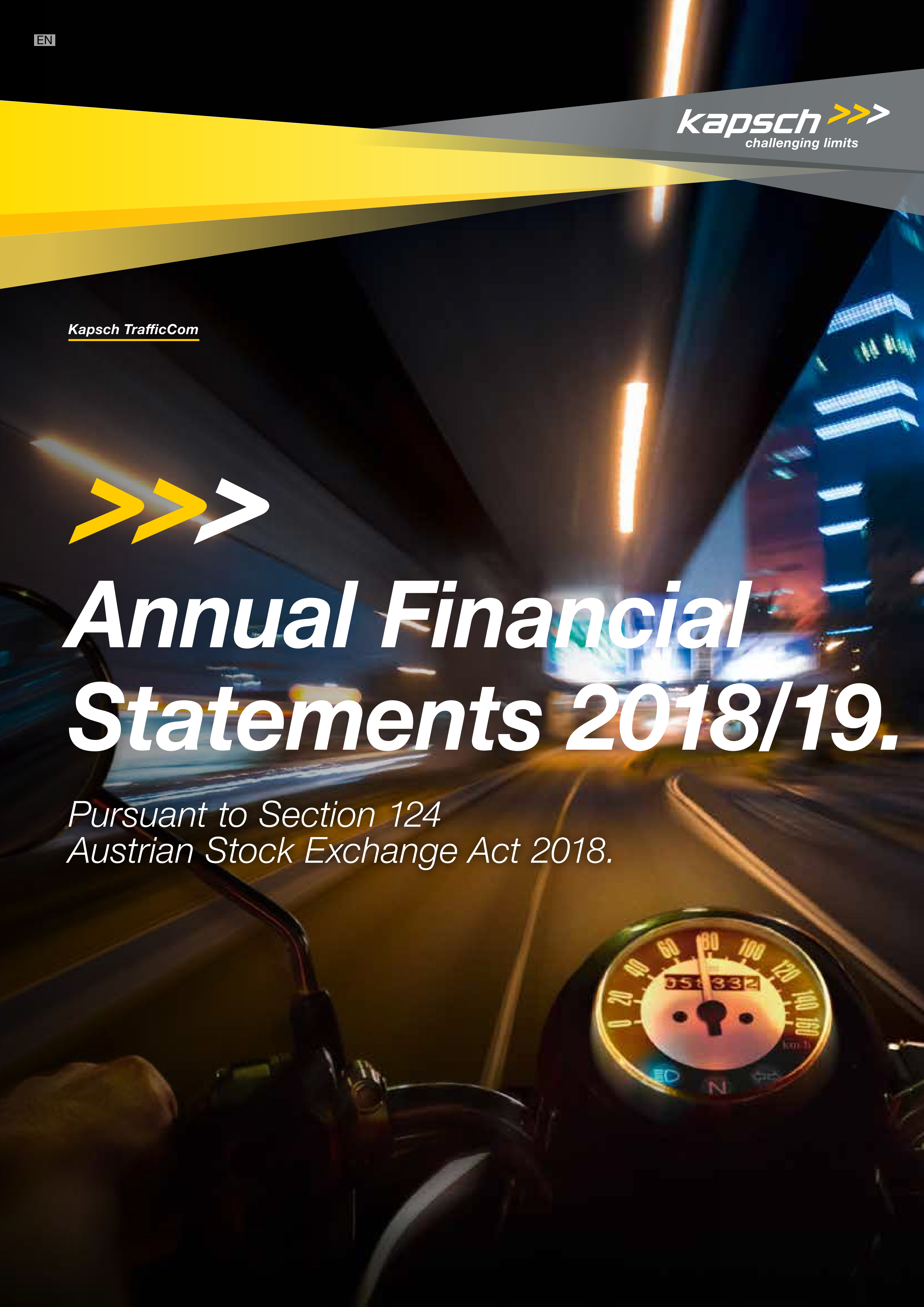

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Kapsch TrafficCom

Annual Financial Statements 2018/19.

Pursuant to Section 124
Austrian Stock Exchange Act 2018.

Table of contents.

Consolidated Financial Statements as of March 31, 2019.

Consolidated statement of comprehensive income.

In EUR	Note	2017/18	2018/19
Revenues	(3)	693,256,518	737,794,565
Other operating income	(4)	20,536,151	13,849,406
Changes in finished and unfinished goods and work in progress	(5)	2,781,723	20,868,746
Cost of materials and other production services	(6)	-279,410,199	-323,473,803
Staff costs	(7)	-237,880,654	-252,710,817
Amortization and depreciation	(8)	-14,807,528	-14,512,147
Other operating expenses	(9)	-134,908,686	-126,252,758
Proportional result of associates and joint ventures	(15)	492,120	941,510
Gains from the revaluation of joint ventures	(15)	0	523,008
Operating result		**50,059,444**	**57,027,711**
Finance income	(10)	7,087,307	10,105,997
Finance costs	(10)	-12,274,612	-11,820,106
Financial result		**-5,187,305**	**-1,714,109**
Proportional results from associates and joint ventures from financial investments	(15)	-112,808	-253,453
Losses from the revaluation of associates	(15)	-562,194	0
Result before income taxes		**44,197,137**	**55,060,149**
Income taxes	(11)	-16,163,979	-8,493,003
Result for the period		**28,033,158**	**46,567,146**
Result attributable to:			
Equity holders of the company		28,680,062	47,820,497
Non-controlling interests	(31)	-646,904	-1,253,350
		28,033,158	**46,567,146**
Earnings per share from the result for the period attributable to the equity holders of the company			
diluted	(33)	2.21	3.68
undiluted	(33)	2.21	3.68
Other comprehensive income for the period			
Items subsequently to be reclassified to the result for the period:			
Currency translation differences		-1,409,261	-3,871,628
Currency translation differences from net investments in foreign operations		-6,094,232	4,025,719
Available-for-sale financial assets:			
Fair value gains/losses recognized in other comprehensive income		-26,758	0
Reclassification of cumulated net losses to the result for the period (impairment)		136,006	0
Cash flow hedges		37,255	-460,449
Income tax relating to items subsequently to be reclassified to the result for the period		1,496,246	-1,006,430
Total items subsequently to be reclassified to the result for the period		**-5,860,744**	**-1,312,788**
Items subsequently not to be reclassified to the result for the period:			
Remeasurements of liabilities from post-employment benefits		-218,967	-861,484
Income tax relating to items subsequently not to be reclassified to the result for the period		39,573	222,583
Total items subsequently not to be reclassified to the result for the period		**-179,394**	**-638,901**
Other comprehensive income for the period net of tax	(12)	**-6,040,138**	**-1,951,689**
Total comprehensive income for the period		**21,993,020**	**44,615,457**
Total comprehensive income attributable to:			
Equity holders of the company		22,564,098	46,193,815
Non-controlling interests	(31)	-571,078	-1,578,357
		21,993,020	**44,615,457**

Consolidated balance sheet.

In EUR	Note	March 31, 2018	March 31, 2019
ASSETS			
Property, plant and equipment	(13)	21,408,841	21,956,059
Intangible assets	(14)	70,798,087	82,874,339
Interests in associates and joint ventures	(15)	7,502,215	19,973,053
Other non-current financial assets and investments	(16)	23,170,180	15,861,260
Non-current contract assets	(16, 20)	-	16,846,603
Other non-current assets	(17)	385,055	7,333,926
Deferred tax assets	(24)	12,398,930	18,461,701
Non-current assets		**135,663,308**	**183,306,941**
Inventories	(18)	38,888,783	64,054,465
Trade receivables and other current assets	(16, 19)	254,393,565	209,419,243
Current contract assets	(16, 20)	-	122,555,375
Current tax receivables		7,562,985	2,573,184
Other current financial assets	(16)	2,804,145	1,134,741
Cash and cash equivalents	(16, 21)	181,834,603	94,651,920
Current assets		**485,484,082**	**494,388,927**
TOTAL ASSETS		**621,147,390**	**677,695,869**
EQUITY			
Share capital	(22)	13,000,000	13,000,000
Capital reserve		117,508,771	117,508,771
Retained earnings and other reserves		100,465,836	126,655,798
Capital and reserves attributable to equity holders of the company		**230,974,607**	**257,164,570**
Non-controlling interests	(31)	-1,045,045	1,507,484
TOTAL EQUITY		**229,929,562**	**258,672,053**
LIABILITIES			
Non-current financial liabilities	(16, 23)	141,759,129	139,330,295
Liabilities from post-employment benefits to employees	(25)	23,705,667	26,125,329
Non-current provisions	(26)	8,910,567	6,681,116
Non-current contract liabilities	(16, 20)	-	5,212,524
Other non-current liabilities	(16, 27)	4,292,075	1,346,376
Deferred tax liabilities	(24)	1,910,207	5,103,060
Non-current liabilities		**180,577,646**	**183,798,700**
Current financial liabilities	(16, 23)	26,674,737	29,934,001
Trade payables	(16)	58,254,579	89,560,094
Current contract liabilities	(16, 20)	-	26,905,432
Current provisions	(26)	9,599,649	14,733,725
Current tax liabilities		3,353,512	2,291,968
Other liabilities and deferred income	(16, 28)	112,757,704	71,799,893
Current liabilities		**210,640,182**	**235,225,114**
TOTAL LIABILITIES		**391,217,827**	**419,023,814**
TOTAL EQUITY AND LIABILITIES		**621,147,390**	**677,695,869**

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, 2017	**13,000,000**	**117,508,771**	**-40,486,160**	**138,335,376**	**-1,051,928**	**227,306,060**
Capital increase at a subsidiary					131,250	131,250
Effects from increase of shares in subsidiaries			25,232		-26,000	-768
Effects from decrease of shares in subsidiaries			-472,712		472,712	0
Dividend				-19,500,000	0	-19,500,000
Result for the period				28,680,062	-646,904	28,033,158
Other comprehensive income for the period:						
Currency translation differences			-6,055,761		75,826	-5,979,935
Fair value gains/losses on available-for-sale financial assets			81,936			81,936
Remeasurements of liabilities from post-employment benefits			-179,394			-179,394
Cash flow hedges			37,255			37,255
Carrying amount as of March 31, 2018	**13,000,000**	**117,508,771**	**-47,049,603**	**147,515,438**	**-1,045,045**	**229,929,562**
Adjustments due to new IFRS 9 standard (see note 40.17)				-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					3,613,446	3,613,446
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			-527,332		-325,007	-852,339
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	**13,000,000**	**117,508,771**	**-48,762,322**	**175,418,121**	**1,507,484**	**258,672,053**

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

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

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

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

The paid dividend of Kapsch TrafficCom AG in the fiscal year 2018/19 amounted to TEUR 19,500, 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.

