,910	2,562
		180,578	**194,352**
Current liabilities			
Current financial liabilities	(13, 14)	26,675	26,612
Trade payables	(13)	58,255	53,795
Current contract liabilities	(13)	—	23,388
Current tax payables		3,354	3,676
Current provisions	(15)	9,600	11,464
Other liabilities and deferred income	(13)	112,758	70,163
		210,640	**189,097**
Total liabilities		**391,218**	**383,449**
Total equity and liabilities		**621,147**	**614,821**

Kapsch TrafficCom – Consolidated statement of changes in equity.

All amounts in TEUR	Attributable to equity holders of the company				Non-controlling interests [1]	Total equity
	Share capital	Capital reserve	Other reserves	Retained earnings		
Carrying amount as of March 31, 2017	**13,000**	**117,509**	**-40,486**	**138,335**	**-1,052**	**227,306**
Effects from decrease in shares of subsidiaries adjusted [1]				0	0	0
Dividend				0	0	0
Result for the period [1]				6,756	-141	6,615
Other comprehensive income for the period:						
Currency translation differences [1]			-1,360		33	-1,327
Fair value gains/losses on available-for-sale financial assets			-15			-15
Fair value adjustments of cash flow hedges			50			50
Carrying amount as of June 30, 2017 adjusted [1]	**13,000**	**117,509**	**-41,811**	**145,092**	**-1,160**	**232,630**
Carrying amount as of March 31, 2018	**13,000**	**117,509**	**-47,050**	**147,515**	**-1,045**	**229,930**
Adjustments due to new IFRSs (see note 3)			1,603	-2,254		-650
Deferred taxes on adjustments			-417	563		146
Reclassification from other reserves to retained earnings			-86	86		0
Carrying amount as of April 1, 2018 adjusted	**13,000**	**117,509**	**-45,950**	**145,911**	**-1,045**	**229,425**
Effects from capital contribution in a subsidiary				0	175	175
Dividend				0	0	0
Result for the period				2,682	-187	2,496
Other comprehensive income for the period:						
Currency translation differences			-730		-42	-773
Fair value gains/losses on financial assets			0			0
Fair value adjustments of cash flow hedges			48			48
Carrying amount as of June 30, 2018	**13,000**	**117,509**	**-46,631**	**148,593**	**-1,099**	**231,372**

[1] Non-controlling interests and effects from decrease in shares of subsidiaries were adjusted for the first quarter of the fiscal year 2017/18. Details see note 16.

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

Kapsch TrafficCom – Consolidated cash flow statement.

All amounts in TEUR	Note	Q1 2017/18	Q1 2018/19
Cash flow from operating activities			
Operating result		11,717	7,111
Adjustments for non-cash items and other reconciliations:			
Scheduled depreciation and amortization		4,024	3,461
Increase/decrease in obligations for post-employment benefits		-249	201
Increase/decrease in other non-current liabilities and provisions [2)]		-1,069	-966
Increase/decrease in other non-current receivables and assets [1)]		-300	-26
Increase/decrease in trade receivables (non-current)		319	74
Increase/decrease in trade payables (non-current)		-100	-15
Other (net)		-885	-2,105
		13,456	**7,734**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets [1)]		-3,920	-8,446
Increase/decrease in inventories		-240	-4,617
Increase/decrease in trade payables and other current payables [2)]		1,308	-6,292
Increase/decrease in current provisions		-3,986	1,864
		-6,838	**-17,491**
Cash flow from operations		**6,618**	**-9,756**
Interest received		209	302
Interest payments		-1,577	-784
Net payments of income taxes		-8,209	-536
Net cash flow from operating activities		**-2,960**	**-10,774**
Cash flow from investing activities			
Purchase of property, plant and equipment	(11)	-1,102	-1,042
Purchase of intangible assets	(11)	-248	-802
Purchase of securities, investments and other non-current financial assets		-39	-2,032
Payments for the acquisition of shares in at-equity-consolidated entities	(12)	0	-938
Proceeds from the disposal of property, plant and equipment and intangible assets		46	401
Proceeds from the disposal of securities and other financial assets		0	73
Net cash flow from investing activities		**-1,343**	**-4,340**
Cash flow from financing activities			
Contributions from shareholders in a subsidiary		0	175
Payments for the acquisition of non-controlling interests		-750	-4,250
Increase in non-current financial liabilities	(14)	8	0
Increase in current financial liabilities	(14)	2,091	914
Decrease in current financial liabilities	(14)	-962	-1,257
Net cash flow from financing activities		**388**	**-4,418**
Net increase/decrease in cash and cash equivalents		**-3,915**	**-19,532**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year		211,299	181,835
Net increase/decrease in cash and cash equivalents		-3,915	-19,532
Exchange gains/losses on cash and cash equivalents		-2,596	-1,657
Cash and cash equivalents at the end of the period		**204,788**	**160,646**

1) Including “contract assets”.
2) Including “contract liabilities”.