The effects from acquisition of shares in subsidiaries in the fiscal year 2018/19 essentially resulted from the full consolidation of Intelligent Mobility Solutions Ltd., Zambia (see note 2).

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

Consolidated cash flow statement.

In EUR	Note	2017/18	2018/19
Operating result		**50,059,444**	**57,027,711**
Scheduled depreciation and amortization		14,807,528	14,512,147
Change in obligations for post-employment benefits		-819,819	1,374,161
Change in other non-current liabilities and provisions [2]		-5,222,239	296,753
Change in other non-current receivables and assets [1]		-165,030	-20,373,903
Change in non-current trade receivables		237,188	100,252
Change in non-current trade payables		371,767	-369,545
Net payments of income taxes		-21,964,518	-13,673,512
Interest received	(10)	1,294,240	1,653,881
Interest payments	(10)	-6,124,926	-4,286,733
Other (net)		-3,144,148	-1,790,911
Cash flow from earnings		**29,329,487**	**34,470,301**
Change in net working capital:			
Change in trade receivables and other current assets [1]		11,953,954	-77,819,486
Change in inventories		3,532,349	-25,165,682
Change in trade payables and other current payables [2]		5,122,024	23,840,726
Change in current provisions		-8,113,880	5,134,076
Change in net working capital		**12,494,447**	**-74,010,366**
Cash flow from operating activities		**41,823,934**	**-39,540,065**
Purchase of property, plant and equipment	(13)	-10,149,534	-8,833,715
Purchase of intangible assets	(14)	-1,607,477	-4,750,422
Purchase of securities, investments and other non-current financial assets		-6,393,337	-725,499
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(2)	-1,017,137	-704,307
Payments for the acquisition of shares in at-equity-consolidated entities	(15)	-4,038,900	-17,860,663
Proceeds from the disposal of shares in subsidiaries		180,644	0
Proceeds from the disposal of property, plant and equipment and intangible assets		2,996,436	1,895,214
Proceeds from the disposal of securities and other financial assets		4,793	13,013,222
Cash flow from investing activities		**-20,024,512**	**-17,966,171**
Free cash flow [3]		**21,799,422**	**-57,506,236**
Contributions from shareholders in subsidiaries		131,250	517,440
Dividends paid to parent company's shareholders		-19,500,000	-19,500,000
Payments for the acquisition of non-controlling interests		-3,000,768	-6,250,000
Increase in non-current financial liabilities	(23)	50,035,968	0
Increase in current financial liabilities	(23)	5,371,619	3,006,745
Decrease in current financial liabilities	(23)	-79,930,185	-4,846,911
Cash flow from financing activities		**-46,892,115**	**-27,072,726**
Cash and cash equivalents at beginning of year		211,298,792	181,834,603
Changes in cash and cash equivalents [4]		-25,092,693	-84,578,962
Exchange gains/losses		-4,371,495	-2,603,722
Cash and cash equivalents at end of year	(21)	**181,834,603**	**94,651,920**

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

Notes to the Consolidated Financial Statements.

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.

1.1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of March 31, 2019 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 (TEUR). However, calculations are done using exact amounts, including the digits not shown, which may lead to rounding differences.

1.2 Group structure and consolidated group.

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

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

As of March 31, 2019 KAPSCH-Group Beteiligungs GmbH has a share of 63.3% (March 31, 2018: 63.3%) in Kapsch TrafficCom AG. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since June 26, 2007.

1.3 Accounting and valuation principles.

The consolidated financial statements as of March 31, 2019 are prepared under the historical cost concept, with the exception of financial instruments measured at fair value according to IFRS 9, which were measured 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 fiscal year. Note 40 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. Material estimates and assumptions used in accounting and valuation concern IFRS 15 revenue recognition, impairment of goodwill as well as other estimates and assumptions relating to provisions, inventory and deferred taxes and are disclosed in note 36.

2 Changes in the scope of consolidation.

2.1 Consolidated group.

As of March 31, 2019 the consolidated group (including parent company Kapsch TrafficCom AG, Vienna) consists of 57 entities (March 31, 2018: 55 entities). The consolidated group changed as follows:

	2017/18	2018/19
Amount of entities at the beginning of the fiscal year	57	55
Initial consolidation	5	4
Mergers	-2	0
Deconsolidations	-5	-2
Amount of entities in the consolidated group	**55**	**57**

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

Intelligent Mobility Solutions Ltd., Zambia, which had previously been accounted for as a joint venture, was fully included in the consolidated financial statements of the Group in the second quarter of fiscal year 2018/19. For further details see chapter 2.2.

In the third quarter the consortium Kapsch TrafficCom – Rowing – UTE, Argentina, was founded with Kapsch TrafficCom holding 50%. Due to the voting rights stipulated in the consortium agreement, Kapsch TrafficCom has control over the consortium and, hence fully consolidates it.

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

Kapsch TrafficCom do Brasil LTDA, Brazil, was liquidated in the first quarter of 2018/19 and Berrydust 51 (Pty) Ltd., South Africa, in the third quarter of 2018/19.

The regional distribution of subsidiaries is as follows:

	2017/18	2018/19
Austria	7	7
EMEA (excluding Austria) [1]	30	31
Americas [2]	14	15
APAC [3]	4	4
Total	**55**	**57**

[1] EMEA: Europe, Middle East, Africa
[2] Americas: North, Central and South America.
[3] APAC: Asia-Pacific

For further information on interests in subsidiaries see note 30.

2.2 Business combinations.

In the first half of 2017/18 Kapsch TrafficCom AG acquired 50% of the shares in **Intelligent Mobility Solutions Ltd., Zambia**. The company is responsible for the design, implementation and operation of systems and solutions for traffic monitoring, vehicle speed enforcement and vehicle inspection as well as vehicle registration. In May 2018 another one percent share was acquired, however without amendment of the partnership agreement and the representation rights in the committees that direct the relevant activities. The amendment was carried out at theend of August 2018, thus the Zambian entity is fully consolidated starting from September 2018. Up until this point the entity was accounted for as a joint venture. A contractually agreed purchase price in the amount of TEUR 1,558 was variable, conditional upon the signing of another project in the company within a contractual period. Since this contractual period had expired before the date of acquisition, there is no longer a payment obligation and the payment is not probable, thus the amount was not recognized in the business combination.

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

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

The entity's intangible assets from service concession arrangements relate to assets from a concession agreement, which covers a period of 17 years. Cash and cash equivalents acquired in the context of the acquisition (thus the net cash inflow in fiscal year 2018/19 from the acquisition) amounted to TEUR 3. Transaction costs directly attributable to the acquisition amounted to TEUR 0.

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

	Difference
Fair value of previously held shares	5,356
Share of net assets relating to non-controlling interest	3,575
Less fair value of proportionate net assets acquired	-7,295
Goodwill (preliminary calculation)	**1,636**

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 preliminary goodwill amounting to TEUR 1,636, which was allocated to the cash-generating unit IMS-EMEA, results mainly from the market entry and was recognized on the basis of the proportionate share of the net assets.

Receivables and other current assets have not become cash-effective since acquisition. However, the inflow is planned for the first half of 2019/20. The valuation is preliminary, as additional information about facts and circumstances of the acquired entity will be collected in the scope of current contract negotiations. For the period from September 1, 2018 to March 31, 2019, the acquired company contributed an amount of TEUR 1,996 to revenues and of TEUR -1,807 to the Group's result for the period. If the company had already been included as of April 1, 2018, the contribution to revenues and the Group's result for the period would only have been insignificantly different.

As of November 1, 2018, the assets of **eTrans Systems Inc.** (eTrans), USA, were acquired. eTrans is a provider of network and autonomous solutions for vehicles.

The fair value of the acquired identifiable assets and liabilities assumed of eTrans, at the acquisition date was as follows (preliminary calculation):

	Fair Value
Intangible assets	884
Net assets acquired	**884**

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

	Difference
Purchase price	
Consideration paid	707
Not yet due part of purchase price	177
Less fair value of proportionate net assets acquired	-884
Goodwill (preliminary calculation)	**0**

The net cash outflow from the acquisition amounted to TEUR -707 in fiscal year 2018/19. Transaction costs directly attributable to the acquisition amounted to TEUR 0. For the period from November 1 to March 31, 2019, the acquired company's contribution to revenues and the Group's result for the period was insignificant.

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 40.3):

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

The segment results by business type, which also correspond to performance obligations pursuant to IFRS 15, for fiscal year 2018/19 and 2017/18 are as follows:

	2017/18			2018/19		
	ETC	IMS	Total	ETC	IMS	Total
Revenues	**521,647**	**171,609**	**693,257**	**558,433**	**179,362**	**737,795**
Implementation	138,901	83,385	222,286	190,528	80,808	271,336
Operations	278,076	78,912	356,988	264,416	86,356	350,772
Components	104,670	9,313	113,983	103,488	12,198	115,686
Operating result	**53,474**	**-3,415**	**50,059**	**64,946**	**-7,918**	**57,028**
EBIT margin	**10.3%**	**-2.0%**	**7.2%**	**11.6%**	**-4.4%**	**7.7%**

Revenues from implementation projects include the implementation portion of service concession arrangements.

The segment assets and liabilities as of March 31, 2019 and March 31, 2018 as well as capital expenditure, depreciation, amortization and impairment and other non-cash-effective positions for the period then ended are as follows:

	2017/18			2018/19		
	ETC	IMS	Total	ETC	IMS	Total
Segment assets	306,206	87,231	393,437	376,029	102,318	478,347
Interests in associates and joint ventures	3,796	3,706	7,502	10,893	9,080	19,973
Segment liabilities	175,132	45,741	220,874	193,302	51,355	244,656
Capital expenditure	8,871	2,886	11,757	9,175	4,409	13,584
Depreciation and impairment	9,998	4,810	14,808	7,291	7,221	14,512
Other non-cash-effective positions	679	634	1,314	-99	-517	-616

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

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

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

	2017/18			2018/19		
	Revenues	ETC	IMS	Revenues	ETC	IMS
Customer 1	81,118	X	X	74,386	X	X
Customer 2	88,047	X		39,791	X	

Information by region.

In addition to the reportable segments, the revenues and non-current non-financial assets 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 fiscal year ended March 31, 2019 and March 31, 2018 are as follows:

	2017/18		2018/19	
	Revenues	**Non-current non-financial assets**	**Revenues**	**Non-current non-financial assets**
Austria	50,363	12,422	24,399	14,688
EMEA (excluding Austria)	391,532	37,440	406,706	48,210
Americas	209,096	34,204	253,432	33,859
APAC	42,265	8,141	53,257	8,073
Total	**693,257**	**92,207**	**737,795**	**104,830**

4 Other operating income.

	2017/18	2018/19
Exchange rate gains from operating activities	6,982	6,834
Income from research tax credits	2,558	2,073
Income from insurance refunds	5,836	414
Income from the sale of non-current assets	53	741
Sundry operating income	5,107	3,787
Total	**20,536**	**13,849**

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

Other operating income in fiscal year 2018/19 included income from the joint operation MoKA SAS, France, reversals of earn-out liabilities, and other tax income in Brazil.

Income from insurance refunds in fiscal year 2017/18 mainly related to compensation for a fire in the business premises of the Swedish subsidiary in April 2017. Other operating income also included reversals of value adjustments to the associated company SIMEX prior to its full consolidation.

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

	2017/18	2018/19
Change in unfinished goods and work in progress	513	200
Change in finished goods	2,268	20,669
Total	**2,782**	**20,869**

Details on inventories and the increase in inventories can be found in note 18.

6 Cost of materials and other production services.

	2017/18	2018/19
Cost of materials	120,494	135,119
Cost of purchased services	158,917	188,355
Total	**279,410**	**323,474**

7 Staff costs.

	2017/18	2018/19
Wages, salaries, and other remunerations	195,366	204,408
Expenses for social security and payroll-related taxes and contributions	30,790	32,523
Expenses for termination benefits (see note 25)	590	2,268
Expenses for pensions (see note 25)	7	40
Contributions to pension funds and other external funds (see note 25)	2,364	2,682
Fringe benefits	8,764	10,790
Total	**237,881**	**252,711**

As of March 31, 2019, the number of staff amounted to 4,981 persons (March 31, 2018: 5,259) and averaged 5,159 persons in fiscal year 2018/19 (2017/18: 5,134 persons).

Staff costs increased as the number of employees grew, particularly in the USA, where personnel costs were relatively high, while in Poland they declined mainly in the area of manual tolling in the third quarter of 2018/19.

8 Expenses for amortization and depreciation.

	2017/18	2018/19
Depreciation of property, plant and equipment	7,347	7,388
Amortization of intangible assets	7,460	7,025
Amortization of costs to obtain a contract	0	99
Total	**14,808**	**14,512**

9 Other operating expenses.

	2017/18	2018/19
Legal and consulting fees	16,217	21,153
Communication and IT expenses	23,268	19,070
Rental expenses	17,314	19,070
Travel expenses	11,876	13,310
Marketing and advertising expenses	7,840	8,174
Maintenance	7,622	6,481
Automobile expenses	6,689	6,471
License and patent expenses	5,325	5,442
Taxes and charges	3,054	5,133
Insurance costs	4,368	4,549
Exchange rate losses from operating activities	12,159	3,222
Office expenses	4,387	2,911
Training costs	2,891	2,748
Bank charges	2,118	2,081
Transport costs	1,758	1,740
Warranties and guarantees	596	1,597
Damages	2,168	41
Other	5,259	3,058
Total	**134,909**	**126,253**

The increase of TEUR 4,936 in legal and consulting expenses in fiscal year 2018/19 is mainly due to legal assistance and legal representation in the USA, Germany and Australia. Rental expenses essentially increased by TEUR 1,756 due to additional rental space for project employees in the USA.

Additionally, communication and IT expenses associated with projects in the USA decreased. Due to increased travel activity, travel expenses rose to TEUR 13,310. Expenses for taxes and charges on the one hand included a value adjustment of input tax credits in Brazil (TEUR 3,302) and on the other hand the reversal of a provision concerning other taxes and charges (TEUR 1,297).

Operating foreign exchange losses of TEUR 3,222 were significantly lower than in the previous year (TEUR -12,159) and are primarily due to exchange rate fluctuations of the currencies Sambian kwacha and Swedish krona in respect to euro and euro in respect to US dollar.

Damages in fiscal year 2017/18 mainly related to a fire at the business premises of the Swedish subsidiary in April 2017.

10 Financial result.

	2017/18	2018/19
Interest income	1,257	1,615
Income from securities, recognized at fair value through profit or loss	37	39
Income from other investments, recognized at fair value through profit or loss	6	789
Income from interest accretion of non-current receivables	921	22
Gains from the disposal of financial assets, recognized at fair value through profit or loss	0	5,113
Gains from the change of the fair value of derivative financial instruments	827	1,261
Exchange rate gains from financing activities	4,039	1,267
Finance income	**7,087**	**10,106**
Interest expense	-6,125	-4,287
Expense from other investments, recognized at fair value through profit or loss	-1,026	-1
Expense from interest rate hedges	-19	0
Expense from interest accretion of non-current liabilities	-286	-105
Exchange rate losses from financing activities	-3,914	-6,505
Interest expense from liabilities from post-employment benefits to employees (see note 25)	-388	-396
Interest expense from liabilities from anniversary bonuses to employees (see note 26)	-15	-16
Expense from change in fair value of derivative financial instruments	-297	-511
Expense from the disposal and impairment of financial assets	-204	0
Finance cost	**-12,275**	**-11,820**
Financial result	**-5,187**	**-1,714**

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).

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 the third quarter of 2018/19. In fiscal year 2018/19, income from investments, measured at fair value through profit or loss, primarily related to the development of the investment in Q-Free ASA, Norway. This investment is no longer considered as strategic. In the previous year, there was an impairment on this investment due to the sustained negative share price development (TEUR 1,026).

11 Income taxes.

	2017/18	2018/19
Current income taxes	-17,218	-13,861
Deferred taxes	1,054	5,368
Total	**-16,164**	**-8,493**
thereof income/expense from group taxation	-5,367	-3,594

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:

	2017/18	2018/19
Result before income taxes	44,197	55,060
Arithmetic tax income/expense based on a tax rate of 25% (2017/18: 25%)	-11,049	-13,765
Effects of different tax rates in the Group	2,274	2,462
Unrecognized deferred tax assets on current tax losses and impairment of previously recognized tax losses	-2,501	-2,645
Recognition of deferred tax assets for unrecognized previous-year tax losses	0	4,975
Change of tax rate	45	0
Tax allowances claimed and other permanent tax differences	-166	-244
Income and expenses not subject to tax and other differences	-748	89
Adjustment in respect to previous year	-4,019	635
Recognized tax expense	**-16,164**	**-8,493**

Deferred tax assets for previously unrecognized losses mainly related to loss carryforwards in the USA and Brazil, which can be used based on the plans for the next few years. 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 24.

12 Other comprehensive income.

	2017/18			2018/19		
	Before taxes	**Tax expense/ income**	**After taxes**	**Before taxes**	**Tax expense/ income**	**After taxes**
Fair value gains/losses on available-for-sale financial assets:						
Unrealized gains/losses in the current period	-27	7	-20	0	0	0
Gains/losses recognized in the result for the period	136	-34	102	0	0	0
Remeasurements of liabilities from post-employment benefits	-219	40	-179	-861	223	-639
Currency translation differences	-1,409	0	-1,409	-3,872	0	-3,872
Currency translation differences from net investments in a foreign operation	-6,094	1,524	-4,571	4,026	-1,006	3,019
Cash flow hedges	37	0	37	-460	0	-460
Fair value changes recognized in equity	**-7,576**	**1,536**	**-6,040**	**-1,168**	**-784**	**-1,952**

The unrealized gains/losses on available-for-sale financial asset recognized in fiscal year 2017/18 still concerned the requirements of IAS 39. These available-for-sale financial assets were now allocated to the category "at fair value through profit or loss" in accordance with the new regulations of IFRS 9 and no longer lead to fluctuations in other comprehensive income.

In fiscal 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.

13 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Prepayments	Total
Carrying amount as of March 31, 2017	**4,209**	**8,488**	**2,180**	**8,265**	**0**	**23,141**
Currency translation differences	-132	-507	-137	-649	0	-1,425
Reclassification	0	-79	-813	892	0	0
Additions from business combinations	1	0	0	47	0	48
Additions	385	2,379	4,644	2,742	0	10,150
Disposals	-9	-764	-2,309	-76	0	-3,158
Scheduled depreciation	-1,064	-2,612	0	-3,671	0	-7,347
Carrying amount as of March 31, 2018	**3,389**	**6,905**	**3,565**	**7,550**	**0**	**21,409**
Acquisition/production costs	11,601	44,548	3,565	33,754	0	93,467
Accumulated depreciation	-8,212	-37,643	0	-26,204	0	-72,058
Carrying amount as of March 31, 2018	**3,389**	**6,905**	**3,565**	**7,550**	**0**	**21,409**
Carrying amount as of March 31, 2018	**3,389**	**6,905**	**3,565**	**7,550**	**0**	**21,409**
Currency translation differences	-8	134	73	-144	0	55
Reclassification	1,086	1,712	-3,288	490	0	0
Additions	233	2,841	2,770	2,990	0	8,834
Disposals	-230	-10	-398	-316	0	-954
Scheduled depreciation	-1,069	-2,727	0	-3,592	0	-7,388
Carrying amount as of March 31, 2019	**3,400**	**8,855**	**2,723**	**6,978**	**0**	**21,956**
Acquisition/production costs	12,117	46,653	2,723	34,147	0	95,640
Accumulated depreciation	-8,717	-37,797	0	-27,169	0	-73,683
Carrying amount as of March 31, 2019	**3,400**	**8,855**	**2,723**	**6,978**	**0**	**21,956**

14 Intangible assets.

	Capitalized develop-ment costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepay-ment	Intangible assets from service concession arrangements	Total
Carrying amount as of March 31, 2017	**4,363**	**17,133**	**47,555**	**2,917**	**17**	**0**	**71,985**
Currency translation differences	-155	-64	0	-187	0	0	-406
Reclassification	0	1,500	0	-1,500	0	0	-0
Reclassification of prepayments	0	17	0	0	-17	0	0
Additions from business combinations	0	5,000	76	0	0	0	5,076
Additions	220	683	0	705	0	0	1,607
Disposals	0	-4	0	0	0	0	-4
Scheduled amortization	-1,644	-5,816	0	0	0	0	-7,460
Carrying amount as of March 31, 2018	**2,784**	**18,450**	**47,630**	**1,934**	**0**	**0**	**70,798**
Acquisition/production costs	18,951	89,353	62,029	1,934	0	0	172,267
Accumulated amortization	-16,167	-70,904	-14,399	0	0	0	-101,469
Carrying amount as of March 31, 2018	**2,784**	**18,450**	**47,630**	**1,934**	**0**	**0**	**70,798**
Carrying amount as of March 31, 2018	**2,784**	**18,450**	**47,630**	**1,934**	**0**	**0**	**70,798**
Currency translation differences	74	-428	0	119	0	-919	-1,155
Reclassification	0	738	0	-738	0	0	0
Additions from business combinations	884	2,959	1,636	0	0	10,503	15,981
Additions	437	1,745	0	1,206	0	1,362	4,750
Disposals	-461	0	0	-14	0	0	-475
Scheduled amortization	-433	-6,264	0	0	0	-328	-7,025
Carrying amount as of March 31, 2019	**3,285**	**17,200**	**49,266**	**2,507**	**0**	**10,617**	**82,874**
Acquisition/production costs	13,082	95,447	63,665	2,507	0	10,935	185,635
Accumulated amortization	-9,797	-78,247	-14,399	0	0	-318	-102,760
Carrying amount as of March 31, 2019	**3,285**	**17,200**	**49,266**	**2,507**	**0**	**10,617**	**82,874**

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 fiscal year 2018/19 revenues amounting to TEUR 1,362 were recognized in the statement of comprehensive income. As part of the implementation is already finalized and operations started, amortization amounting to TEUR 328 was recognized in fiscal year 2018/19. Due to immateriality no borrowing costs were capitalized so far. The additions are included in the cash flow from investing activities.