Selected notes to the condensed consolidated interim financial information.

1 General information.

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

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

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

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

2 Basis of preparation.

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

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

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

3 Accounting policies.

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

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

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

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

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

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

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

Certain costs incurred in obtaining or fulfilling a contract, must be capitalized in accordance with IFRS 15 if the criteria are met. In the first quarter of 2018/19 and in the fiscal year 2017/18, no such costs eligible for capitalization were incurred.

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

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

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

- Debt instruments that were classified as available-for-sale (AFS) instruments according to IAS 39, are categorized at fair value through profit or loss according to IFRS 9.
- Debt instruments, that include cash flows that are solely payments of principal and interest and that are held within the business model, are classified at amortized cost according to IFRS 9.
- Equity instruments that were valued as available-for-sale (AFS) instruments according to IAS 39, are categorized at fair value through profit or loss according to IFRS 9. In the first quarter of 2018/19 the investment in Q-Free ASA, Norway, is included in this category.
- Other investments included in the balance sheet of the Group that were valued at amortized costs, and were not available for sale, are valued at fair value through other comprehensive income (without recycling) according to IFRS 9. The investments in ParkJockey Inc., USA, and Traffic Technology Services Inc., USA, are included in this category in the first quarter of 2018/19. For new investments the decision of the category will be made individually.
- Derivative financial instruments continue to be classified as fair value through profit or loss. Derivative financial instruments that are designated as cash flow hedges remain in the category hedging instruments of IAS 39.
- Trade receivables, other financial assets and liabilities continue to be valued at amortized cost according to IFRS 9. There are no liabilities designated as at fair value through profit or loss.
- As the Group does not sell trade receivables as part of factoring, the corresponding rules of IFRS 9 are not relevant.
- The Group uses the simplified model for trade receivables without a significant financing component as well as for contract assets in the meaning of IFRS 15 and calculates the impairment in the amount of credit losses expected over the term accordingly. The expected credit loss is determined on the basis of a provision matrix, in which the financial assets are broken down according to the age structure and the respective default rates are determined for different age bands. To create a provision matrix, historical data about actually occurred failures are considered first. However, in addition to the historical perspective, the Group also considers future-oriented information and expectations. Contract assets have similar risk criteria as trade receivables not yet due and therefore use the same loss rates.

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

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

	March 31, 2018		**April 1, 2018**
	Carrying amount	Adjustments due to new IFRS	Carrying amount adjusted
Trade receivables and other current assets	**254,394**	**-85,749**	**168,645**
Trade receivables including impairment	133,600	-1,846	131,754
Amounts due from customers for contract work	76,966	-76,966	0
Amounts due from customers for service and maintenance contracts	6,937	-6,937	0
Other receivables and prepaid expenses	36,891	0	36,891
Contract assets including impairment (non-current and current)	**—**	**83,495**	**83,495**
Other financial assets and investments (non-current and current)	**25,974**	**1,603**	**27,577**
Securities	3,505	209	3,714
Derivative financial instruments	154	0	154
Investments	10,657	0	10,657
Investments (at fair value through comprehensive income without recycling)	6,622	1,357	7,979
Fixed-income securities	2,214	0	2,214
Other financial assets and loans	2,822	37	2,859
Contract liabilities (non-current and current)	**—**	**31,486**	**31,486**
Other liabilities and deferred income (non-current and current)	**117,050**	**-31,486**	**85,564**
Amounts due to customers for contract work	31,486	-31,486	0
Other liabilities and deferred income	85,564	0	85,564
Deferred tax assets	**12,399**	**146**	**12,545**
Equity	**229,930**	**-504**	**229,426**
Carrying amount as at March 31, 2018	229,930	0	229,930
Adjustment of impairment of trade receivables and contract assets	—	-2,254	-2,254
Adjustment of valuation of investments	—	1,603	1,603
Adjustment of deferred taxes	—	146	146

Not yet effective standard IFRS 16.
IFRS 16 "Leases" specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. The Group will not apply the standard prematurely and plans to use the simplification rules and not to provide comparative figures for the previous period.