Goodwill is allocated to the following six groups of cash-generating units (CGUs):

	March 31, 2018	March 31, 2019
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	3,559	5,194
CGU **IMS-APAC**: Intelligent Mobility Solutions, Asia and Pacific	230	230
Total Goodwill	**47,630**	**49,266**

The Group has performed an impairment test for each group of CGUs to test the impairment of the goodwill.

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

	2017/18	2018/19
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	6.8%	7.3%
Risk-free rate	1.4%	0.9%

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 on the one hand, but on the other hand can often generate long-term maintenance or operation business in connection with this – especially in connection with an ETC system. 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, in which the Group plans each customer project as carefully as possible for each performance obligation in its project planning tool. During projects in which systems have already been set up, there are, however, still medium- and long-term service transactions and several years of experience with customers associated with this. 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 or systems implemented by the Group. This, too, can generally be estimated very well on the basis of many years of experience.

In addition to Kapsch TrafficCom AG, the peer group assumed for the impairment test comprises another 11 peer companies, of which only seven companies were relevant for determining the parameters. 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 fiscal year 2018/19 was 12.6% (2017/18: 5.7%); the unlevered beta factor was 0.6 (2017/18: 0.8).

14.1 Cash-generating unit CGU ETC-Americas.

Key assumptions for determining expected cash flows of the CGU ETC-Americas.
Management has based its determination on the assumption that after the successful implementation of road toll collection systems, in particular in the 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.

Parameters CGU ETC-Americas.

	2017/18	2018/19
Carrying amount of goodwill allocated to the CGU	11,783	11,783
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	107,809	397,835
Carrying amount of the CGU	49,781	82,295
Discount rate	7.0%	5.4%
Discount rate before tax	9.6%	7.2%
Break-even discount rate before tax	17.2%	32.2%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	69,237	-50,358
Revenue growth	± 10%	-4,153	4,291
EBITDA margin	± 10%	-8,570	8,570
Terminal value growth rate	± 0.5%	-41,716	56,181

14.2 Cash-generating unit CGU ETC-EMEA.

Key assumptions for determining expected cash flows of the CGU ETC-EMEA.
Management has based its determination on the assumption that after the successful implementation of road toll collection systems in EMEA, especially in Austria, the Czech Republic, Switzerland, South Africa, Poland and the Republic of Belarus as well as the ongoing implementation in Bulgaria and the recently won projects in Germany, 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.

Parameters CGU ETC-EMEA.

	2017/18	2018/19
Carrying amount of goodwill allocated to the CGU	21,316	21,316
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	530	874
Value in use of the CGU	533,245	462,193
Carrying amount of the CGU	93,121	150,928
Discount rate	9.7%	8.6%
Discount rate before tax	12.6%	11.1%
Break-even discount rate before tax	70.5%	40.7%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	58,662	-45,293
Revenue growth	± 10%	-532	533
EBITDA margin	± 10%	-10,013	10,013
Terminal value growth rate	± 0.5%	-21,867	25,456

14.3 Cash-generating unit CGU ETC-APAC.

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

Parameters CGU ETC-APAC.

	2017/18	2018/19
Carrying amount of goodwill allocated to the CGU	7,378	7,378
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	181,849	285,437
Carrying amount of the CGU	13,519	19,618
Discount rate	6.6%	4.9%
Discount rate before tax	8.7%	6.4%
Break-even discount rate before tax	137.5%	125.3%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	53,274	-37,908
Revenue growth	± 10%	-1,763	1,813
EBITDA margin	± 10%	-3,880	3,880
Terminal value growth rate	± 0.5%	-34,860	49,459

14.4 Cash-generating unit CGU IMS-Americas.

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

Parameters CGU IMS-Americas.

	2017/18	2018/19
Carrying amount of goodwill allocated to the CGU	3,364	3,364
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	1,230	1,348
Value in use of the CGU	89,000	176,424
Carrying amount of the CGU	18,641	24,917
Discount rate	7.6%	5.9%
Discount rate before tax	10.3%	7.8%
Break-even discount rate before tax	36.5%	75.3%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	27,652	-20,434
Revenue growth	± 10%	-583	589
EBITDA margin	± 10%	-2,958	2,958
Terminal value growth rate	± 0.5%	-15,343	19,854

14.5 Cash-generating unit CGU IMS-EMEA.

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

Parameters CGU IMS-EMEA.

	2017/18	2018/19
Carrying amount of goodwill allocated to the CGU	3,559	5,194
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	174	285
Value in use of the CGU	46,418	99,332
Carrying amount of the CGU	22,178	34,596
Discount rate	9.7%	8.3%
Discount rate before tax	12.6%	11.0%
Break-even discount rate before tax	20.6%	22.2%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	17,338	-13,375
Revenue growth	± 10%	-1,708	1,723
EBITDA margin	± 10%	-5,157	5,157
Terminal value growth rate	± 0.5%	-6,676	7,830

14.6 Cash-generating unit CGU IMS-APAC.

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

Parameters CGU IMS-APAC.

	2017/18	2018/19
Carrying amount of goodwill allocated to the CGU	230	230
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	44,156	64,092
Carrying amount of the CGU	1,402	1,085
Discount rate	6.7%	5.0%
Discount rate before tax	9.2%	6.7%
Break-even discount rate before tax	160.3%	623.8%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	11,640	-8,315
Revenue growth	± 10%	-1,032	1,085
EBITDA margin	± 10%	-1,152	1,152
Terminal value growth rate	± 0.5%	-7,520	10,571

14.7 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 fiscal year 2018/19 amounted to TEUR 113,697 (2017/18 adjusted: TEUR 110,410). The amount of the previous year has been adjusted by research and development costs from affiliated companies, which are now included as well. In fiscal year 2018/19, TEUR 50,959 thereof (2017/18 adjusted: TEUR 56,077) related to project-specific development costs charged to the customer. The remaining amount of TEUR 62,738 (2017/18 adjusted: TEUR 54,333) was recognized as an expense.

15 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2017/18	2018/19
Carrying amount as of March 31 of previous year	**2,131**	**7,502**
Additions	7,833	18,202
Reclassification of other investments due to additional purchase of shares	0	2,550
Disposal	0	-4,135
Proportional share in result reflecting the core business	492	942
Adjustments for elimination of intercompany transactions	-825	0
Loss from revaluation of shares due to business combination	-562	0
Gain from revaluation of shares due to business combination	0	523
Disposal due to business combination	-1,370	-5,356
Proportional share in result from financial investments	-113	-253
Currency translation differences	-84	0
Carrying amount as of March 31 of fiscal year	**7,502**	**19,973**
thereof interests in associates	0	9,080
thereof interests in joint ventures	7,502	10,893

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.

As described under “Business combinations” above (note 2.2), another one percent share was acquired in Intelligent Mobility Solutions Ltd., Zambia, in the first quarter of 2018/19. Kapsch TrafficCom thus held 51% in the company, however without amendment of the partnership agreement and the representation rights in the committees that direct the relevant activities. The amendment was carried out at the end of August 2018, thus the Zambian entity has been fully consolidated starting from September 2018. Due to the revaluation of the interests as a result of the business combination a gain of TEUR 523 was recognized.

Furthermore, the company autoTicket GmbH, Germany, was acquired as a shell company together with a partner in the second quarter of 2018/19. This entity was commissioned with the contract as of December 30, 2018 to collect the toll (“passenger vehicle toll”) in Germany on behalf of the authorities in Germany. Kapsch TrafficCom holds 50% in the entity, which is accounted for as a joint venture.

MoKA SAS, France, was founded together with the French company Axxès in the third quarter of 2018/19. The aim of the company is the set up and the operation of a technology platform for the EETS activities of both companies (EETS: European Electronic Toll Service). Kapsch TrafficCom holds 50% in the entity, which is accounted for as a joint operation.

In December 2018 Kapsch TrafficCom acquired further shares in Traffic Technology Services Inc., USA. On the one hand a loan was swapped to equity and on the other hand shares were purchased, both directly from Traffic Technology Services Inc., USA, and from a third party. Due to this swap and the acquisition of additional shares, Kapsch TrafficCom has the right to appoint additional members of the management board. Therefore the company is reported as an associated company now and the shares included in other investments in the amount of TEUR 2,550 were reclassified to associated companies.

The additions in fiscal year 2017/18 related to 50% of the shares in Intelligent Mobility Solutions Ltd., Zambia, the “loss from revaluation of shares due to business combination” and “disposal due to business combination” related to SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

Associated companies.

LLC National operator of telematic services, Russia.
On December 3, 2015, together with a partner, the Group founded the Russian company LLC National operator of telematic services and holds an interest of 49%. The company is classified as an associated company. Therefore the investment is accounted for using the equity method. As of March 31, 2019, the carrying amount of the interests amounted to TEUR 0 (March 31, 2018: TEUR 0). Proportional results from this associate are reported in the result before income taxes after the financial result.

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

	March 31, 2018	March 31, 2019
Non-current assets	1	1
Current assets	21	20
Non-current liabilities	0	0
Current liabilities	-399	-388
Net assets	**-377**	**-367**
Revenues	0	0
Result for the period	-101	-91
Other comprehensive income	0	0
Total comprehensive income	**-101**	**-91**

Traffic Technology Services Inc., USA.
As of March 31, 2019 Kapsch TrafficCom holds 41.56% in the entity. The company is accounted for using the equity method. Additions in fiscal year 2018/19 amounted to TEUR 6,784 and the carrying amount of the interests as of March 31, 2019 amounted to TEUR 9,080 (March 31, 2018: TEUR 2,550). Proportional results from this associate are reported in the result before income taxes after the financial result.