The Group has begun an initial analysis of the contracts and a process for selecting a software solution. The most significant effect is expected to result from the capitalization of assets and liabilities arising from operating leases for motor vehicles and buildings as well as IT equipment. Regarding the disclosure of non-cancellable operating leases as of March 31, 2018, please refer to the annual financial statements as of March 31, 2018.

4 Material accounting estimates and assumptions.

In the context of the preparation of the condensed consolidated interim financial information, the Group makes judgements, estimates and assumptions in relation to the application of accounting methods and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. All estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including expectations as to future events which are believed to be reasonable under the given circumstances. The estimates made by the Management are in line with those adopted in the annual financial statements as of March 31, 2018 and described therein.

Fair value measurement.
The Group bases its fair value measurement of assets and liabilities on observable market data to the greatest extent possible. The fair value can be assigned to one of various levels within a fair value hierarchy using a number of evaluation techniques. Further information on the fair value measurement can be found in note 13.

5 Risk management.

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

6 Segment information.

The table for the first quarter of the fiscal year 2018/19 shows revenues by performance obligation pursuant to IFRS 15, which also correspond to the business type.

Q1 2018/19	**ETC**	**IMS**	**Total**
Revenues	**119,561**	**38,657**	**158,218**
Implementation	25,058	16,317	41,376
Operations	67,176	19,601	86,777
Components	27,327	2,739	30,066
Operating result	**6,981**	**130**	**7,111**
EBIT margin	**5.8%**	**0.3%**	**4.5%**

Q1 2017/18	**ETC**	**IMS**	**Total**
Revenues	**123,363**	**40,898**	**164,260**
Implementation	27,118	18,569	45,688
Operations	69,814	20,103	89,917
Components	26,431	2,225	28,656
Operating result	**14,637**	**-2,921**	**11,717**
EBIT margin	**11.9%**	**-7.1%**	**7.1%**

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

	Q1 2017/18			**Q1 2018/19**		
	Revenues	ETC	IMS	Revenues	ETC	IMS
Customer 1	19,349	x	x	24,894	x	x
Customer 2	19,452	x		21,428	x	
Customer 3	14,884	x		17,076	x	
Customer 4	10,686	x		16,734	x	

7 Other operating income.

	Q1 2017/18	Q1 2018/19
Exchange rate gains from operating activities	417	2,381
Sundry operating income	875	328
	1,292	**2,709**

Exchange rate gains from operating activities in the first quarter of 2018/19 mainly relate to gains from exchange rate fluctuations of the currencies USD, SEK and AUD in respect to EUR.

8 Other operating expenses.

	Q1 2017/18	Q1 2018/19
Communication and IT expenses	4,230	4,818
Legal and consulting fees	3,620	4,707
Rental expenses	4,556	4,437
Travel expenses	2,814	3,022
Marketing and advertising expenses	1,958	2,176
License and patent expenses	1,402	1,577
Automobile expenses	1,701	1,546
Maintenance	2,182	1,478
Insurance costs	1,189	1,259
Exchange rate losses from operating activities	3,821	1,058
Allowance and write-off of receivables	-361	-1,250
Other	4,780	4,342
	31,893	**29,171**

Exchange rate losses from operating activities in the first quarter of 2018/19 amounted to TEUR 1,058 primarily due to exchange rate fluctuations of the currencies PLN and ZAR in respect to EUR. Allowance for bad debt was disposed of in the amount of TEUR 1,250 in the first quarter of 2017/18.

9 Income taxes.

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

10 Other comprehensive income for the period.

Q1 2018/19	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on financial assets:			
Unrealized gains/losses in the current period	0	0	0
Currency translation differences	-2,547	0	-2,547
Currency translation differences from net investments in foreign operations	2,366	-591	1,774
Fair value adjustments of cash flow hedges	48	0	48
Fair value changes recognized in equity	**-133**	**-591**	**-724**

In the first quarter of the fiscal year 2018/19 no fair value changes were recognized through other comprehensive income.

Q1 2017/18	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-20	5	-15
Gains/losses recognized in the result for the period	0	0	0
Currency translation differences	798	0	798
Currency translation differences from net investments in foreign operations	-2,833	708	-2,125
Fair value adjustments of cash flow hedges	50	0	50
Fair value changes recognized in equity	**-2,005**	**713**	**-1,292**

The unrealized gains/losses on available-for-sale financial assets recognized in the first quarter of the fiscal year 2017/18 amounting to TEUR -20 relate to fair value changes of available-for-sale securities, that have been recognized through other comprehensive income in equity.