The financial data of the entity as of March 31, 2019 is as follows:

	March 31, 2018	March 31, 2019
Non-current assets	n.a.	8,660
Current assets	n.a.	3,912
Non-current liabilities	n.a.	-1,511
Current liabilities	n.a.	-262
Net assets	**n.a.**	**10,799**
Revenues	n.a.	335
Result for the period	n.a.	-770
Other comprehensive income	n.a.	0
Total comprehensive income	**n.a.**	**-770**

Joint Ventures.

autoTicket GmbH, Germany.
As of August 13, 2018 the company autoTicket GmbH, Germany, was acquired as a shell company together with a partner. This entity was commissioned with the contract as of December 30, 2018 to collect the toll ("passenger vehicle toll") in Germany on behalf of the authorities in Germany. Kapsch TrafficCom holds 50% in the entity, which is accounted for as a joint venture using the equity method. As the activities and strategic directions are part of the core business of Kapsch TrafficCom, proportional results of this joint venture are reported separately in the operating result. Since the acquisition a proportional result of TEUR 754 was generated. The carrying amount of the interests as of March 31, 2019 amounted to TEUR 10,766.

The financial data of the entity as of March 31, 2019 is as follows:

	March 31, 2018	March 31, 2019
Non-current assets	n.a.	18,426
Current assets	n.a.	20,694
Non-current liabilities	n.a.	-2,231
Current liabilities	n.a.	-15,360
Net assets	**n.a.**	**21,529**
Revenues	n.a.	16,840
Result for the period	n.a.	1,505
Other comprehensive income	n.a.	0
Total comprehensive income	**n.a.**	**1,505**
Cash and cash equivalents	n.a.	18,730
Financial liabilities (non-current and current)	n.a.	0
Reconciliation		
Net assets at beginning of fiscal year	n.a.	24
Increase of nominal capital and capital reserve	n.a.	20,000
Total comprehensive income	n.a.	1,505
Net assets as of March 31 of fiscal year	**n.a.**	**21,529**
Share of Kapsch TrafficCom (50%)	n.a.	10,766
Carrying amount as of March 31 of fiscal year	**n.a.**	**10,766**

Consortia.

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

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

As of March 31, 2019, the carrying amount of the shares amounted to TEUR 1 (March 31, 2018: TEUR 1). The financial data of the entities as of the latest balance sheet date (March 31) is as follows:

	March 31, 2018	March 31, 2019
Non-current assets	12	19
Current assets	485	559
Non-current liabilities	-6	-17
Current liabilities	-477	-560
Net assets	**15**	**1**
Revenues	969	2,852
Result for the period	12	1
Other comprehensive income	1	1
Total comprehensive income	**13**	**2**

Joint operations.

The Group had several joint arrangements in fiscal year 2018/19, mainly for implementation and maintenance projects, including a traffic management project for Lima, Peru. These joint arrangements were designated as joint operations. The company MoKA SAS, France, is also included as a joint operation. None of the joint operations is material to the Group individually in fiscal year 2018/19. Proportional revenues in the amount of TEUR 15,496 (2017/18: TEUR 13,827) and proportional results in the amount of TEUR 484 (2017/18: TEUR 990) were included in the respective items in the consolidated financial statements.

16 Financial instruments.

Financial instruments by category at carrying amount	March 31, 2018	March 31, 2019
Trade receivables and other current assets	**254,394**	**209,419**
At amortized cost	**217,503**	**171,443**
Trade receivables	133,600	171,443
Amounts due from customers for contract work	76,966	-
Amounts due from customers for service and maintenance contracts	6,937	-
At fair value through profit or loss	**12**	**50**
Derivative financial instruments (Fair value level 2)	12	50
Hedging instruments	**0**	**0**
Derivative financial instruments - Cash flow hedges (Fair value level 2)	0	0
Other non-financial assets [1]	**36,879**	**37,926**
Contract assets (non-current and current) at amortized cost	**-**	**139,402**
Other financial assets and investments (non-current and current)	**25,974**	**16,996**
At fair value through profit or loss	**18,388**	**15,205**
Securities (Fair value level 1) [2]	2,906	3,700
Securities (Fair value level 2) [2]	599	0
Derivative financial instruments (Fair value level 2)	154	79
Investments (Fair value level 1) [2]	10,657	11,389
Investments (Fair value level 3) [3]	4,072	36
At fair value through other comprehensive income (without recycling)	**2,550**	**0**
Investments (with option of fair value through OCI, fair value level 3) [3]	2,550	0
At amortized cost	**5,036**	**1,791**
Fixed income deposits (current)	2,214	0
Other financial assets and loans (non-current)	2,232	657
Other financial assets and loans (current)	590	1,135
Cash and cash equivalents at amortized cost	**181,835**	**94,652**
Financial liabilities (non-current and current) at amortized cost	**168,434**	**169,264**
Promissory note bond (Fair value level 2)	73,622	74,794
Project financing (Fair value level 2)	50,000	50,000
Other financial liabilities (Fair value level 2)	44,812	44,470
Trade payables at amortized cost	**58,255**	**89,560**
Contract liabilities (non-current and current) at amortized cost	**-**	**32,118**
Other liabilities and deferred income (non-current and current)	**117,050**	**73,146**
At amortized cost	**46,073**	**3,336**
Amounts due to customers for contract work	31,486	-
Variable purchase price components (earn-out, fair value level 3)	12,751	1,989
Other financial liabilities	1,836	1,346
At fair value through profit or loss	**1**	**196**
Derivative financial instruments (Fair value level 2)	1	196
Hedging instruments	**6**	**0**
Derivative financial instruments - Cash flow hedges (Fair value level 2)	6	0
Other non-financial liabilities [1]	**70,970**	**69,614**

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 investment as at March 31, 2018.

Changes and fair value.
One reclassification between the fair value hierarchy levels 2 and 1 was made for securities in fiscal year 2018/19, but no further reclassifications were made.

As of March 31, 2019, as in the previous year, the securities 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, 2019 the 15.4% investment (March 31, 2018: 15.4%) in the listed Q-Free ASA, Norway, recognized at fair value through profit and loss amounted to TEUR 11,393. The investment in ParkJockey Global Inc., USA, was no longer considered strategic to the Group and was sold in December 2018.

The investment in Traffic Technology Services Inc., USA, was classified at fair value through other comprehensive income as of April 1, 2018. Due to further investments in fiscal year 2018/19 in that entity, it is recognized as an associated company in the Group financial statements as of March 31, 2019.

Fixed income deposits were disposed fully in fiscal year 2018/19.

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

The fair value of non-current and current financial liabilities amounted to TEUR 72,818 for the promissory note bond (March 31, 2018: TEUR 71,497), TEUR 47,194 for the project financing (March 31, 2018: TEUR 46,643) and TEUR 43,468 for other financial liabilities (March 31, 2018: TEUR 43,508). Details on the level 3 earn-out liabilities can be found in note 28.

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 the level 3 category. Variable purchase price components (earn-out) fall into this category and are based on agreed conditions and the expectation of the future sales/earnings development of the respective subsidiaries. Long-term purchase price components are discounted using a risk-adjusted interest rate.

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

	2017/18	2018/19
Available-for-sale-financial assets	-1,187	0
Loans and receivables	1,471	-3,601
Financial liabilities recognized at (amortized) cost	-6,431	-4,392
At fair value through profit or loss	515	6,674
Total	**-5,631**	**-1,318**

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 income/losses from the change in the fair value of derivative financial instruments amounted to TEUR 0 and TEUR -233 respectively (2017/18: TEUR +73 and TEUR -96). The gains and losses included in the financial result are shown in note 9.

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 of March 31, 2019 there were no hedges designated as cash flow hedges (March 31, 2018: TEUR 6).

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

17 Other non-current assets.

	March 31, 2018	March 31, 2019
Costs to obtain a contract	0	7,077
Other non-current receivables	385	257
Total	**385**	**7,334**

Costs to obtain a contract relate to customer projects in Zambia and in Germany and are amortized on a straight-line basis over the contract term of the project. The amortization in fiscal year 2018/19 amounted to TEUR 99.

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 TEUR 24 (March 31, 2018: TEUR 101), between 2 and 3 years TEUR 6 (March 31, 2018: TEUR 7) and more than 3 years TEUR 322 (March 31, 2018: TEUR 425).

18 Inventories.

	March 31, 2018	March 31, 2019
Purchased parts and merchandise, at acquisition cost	24,496	28,952
Unfinished goods and work in progress, at production cost	4,803	5,002
Finished goods, at production cost	8,810	29,479
Prepayments on inventories	780	621
Total	**38,889**	**64,054**

Inventories for projects increased especially in the USA and in Bulgaria. Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 22,115 as at March 31, 2019 (March 31, 2018: TEUR 21,350). In the reporting period TEUR -765 were recognized in the statement of comprehensive income (2017/18: TEUR 744).

19 Trade receivables and other current assets.

	March 31, 2018	March 31, 2019
Trade receivables	143,050	176,175
Allowance for bad debt	-9,450	-4,731
Trade receivables – net	**133,600**	**171,443**
Amounts due from customers for contract work	76,966	0
Amounts due from customers for service and maintenance contracts	6,937	0
Receivables from tax authorities (other than income tax)	16,570	16,329
Other receivables and prepaid expenses	20,320	21,646
Total trade receivables and other current assets	**254,394**	**209,419**

Allowance for bad debt developed as follows:

	2017/18	2018/19
Balance as of March 31 of previous year	**-7,997**	**-9,450**
Adjustment due to initial adoption of IFRS 9	-	-1,846
Balance as of April 1 of previous year	**-7,997**	**-11,296**
Additions from business combinations	-288	0
Additions relating to specific bad debt reserve	-6,355	-610
Utilization relating to specific bad debt reserve	1,880	6,408
Disposals relating to specific bad debt reserve	2,857	1,240
Expected credit losses according to IFRS 9	-	-424
Currency translation differences	453	-50
Balance as of March 31 of fiscal year	**-9,450**	**-4,731**

Maturity structure of trade receivables:

	2017/18	2018/19
Not yet due	88,027	124,454
Overdue		
1-30 days	18,191	19,134
31-60 days	6,451	2,963
61-90 days	2,204	4,496
91-180 days	9,975	16,971
181-270 days	3,767	1,187
More than 271 days	14,435	6,969
Total	**143,050**	**176,175**

There is no concentration of credit risk with respect to trade receivables, except for the toll collection projects in Bulgaria, the USA, Austria, the Czech Republic and Spain, as the Group generally has a large number of customers worldwide. Trade receivables relating to the toll collection project in Bulgaria amounted to TEUR 46,016 (March 31, 2018: TEUR 0) and contributed mainly to the increase in trade receivables. Trade receivables relating to the maintenance of the truck toll collection system in the Czech Republic amounting to TEUR 14,304 (March 31, 2018: TEUR 14,174) are due from Ředitelství silnic a dálnic ĈR (RSD), a company of the Czech Republic.

20 Contract assets and contract liabilities.

Contract assets and liabilities are composed as follows:

	March 31, 2018	March 31, 2019
Current contract assets	-	123,145
Allowance on current contract assets	-	-590
Total current contract assets	**-**	**122,555**
Non-current contract assets	-	16,928
Allowance on non-current contract assets	-	-81
Total non-current contract assets	**-**	**16,847**
Total contract assets	**-**	**139,402**
Current contract liabilities	-	26,905
Non-current contract liabilities	-	5,213
Total contract liabilities	**-**	**32,118**

Due to the adoption of the new standard IFRS 15 no previous year information is shown.

Impairment on contract assets amounted to TEUR 671 as of March 31, 2019. The impairment on contract assets, due to the application of the new standard IFRS 9 as of April 1, 2018, amounted to TEUR 408. In fiscal year 2018/19 impairment losses amounting to TEUR 263 were included in the statement of comprehensive income.

An amount of TEUR 21,502 of the contract liabilities as of April 1, 2018 was recognized as revenue in fiscal year 2018/19.

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 TEUR 12,837 and TEUR -11.240 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:

	2017/18	2018/19
Future revenues	**-**	**2,412,497**
Total up to 1 year	-	685,378
Between 1 and 2 years	-	414,332
Between 2 and 3 years	-	217,625
Between 3 and 4 years	-	183,675
Between 4 and 5 years	-	98,520
More than 5 years	-	812,967

21 Cash and cash equivalents.

	March 31, 2018	March 31, 2019
Cash on hand	174	76
Deposits held with banks	181,661	94,576
Total	**181,835**	**94,652**

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.

22 Share capital.

	2017/18	2018/19
Carrying amount as of March 31 of fiscal year	**13,000**	**13,000**

The registered share capital of the company amounts to EUR 13,000,000. The share capital was 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.

23 Current and non-current financial liabilities.

	March 31, 2018	March 31, 2019
Non-current financial liabilities	141,759	139,330
Current financial liabilities	26,675	29,934
Total	**168,434**	**169,264**

Movements are as follows:

	March 31, 2018	Addition resulting from business combinations	Reclassi-fication	Additions	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**

	March 31, 2017	Addition resulting from business combinations	Reclassi-fication	Additions	Repay-ment	Currency translation differences and interest accrued	March 31, 2018
Promissory note bond	75,376	0	0	36	0	-1,790	73,622
Loans for acquisitions	21,428	0	-3,572	0	0	0	17,856
Loans for project financing	0	0	0	50,000	0	0	50,000
Other non-current loans	677	152	-534	0	0	-14	281
Non-current financial liabilities	**97,482**	**152**	**-4,106**	**50,036**	**0**	**-1,805**	**141,759**
Corporate bond	70,702	0	0	116	-70,818	0	-0
Loans for acquisitions	3,572	0	3,572	0	-3,572	0	3,572
Loans for project financing	0	0	0	891	0	-134	757
Other current loans	23,628	1,832	534	4,365	-5,543	-2,471	22,346
Current financial liabilities	**97,902**	**1,832**	**4,106**	**5,372**	**-79,930**	**-2,606**	**26,675**
Total	**195,384**	**1,984**	**0**	**55,408**	**-79,930**	**-4,411**	**168,434**

Additions and repayments are cash effective.

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

In November 2017 a corporate bond with a volume of TEUR 75,000 was redeemed as scheduled.

The non-current financial liabilities include a promissory note bond ("Schuldscheindarlehen") amounting to TEUR 74,794 as of March 31, 2019, 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 mn	1.22%	yearly	June 16, 2021
EUR 4.5 mn	6M EURIBOR + 120 Bp	semi-annual	June 16, 2021
USD 14.5 mn	3M LIBOR + 170 Bp	quarterly	June 16, 2021
EUR 23 mn	6M EURIBOR + 150 Bp	semi-annual	June 16, 2023
EUR 8.5 mn	2.26%	yearly	June 16, 2026

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

	2017/18	2018/19
Gross cash flows		
In the first half year of the next fiscal year	21,542	6,019
In the second half year of the next fiscal year	7,025	26,416
Total up to 1 year	**28,566**	**32,434**
Between 1 and 2 years	5,460	18,205
Between 2 and 3 years	17,913	60,775
Between 3 and 4 years	61,367	16,787
Between 4 and 5 years	16,902	39,491
More than 5 years	48,301	8,596
Total	**178,509**	**176,289**

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

	2017/18	2018/19
Total financial liabilities:		
Carrying fixed interest rates	86,148	87,110
Carrying variable interest rates	82,285	82,154
Total	**168,434**	**169,264**
Average interest rates:		
Loans for project financing	0.80%	0.80%
Promissory note bond	1.20 - 3.20%	1.20 - 4.31%
Loans for acquisitions	0.80%	0.54%
Other loans	0.49 - 3.00%	0.50 - 3.65%

Bills of exchange amounting to TEUR 19,281 (March 31, 2018: TEUR 22,853) were issued for an export promotion loan and loans for acquisitions.

24 Deferred tax assets/liabilities.

	March 31, 2018	March 31, 2019
Deferred tax assets to be recovered after more than 12 months	5,244	11,905
Deferred tax assets to be recovered within 12 months	7,155	6,557
Deferred tax assets	**12,399**	**18,462**
Deferred tax liabilities to be recovered after more than 12 months	1,318	2,849
Deferred tax liabilities to be recovered within 12 months	592	2,254
Deferred tax liabilities	**1,910**	**5,103**
Deferred tax assets net (+)/deferred tax liabilities net (-)	**10,489**	**13,359**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to TEUR 223,418 (March 31, 2018 adjusted: TEUR 226,321) are not recognized due to the unsecure potential for future taxable income. Tax losses in Brazil and the USA, that were not recognized before, were recognized in fiscal year 2018/19 amounting to TEUR 23,620. Based on the business plans of the coming years, it is expected that those tax losses can be used on future taxable gains. The not recognized tax loss carry-forwards mainly relate to foreign subsidiaries, primarily in the USA, Spain and South Africa and are, for the predominant part, not expiring before 2030. All other deferred tax assets have been recognized in the respective Group companies as future deductible items.

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

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

	March 31, 2018	Transition to new IFRS Standards	Addition resulting from business combinations	Through profit or loss of the period	Through other comprehensive income	Currency translation differences	Reclassification and offset	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**

	March 31, 2017	Addition resulting from business combinations	Through profit of loss of the period	Through other comprehensive income	Currency translation differences	Reclassification and offset	March 31, 2018
Tax loss carry-forwards	6,439	0	-2,740	0	-221	-415	3,064
Provisions disallowed for tax purposes	4,708	0	428	40	32	0	5,207
Depreciation disallowed for tax purposes	602	0	-308	0	-4	0	290
Construction contracts acc. to IAS 11	0	0	0	0	0	1,737	1,737
Other (active deferred income)	5,126	0	-1,706	1,524	-188	-2,656	2,100
Deferred tax assets	**16,876**	**0**	**-4,326**	**1,563**	**-381**	**-1,333**	**12,399**
Special depreciation/amortization of non-current assets	778	0	-241	0	-67	0	470
Contract work	364	0	-2,102	0	0	1,737	0
Gains from recognition at fair value	3,453	1,040	-1,389	27	0	-3	3,128
Other (passive deferred income)	3,087	0	-1,648	0	-60	-3,068	-1,689
Deferred tax liabilities	**7,683**	**1,040**	**-5,380**	**27**	**-127**	**-1,333**	**1,910**
Total change	**9,193**	**-1,040**	**1,054**	**1,536**	**-254**	**0**	**10,489**

25 Liabilities from post-employment benefits to employees.

	March 31, 2018	March 31, 2019
Termination benefits	10,341	12,565
Pension benefits	13,364	13,560
Total	**23,706**	**26,125**

Termination benefits.

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

Pension benefits.

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

Parameter.

Termination benefits obligations were valued based on an interest rate of 1.05% – 1.30% (2017/18: 1.30% – 1.40%), retirement benefit obligations were valued based on an interest rate of 1.30% (2017/18: 1.55%) for the euro zone and based on an interest rate of 3.80% (2017/18: 3.70%) for Canada and compensation increases based on a rate of 2.50% (2017/18: 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 (2017/18: AVO 2008-P) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada. Pension increases were estimated at 2.18% on average (2017/18: 1.97%).

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

	2017/18	2018/19
Carrying amount as of March 31 of previous year	**9,858**	**10,341**
Addition from business combinations	599	0
Remeasurements (actuarial gains/losses)	138	252
Current service cost	590	1,178
Past service costs	0	1,090
Interest expense	122	144
Payments	-923	-438
Currency translation differences	-43	-2
Carrying amount as of March 31 of fiscal year	**10,341**	**12,564**
Total, included in the staff costs (note 7)	590	2,268
Total, included in the financial result (note 10)	122	144

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

	2017/18	2018/19
Remeasurements from changes in demographic assumptions	0	163
Remeasurements from changes in financial assumptions	-32	114
Remeasurements from other changes (experience adjustments)	170	-25
Total	**138**	**252**

The expected allocation for termination benefits for the next fiscal year 2019/20 amounts to TEUR 376. The weighted average duration amounts to 8.5 years.

Analysis of expected maturity of undiscounted benefits.