11 Capital expenditure.

	Q1 2017/18	Q1 2018/19
Carrying amount as of March 31 of prior year	**95,126**	**92,207**
Additions	1,350	1,845
Disposals	-51	-401
Depreciation, amortization and other movements	-4,030	-3,461
Currency translation differences	-830	34
Carrying amount as of June 30 of fiscal year	**91,564**	**90,224**

12 Interests in associates and joint ventures.

	Q1 2017/18	Q1 2018/19
Carrying amount as of March 31 of prior year	**2,131**	**7,502**
Addition	0	938
Share in operating result	0	78
Share in result from financial investments	-124	0
Currency translation differences	-75	0
Carrying amount as of June 30 of fiscal year	**1,932**	**8,519**
thereof shares in associates	1,931	0
thereof interests in joint ventures	1	8,519

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

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

In the first quarter of 2018/19, another one percent share in Intelligent Mobility Solutions Ltd., Zambia, was acquired and Kapsch TrafficCom now holds 51% in the company. Since there was no adjustment to the partnership agreement and the representation rights in the committees that direct the relevant activities until June 30, 2018, there is joint control based on the contracts and circumstances, and Intelligent Mobility Solutions Ltd., Zambia, is accounted for as a joint venture in the first quarter of 2018/19.

13 Financial instruments by category.

	March 31, 2018		June 30, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables and other current assets	**254,394**		**146,002**	
At amortized cost	**217,503**	**217,503**	**108,716**	**108,716**
Trade receivables	133,600	133,600	108,716	108,716
Amounts due from customers for contract work	76,966	76,966	—	
Amounts due from customers for service and maintenance contracts	6,937	6,937	—	
At fair value through profit or loss	**12**	**12**	**6**	**6**
Derivative financial instruments (Fair value level 2)	12	12	6	6
Hedging instruments	**0**	**0**	**0**	**0**
Derivative financial instruments – Cash flow hedges (Fair value level 2)	0	0	0	0
Other non-financial assets [1)]	**36,879**		**37,280**	
Contract assets (non-current and current) at amortized cost	**—**		**114,531**	**114,531**
Other financial assets and investments (non-current and current)	**25,974**		**30,566**	
At fair value through profit or loss	**13,717**	**13,717**	**14,858**	**14,858**
Securities (Fair value level 1) [2)]	2,906	2,906	3,106	3,106
Derivative financial instruments (Fair value level 2)	154	154	187	187
Investments (Fair value level 1) [2)]	10,657	10,657	11,565	11,565
At fair value through other comprehensive income (without recycling)	**6,622**	**6,622**	**8,197**	**8,197**
Investments (with option of fair value through OCI, fair value level 3) [3)]	6,622	6,622	8,197	8,197
At amortized cost	**5,636**	**5,636**	**7,511**	**7,511**
Securities (Fair value level 2) [2)]	599	599	599	599
Fixed income deposits	2,214	2,214	2,047	2,047
Other financial assets and loans	2,822	2,822	4,865	4,865
Cash and cash equivalents at amortized cost	**181,835**	**181,835**	**160,646**	**160,646**
Financial liabilities (non-current and current) at amortized cost	**168,434**	**161,647**	**169,128**	**163,442**
Promissory note bond (Fair value level 2)	73,622	71,497	74,299	72,760
Other financial liabilities (Fair value level 2)	94,812	90,151	94,828	90,682
Trade payables at amortized cost	**58,255**	**58,255**	**53,795**	**53,795**
Contract liabilities (non-current and current) at amortized cost	**—**		**37,011**	**37,011**
Other liabilities and deferred income (non-current and current)	**117,050**		**73,890**	
At amortized cost	**46,073**	**46,073**	**9,785**	**9,785**
Amounts due to customers for contract work	31,486	31,486	—	
Variable purchase price components (earn-out, fair value level 3)	12,751	12,751	8,514	8,514
Other financial liabilities	1,836	1,836	1,271	1,271
At fair value through profit or loss	**1**	**1**	**140**	**140**
Derivative financial instruments (Fair value level 2)	1	1	140	140
Hedging instruments	**6**	**6**	**17**	**17**
Derivative financial instruments – Cash flow hedges (Fair value level 2)	6	6	17	17
Other non-financial liabilities [1)]	**70,970**		**63,948**	

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

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

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

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

Specific valuation techniques used to value financial instruments include:
> Quoted market prices for securities.
> The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
> The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value.
> The fair value of other financial liabilities classified as level 2 was determined by discounting the gross cash flows over the contracted term, using 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 the level 3 category. Variable purchase price components (earn-out) and unlisted equity instruments fall into this category and are based on agreed conditions and the expectation of the future sales/earnings development of the respective subsidiaries or investments. Long-term purchase price components are discounted using a risk-adjusted interest rate.