	2019/20	2020/21	2021/22	2022/23	2023/24	over 5 years	Total
Termination benefits	454	826	774	770	777	10,167	13,768

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	481	-450
Expected annual interest expenses (IC)	± 50 Bp	-52	47
Expected annual service costs (CSC)	± 50 Bp	11	-11
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-419	442
Expected annual interest expenses (IC)	± 50 Bp	-5	5
Expected annual service costs (CSC)	± 50 Bp	-11	12
Impact of changes in fluctuation			
Defined benefit obligation (DBO)	± 5%	17	-17
Expected annual interest expenses (IC)	± 5%	0	0
Expected annual service costs (CSC)	± 5%	1	-1

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

	2017/18	2018/19
Carrying amount as of March 31 of previous year	**14,088**	**13,364**
Remeasurements of employee benefit obligations after termination of the employment relationship	81	610
Current service cost	7	40
Interest expense	266	252
Payments	-829	-834
Currency translation differences	-248	129
Carrying amount as of March 31 of fiscal year	**13,364**	**13,560**
Total, included in the staff costs (note 7)	7	40
Total, included in the financial result (note 10)	266	252

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

	2017/18	2018/19
Remeasurements from changes in demographic assumptions	0	144
Remeasurements from changes in financial assumptions	75	252
Remeasurements from other changes	6	213
Total	**81**	**610**

The expected allocation for pension benefits for the next fiscal year 2019/20 amounts to TEUR 240. The weighted average duration amounts to 9.5 years.

Analysis of expected maturity of undiscounted benefits.

	2019/20	2020/21	2021/22	2022/23	2023/24	over 5 years	Total
Pension benefits	850	826	823	818	812	11,773	15,902

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	683	-632
Expected annual interest expenses (IC)	± 50 Bp	-59	53
Expected annual service costs (CSC)	± 50 Bp	1	-1
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-507	541
Expected annual interest expenses (IC)	± 50 Bp	-7	7
Expected annual service costs (CSC)	± 50 Bp	0	0

26 Provisions.

	March 31, 2018	March 31, 2019
Non-current provisions	8,911	6,681
Current provisions	9,600	14,734
Total	**18,510**	**21,415**

The provisions changed as follows

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

	March 31, 2017	Additions from business combinations	Addition from accumu-lation	Addition	Utiliza-tion	Disposal	Reclassi-fication	Currency translation differences	March 31, 2018
Obligations from anniversary bonuses	1,249	139	15	36	-16	-18	0	-15	1,391
Warranties	1,516	0	0	0	0	0	391	0	1,906
Projects (excl. impending losses)	872	0	0	0	0	0	-182	0	689
Other non-current provisions	6,356	0	257	555	0	-1,518	278	-1,005	4,923
Non-current provisions, total	**9,993**	**139**	**272**	**592**	**-16**	**-1,536**	**486**	**-1,020**	**8,911**
Warranties	1,371	0	0	548	-563	-318	-391	-212	435
Projects (excl. impending losses)	10,430	0	0	1,711	-4,899	-2,269	182	-269	4,887
Legal fees, costs of litiga-tion and contract risks	4,645	0	0	558	-1,434	-43	-177	-516	3,033
Other current provisions	1,195	73	0	932	-532	-71	-101	-251	1,245
Current provisions, total	**17,640**	**73**	**0**	**3,748**	**-7,428**	**-2,701**	**-486**	**-1,248**	**9,600**
Total	**27,633**	**213**	**272**	**4,340**	**-7,443**	**-4,236**	**0**	**-2,268**	**18,510**

The provision for “anniversary bonuses” relates to non-current entitlements of employees based on Collective Agreements. The valuation was based on an interest rate of 1.05% – 1.35% (2017/18: 1.15% – 1.45%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVO 2018-P ANG (2017/18: AVO 2008-P) by Pagler & Pagler. Increases in salary were considered at 2.50% (2017/18: 2.50%). It is expected that an amount of TEUR 92 will be used in fiscal year 2019/20 and the remaining amount in the following fiscal years.

As manufacturer, dealer and service provider, the Group issues “product warranties” at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of TEUR 125 will be used in the first half of fiscal year 2019/20, TEUR 413 in the second half of the year and the remaining amount of TEUR 2,472 in the following fiscal years.

In fiscal year 2018/19, an amount of TEUR 3,461 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 fiscal year 2019/20 utilization in the amount of TEUR 410 and in the second half of the year utilization in the amount of TEUR 3,051 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 TEUR 71 will be used in the first half of the fiscal year 2019/20, TEUR 5,663 in the second half of the year and the remaining amount of TEUR 151 in the following fiscal years.

Provisions for “legal fees, costs of litigation and contract risks” mainly relate to current legal cases and consulting costs. It is expected that the full amount will be used in fiscal year 2019/20. In the first half of the year, an amount of TEUR 1,319 is expected to be used and in the second half of the year an amount of TEUR 1,390 is expected for utilization.

“Other provisions” mainly include provisions for taxes and duties, provisions for commissions and bonuses, provisions for dismantling, removing and restoring assets, provisions for outstanding credit notes as well as discounts granted to customers. It is expected that an amount of TEUR 971 will be used in the first half of fiscal year 2019/20, TEUR 1,321 in the second half of the year and the remaining amount of TEUR 2,301 in the following fiscal years.

27 Other non-current liabilities.

	March 31, 2018	March 31, 2019
Liabilities from acquisition of shares	2,456	0
Truck toll collection system Czech Republic	832	573
Other	1,003	773
Total	**4,292**	**1,346**

The liabilities from acquisition of shares as of March 31, 2018 mainly related to the long-term part of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s r.o., Czech Republic, amounting to TEUR 1,953. As of March 31, 2019 only short-term liabilities were outstanding. Moreover the long-term portion of the variable purchase price component (earn-out payment) from the acquisition of the shares in FLUIDTIME Data Services GmbH, Vienna, amounting to TEUR 503 was included as of March 31, 2018. In fiscal year 2018/19 an amount of TEUR 206 was paid and the remaining amount was released.

The item "Truck toll collection system Czech Republic" relates to trade payables (non-current) to subcontractors for the construction of the Czech truck toll system in the amount of TEUR 573 (March 31, 2018: TEUR 832). The remaining term, as in the previous year, is more than one year, but less than five years from the balance sheet date.

The non-current liabilities were discounted on the basis of cash flows using discount rates. The gross cash flows of other non-current liabilities are as follows:

	2017/18	2018/19
Less than 2 years	3,069	972
Between 2 and 3 years	931	254
More than 3 years	472	189
Total	**4,472**	**1,416**

28 Other liabilities and deferred income.

	March 31, 2018	March 31, 2019
Amounts due to customers for contract work	31,486	0
Other prepayments received	2,938	4,566
Other employee liabilities	31,219	32,166
Liabilities to tax authorities (other than income tax)	12,106	16,227
Liabilities from tax allocation to the tax group leader	5,349	3,668
Other liabilities and deferred income	29,660	15,168
Total	**112,758**	**71,800**

Other liabilities and deferred income include 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 TEUR 2,000 (March 31, 2018: TEUR 3,000).

The variable purchase price component (earn-out payment) from the acquisition of the shares in Kapsch Telematic Services GmbH, Vienna, in the amount of TEUR 3,500 was included as at March 31, 2018 and was fully paid as of March 31, 2019.

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

	2017/18	2018/19
Carrying amount as of March 31 of previous year	**11,851**	**12,750**
Addition	3,794	0
Disposal	-3,000	-10,798
Interests	105	37
Carrying amount as of March 31 of fiscal year	**12,750**	**1,989**

29 Contingent liabilities, other commitments and operating lease commitments.

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

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

	2017/18	2018/19
Contract, warranty, performance and bid bonds		
South Africa (toll collection system)	34,197	30,742
Australia (toll collection systems)	19,236	29,926
Other	1,540	161
Total	**54,973**	**60,829**

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutes and insurance companies. In case the contractual obligations cannot be fulfilled, there is a risk of utilization, that can result in a recourse claim of the financial institute or insurance company against the Group. Such an outflow of resources is deemed unlikely. This kind of contract, warranty, performance and bid bonds in the amount of TEUR 319,055 (2017/18: TEUR 351,401) are not included in the balance sheet or in the contingent liabilities respectively.

With shareholder agreement as of February 8, 2019 Kapsch TrafficCom has committed itself against autoTicket GmbH, Germany, to grant a subordinated shareholder loan in an amount up to TEUR 17,500 and to take over a joint and several liability for the third party financing of autoTicket GmbH in the total amount of TEUR 175,000 (together with second shareholder CTS EVENTIM AG & Co KGaA). According to the loan agreement that joint and several liability will be converted to a guarantee of both shareholders after the start of the toll collection, the collection of the reimbursement costs and end of the first year of operations. Each of the shareholders has to guarantee half of the amount outstanding at that moment.

As at March 31, 2019 neither any shareholder loans of Kapsch TrafficCom nor any bank liabilities are outstanding in autoTicket GmbH. The shareholders are liable together with the operator (autoTicket GmbH) as joint and several debtors for all obligations of the operator in accordance with the operations contract (the liability of the operator is limited to a total of EUR 300 million until the end of the first year of operations, afterwards to EUR 40 million per year of operations and to EUR 100 million in the last year of operations and/or per year of the extension period).

Assets of Kapsch TrafficCom AB, Sweden, in the amount of TEUR 11,541 (March 31, 2018: TEUR 11,668) were pledged as collateral for contingent liabilities in favor of a Swedish bank.

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

	2017/18	2018/19
Up to 1 year	16,362	19,586
Between 1 and 5 years	31,796	38,656
Over 5 years	6,490	6,428
Total	**54,647**	**64,670**

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

	2017/18	2018/19
Rent	14,027	17,666
Motor vehicle leases	2,207	2,822
IT leases	3,930	3,681
Other	390	541
Total	**20,553**	**24,711**