Level not specified: The carrying value of these items, which are valued at amortized cost, is a reasonable approximation of the fair value in accordance with IFRS 7.29. Therefore no fair value-hierarchy is disclosed.

No reclassifications between fair value-hierarchy levels were made.

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

Earn-out liabilities	Q1 2017/18	Q1 2018/19
Carrying amount as of March 31 of prior year	**11,851**	**12,751**
Disposal	-750	-4,250
Interest	28	13
Carrying amount as of June 30 of fiscal year	**11,129**	**8,514**

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

Impairment on trade receivables and contract assets.
Impairment on trade receivables decreased by TEUR 471 and impairment on contract assets increased by TEUR 158 in the first quarter of 2018/19. Both effects were recognized through profit or loss in the statement of comprehensive income.

Non-current and current financial assets and investments.
The additions to non-current and current financial assets mainly relate to loans to other investments and joint ventures. The valuation of investments that are classified at fair value through profit or loss led to a gain amounting to TEUR 908 which was recognized in total comprehensive income for the period in the first quarter of 2018/19.

14 Financial liabilities.

	March 31, 2017	June 30, 2017	March 31, 2018	June 30, 2018
Non-current financial liabilities	97,482	96,637	141,759	142,516
Current financial liabilities	97,902	97,803	26,675	26,612
	195,384	**194,440**	**168,434**	**169,128**

Movements in financial liabilities are as follows:

	Non-current financial liabilities	Current financial liabilities	Total
Carrying amount as of March 31, 2018	**141,759**	**26,675**	**168,434**
Reclassification	81	-81	0
Additions	0	914	914
Repayments	0	-1,257	-1,257
Currency translation differences and interest accrued	676	361	1,037
Carrying amount as of June 30, 2018	**142,516**	**26,612**	**169,128**

Additions and repayments are cash effective.

	Non-current financial liabilities	Current financial liabilities	Total
Carrying amount as of March 31, 2017	**97,482**	**97,902**	**195,384**
Additions	8	2,091	2,099
Repayments	0	-962	-962
Currency translation differences and interest accrued	-853	-1,229	-2,081
Carrying amount as of June 30, 2017	**96,637**	**97,803**	**194,440**

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

	June 30, 2017	June 30, 2018
Carrying amount	**194,440**	**169,128**
Fair value	**192,252**	**163,442**
Gross cash flows		
In the next 6 months	78,103	4,517
In the next 7 to 12 months	22,682	24,341
Total up to 1 year	**100,785**	**28,857**
Between 1 and 2 years	5,639	18,179
Between 2 and 3 years	4,938	61,425
Between 3 and 4 years	47,753	16,907
Between 4 and 5 years	4,156	39,515
More than 5 years	39,328	12,575
	202,598	**177,457**

15 Provisions.

	March 31, 2017	June 30, 2017	March 31, 2018	June 30, 2018
Non-current provisions	9,993	9,582	8,911	8,018
Current provisions	17,640	13,655	9,600	11,464
	27,633	**23,237**	**18,510**	**19,481**

	March 31, 2018	Addition from accumu-lation	Addition	Utilization	Disposal	Reclassi-fication	Currency differences	June 30, 2018
Obligations from anniversary bonuses	1,391	4	5	0	-4	0	-2	1,394
Warranties	1,906	0	0	0	0	-313	0	1,593
Projects (excl. impending losses)	689	0	0	0	0	-42	0	648
Other non-current provisions	4,923	0	163	0	0	-359	-344	4,383
Non-current provisions, total	**8,911**	**4**	**167**	**0**	**-4**	**-714**	**-346**	**8,018**
Warranties	435	0	179	-53	0	313	26	901
Losses from pending transactions and rework	0	0	1,645	-156	-700	0	4	793
Projects (excl. impending losses)	4,887	0	0	-70	472	42	39	5,369
Legal fees, costs of litigation and contract risks	3,033	0	209	-254	-244	237	152	3,134
Other current provisions	1,245	0	560	-547	-29	121	-91	1,267
Current provisions, total	**9,600**	**0**	**2,594**	**-1,079**	**-502**	**714**	**129**	**11,464**
Total	**18,510**	**4**	**2,762**	**-1,079**	**-505**	**0**	**-218**	**19,481**

	March 31, 2017	Addition from accumu-lation	Addition	Utilization	Disposal	Reclassi-fication	Currency differences	June 30, 2017
Obligations from anniversary bonuses	1,249	4	0	0	-4	0	0	1,249
Warranties	1,516	0	0	0	0	-162	0	1,353
Projects (excl. impending losses)	872	0	0	0	0	-131	0	741
Other non-current provisions	6,356	0	19	0	-0	497	-633	6,239
Non-current provisions, total	**9,993**	**4**	**19**	**0**	**-4**	**204**	**-633**	**9,582**
Warranties	1,371	0	75	-1	-39	162	-63	1,506
Projects (excl. impending losses)	10,430	0	9	-3,388	0	131	-166	7,016
Legal fees, costs of litigation and contract risks	4,645	0	6	-92	-3	34	-280	4,311
Other current provisions	1,195	0	389	-85	0	-531	-146	822
Current provisions, total	**17,640**	**0**	**479**	**-3,566**	**-41**	**-204**	**-654**	**13,655**
Total	**27,633**	**4**	**498**	**-3,566**	**-45**	**0**	**-1,287**	**23,237**

16 Changes in the scope of consolidation.

Changes in the scope of consolidation in the first quarter of 2018/19.

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

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

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

Adjustments to the first quarter of 2017/18.

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

17 Contingent liabilities and other commitments.

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

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

	March 31, 2018	June 30, 2018
Contract, warranty, performance and bid bonds		
South Africa (toll collection systems)	34,197	31,156
Australia (toll collection systems)	19,236	19,539
Other	1,540	1,507
Total	**54,973**	**52,202**

Outflows of resources in connection with other commitments amounting to TEUR 347,098 (March 31, 2018: TEUR 351,401), the actual occurrence of which is considered to be unlikely, are not reported on the balance sheet or under contingent liabilities.

18 Related parties.

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

	Q1 2017/18	Q1 2018/19
Parent company		
Revenues	0	0
Expenses	255	295
Income (+) / Expense (-) from tax allocation	-509	710
Affiliated companies		
Revenues	1,096	1,919
Expenses	5,424	5,859
Associated companies		
Revenues	6	6
Expenses	0	0
Joint ventures		
Revenues	0	129
Expenses	0	0
Other related parties		
Revenues	35	13
Expenses	29	31

	March 31, 2018	June 30, 2018
Parent company		
Trade receivables and other assets	0	581
Trade payables and other payables including liabilities from tax allocation	5,406	5,342
Liabilities from share purchase	3,500	0
Affiliated companies		
Trade receivables and other non-current and current assets	2,611	3,738
Trade payables and other payables	2,929	4,381
Associated companies		
Trade receivables and other non-current and current assets	318	316
Trade payables and other payables	0	0
Joint ventures		
Trade receivables and other non-current and current assets	4,316	5,055
Trade payables and other payables	0	0
Other related parties		
Trade receivables and other non-current and current assets	0	15
Trade payables and other payables including pension benefits	11,583	11,068

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

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

Individual members of the Executive and Supervisory Boards of Kapsch TrafficCom AG have management functions or are members in Supervisory Boards of other companies of Kapsch Group.

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

19 Events occurring after June 30, 2018.

Kapsch TrafficCom increased its shareholding in Intelligent Mobility Solutions Ltd., a joint venture in Zambia, to 51% already in May 2018 (see note 12). In August 2018, the shareholders agreement was adapted giving Kapsch TrafficCom control over the joint venture so that it will be fully consolidated going forward. The disclosure requirement according to IFRS 3 will be included in the report for the first half year 2018/19.

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

Vienna, August 22, 2018

The Executive Board

Georg Kapsch Chief Executive Officer	André Laux Executive Board member	Alexander Lewald Executive Board member

Financial calendar.

September 6, 2018	Annual General Meeting
September 10, 2018	Dividend ex date
September 11, 2018	Record date: dividend
September 13, 2018	Dividend payment date
November 21, 2018	Results H1 2018/19
February 21, 2019	Results Q1-Q3 2018/19

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

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

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Kapsch TrafficCom

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

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

>>> www.kapschtraffic.com

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