30 Interests in subsidiaries.

Entity, headquater of entity	March 31, 2018 Group's share	March 31, 2018 Non-controlling interests	March 31, 2019 Group's share	March 31, 2019 Non-controlling interests
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	100.00%	–	100.00%	–
Kapsch TrafficCom Ltd., Middlesex, United Kingdom	100.00%	–	100.00%	–
Kapsch Components GmbH & Co KG, Vienna	100.00%	–	100.00%	–
Kapsch Components GmbH, Vienna	100.00%	–	100.00%	–
FLUIDTIME Data Services GmbH, Vienna	75.50%	24.50%	75.50%	24.50%
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100.00%	–	100.00%	–
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	100.00%	–	100.00%	–
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4]	49.00%	51.00%	49.00%	51.00%
Kapsch TrafficCom Russia, OOO, Moscow, Russia	100.00%	–	100.00%	–
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	100.00%	–	100.00%	–
Kapsch Traffic Solutions (Consortium), Sofia, Bulgaria	100.00%	–	100.00%	–
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	100.00%	–	100.00%	–
Kapsch TrafficCom - Rowing - UTE (Consortium), Buenos Aires, Argentina [1) 3)]	n.a.	–	50.00%	50.00%
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	100.00%	–	100.00%	–
Kapsch Telematic Services IOOO, Minsk, Belarus	100.00%	–	100.00%	–
Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan	100.00%	–	100.00%	–
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	51.00%	49.00%	51.00%	49.00%
tolltickets GmbH, Rosenheim, Germany	65.00%	35.00%	65.00%	35.00%
MTS Maut & Telematik Services GmbH, Berlin, Germany [1]	n.a.	–	100.00%	–
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.00%	–	100.00%	–
Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain	100.00%	–	100.00%	–
Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia	100.00%	–	100.00%	–
Telvent Thailand Ltd., Bangkok, Thailand	100.00%	–	100.00%	–
Kapsch TrafficCom Transportation Brasil Ltda., Sao Paulo, Brazil	100.00%	–	100.00%	–
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	100.00%	–	100.00%	–
Kapsch TrafficCom S.A.S., Bogotá, Colombia	100.00%	–	100.00%	–
Kapsch TrafficCom Peru S.A.C., Lima, Peru [1]	n.a.	–	100.00%	–
Kapsch TrafficCom Norway AS (formerly: Athomstart Invest 253 AS), Oslo, Norway	100.00%	–	100.00%	–
KTS Beteiligungs GmbH, Vienna	100.00%	–	100.00%	–
Kapsch TrafficCom AB, Jonkoping, Sweden	100.00%	–	100.00%	–
Kapsch TrafficCom do Brasil LTDA., Sao Paulo, Brazil [2]	100.00%	–	–	–
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	100.00%	–	100.00%	–
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	100.00%	–	100.00%	–
Kapsch TrafficCom France SAS, Paris, France	100.00%	–	100.00%	–
Kapsch TrafficCom PTE. LTD., Tripleone Somerset, Singapore	100.00%	–	100.00%	–
Kapsch TrafficCom New Zealand Ltd., Auckland, New Zealand	100.00%	–	100.00%	–
Kapsch TrafficCom South Africa (Pty) Ltd., Sunninghill, South Africa	100.00%	–	100.00%	–
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	100.00%	–	100.00%	–
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.00%	–	100.00%	–
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa [5]	100.00%	–	100.00%	–
Mobiserve (Pty) Ltd., Cape Town, South Africa [5]	100.00%	–	100.00%	–
Trust South Africa, Cape Town, South Africa [5]	100.00%	–	100.00%	–
Berrydust 51 (Pty) Ltd., Cape Town, South Africa [2]	100.00%	–	–	–
Intelligent Mobility Solutions Limited, Lusaka, Zambia [1]	50.00%	50.00%	51.00%	49.00%
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.00%	–	100.00%	–
Kapsch TrafficCom Canada Inc., Mississauga, Canada	100.00%	–	100.00%	–
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	100.00%	–	100.00%	–
Kapsch TrafficCom Holding II US Corp., McLean, USA	100.00%	–	100.00%	–
Kapsch TrafficCom USA, Inc., McLean, USA	100.00%	–	100.00%	–

Entity, headquater of entity	March 31, 2018		March 31, 2019	
	Group's share	Non-controlling interests	Group's share	Non-controlling interests
SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico	100.00%	–	100.00%	–
Kapsch TrafficCom Holding Corp., McLean, USA	100.00%	–	100.00%	–
Kapsch TrafficCom Inc., McLean, USA	100.00%	–	100.00%	–
Streetline Inc., Foster City, USA	93.94%	6.06%	93.94%	6.06%
Kapsch Telematic Services GmbH, Vienna	100.00%	–	100.00%	–
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	100.00%	–	100.00%	–
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	100.00%	–	100.00%	–
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	100.00%	–	100.00%	–
Kapsch Road Services Sp. z o.o., Warsaw, Poland	100.00%	–	100.00%	–

1) Foundation/acquisition/acquisition of additional shares in fiscal year 2018/19
2) Deconsolidation in fiscal year 2018/19
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%

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

With exception of the following entities, which do not report at balance sheet date as of March 31 due to legal restrictions, all mentioned subsidiaries report at balance sheet date as of March 31.

- Kapsch TrafficCom Russia OOO, Moscow, Russia (December 31)
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria (December 31)
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan (December 31)
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus (December 31)
- Kapsch TrafficCom KGZ OOO, Bischkek, Kyrgyzstan (December 31)

Further entities with deviating balance sheet date:

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

31 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	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	12,920	4,474	3,964	8,695	4,735	2,468
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	0	685	9	411	265	79
Carrying amount as of March 31, 2019						**1,507**

	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	1,706	2,338	11,951	3,613	-11,519	-805
Kapsch Telematic Services Solutions A/S, Denmark	0	0	0	0	0	0
FLUIDTIME Data Services GmbH, Austria	1,987	341	1,718	589	21	-87
tolltickets GmbH, Germany	223	3,580	24	4,262	-483	-169
Kapsch TrafficCom Lietuva UAB, Lithuania	1	28	0	2	27	16
Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic	24	5,729	832	3,238	1,682	0
Carrying amount as of March 31, 2018						**-1,045**

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):

2018/19	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
	Revenues	Result for the period	Other comprehensive income	Total comprehensive income	Result for the period	Other comprehensive income	Total comprehensive 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	3,579	-1,710	-870	-2,579	-885	-221	-1,107
Kapsch TrafficCom - Rowing - UTE (Consortium), Argentina	792	132	0	132	66	-26	40
Total					**-1,253**	**-325**	**-1,578**

2017/18	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
	Revenues	Result for the period	Other comprehensive income	Total comprehensive income	Result for the period	Other comprehensive income	Total comprehensive income
Streetline Inc., USA	2,280	-5,172	1,266	-3,906	-315	77	-238
Kapsch Telematic Services Solutions A/S, Denmark	0	0	3	3	0	0	0
FLUIDTIME Data Services GmbH, Austria	629	-713	0	-713	-175	0	-175
tolltickets GmbH, Germany	2,087	-506	0	-506	-177	0	-177
Kapsch TrafficCom Lietuva UAB, Lithuania	0	2	0	2	1	0	1
Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic	12,058	782	99	881	18	0	18
Total					**-647**	**77**	**-570**

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				
2018/19	**Operating activities**	**Investing activities**	**Financing activities**	**Cash net increase/ decrease**	**Dividends paid to non-controlling shareholders**
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**

	Cash flow from				
2017/18	**Operating activities**	**Investing activities**	**Financing activities**	**Cash net increase/ decrease**	**Dividends paid to non-controlling shareholders**
Streetline Inc., USA	-3,497	-1,033	5,190	660	0
Kapsch Telematic Services Solutions A/S, Denmark	79	0	-110	-30	0
FLUIDTIME Data Services GmbH, Austria	-1,000	-54	951	-102	0
tolltickets GmbH, Germany	-158	-88	371	125	0
Kapsch TrafficCom Lietuva UAB, Lithuania	0	0	0	0	0
Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic	3,168	0	-477	2,691	0
Total					**0**

32 Related parties.

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

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

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

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

	2017/18	2018/19
Parent company		
Revenues	8	0
Expenses	-1,070	-1,222
Income (+) / Expense (-) from tax allocation	-5,367	-3,594
Affiliated companies		
Revenues	5,906	7,382
Expenses	-28,571	-29,668
Associated companies		
Revenues	26	25
Expenses	0	0
Joint ventures		
Revenues	1,661	10,201
Expenses	0	0
Other related parties		
Revenues	130	129
Expenses	-192	-178

	March 31, 2018	March 31, 2019
Parent company		
Trade receivables and other assets	0	0
Trade payables and other payables	-57	-342
Receivables (+) / Liabilities (-) from tax allocation	-5,349	-3,603
Liabilities from share purchase	-3,500	0
Affiliated companies		
Trade receivables and other non-current and current assets	2,611	2,436
Trade payables and other payables	-2,929	-4,401
Associated companies		
Trade receivables and other non-current and current assets	318	335
Trade payables and other payables	0	0
Joint ventures		
Trade receivables and other non-current and current assets	4,316	0
Contract assets	0	9,058
Trade payables and other payables	0	-400
Other related parties		
Trade receivables and other non-current and current assets	0	15
Trade payables and other payables including pension benefits	-11,583	-11,277

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

Parent company.
The parent company KAPSCH-Group Beteiligungs GmbH provides services to the Group in the area of Group consolidation (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 fiscal year 2018/19 amounted to TEUR 1,152 (2017/18: TEUR 1,023). Furthermore, the parent company invoiced insurance costs (directors & officers liability insurance) to the Group amounting to TEUR 55 (2017/18: TEUR 48).

In fiscal year 2014/15 the parent company sold 3% of its shares in Kapsch Telematic Services GmbH, Vienna, to Kapsch TrafficCom AG. As of March 31, 2018, a variable purchase price component in the amount of TEUR 3,500 was still included in other current liabilities (see note 28) as a result of this transaction, and was fully paid in the first quarter of 2018/19.

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, 2019, the Group has liabilities from tax allocation to the parent company in the amount of TEUR 3,603 (March 31, 2018: TEUR 5,349).

Affiliated companies.
The Group regularly provides its affiliated companies with manufacturing services in the area of GSM-R as well as logistics services. In the 2018/19 fiscal year, trade revenue relating to GSM-R amounted to TEUR 4,437 (2017/18: TEUR 3,319) and logistics services to TEUR 770 (2017/18: TEUR 889).

In fiscal year 2018/19 revenues from recharging of expenses to affiliated companies amounting to TEUR 1,011 (2017/18: TEUR 0) resulted from a customer project in the USA.

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

The Group's lease income from subletting to affiliates in the 2018/19 fiscal year totaled TEUR 339 (2017/18: TEUR 349). The remainder of revenues to affiliated companies relates to other goods and services.

Expenses from transactions with affiliated companies relate to a large extent to goods and services in the area of IT, data processing and telephone services (leasing of telephone and IT equipment as well as IT support), above all through Kapsch BusinessCom AG, Vienna. The expenses of the Group in this context amounted to TEUR 10,346 in fiscal year 2018/19 (2017/18: TEUR 9,583).

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 TEUR 6,115 (2017/18: TEUR 7,922) mainly in the USA, Austria and South Africa).

At the end of November 2018 Kapsch TrafficCom acquired 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 from an affiliated company. 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 fiscal year 2018/19 in this context amounted to TEUR 1,609.

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 fiscal year 2018/19 amounted to TEUR 3,670 (2017/18: TEUR 3,442).

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 fiscal year 2018/19 expenses amounting to TEUR 2,440 (2017/18: TEUR 2,104) were incurred in the Group in this regard.

Other expenses of the Group from transactions with affiliated companies in fiscal year 2018/19 include with TEUR 2,090 (2017/18: TEUR 1,937) activities in the area of corporate development, public relations, sponsoring and other marketing activities, with TEUR 1,798 (2017/18: TEUR 1,755) management and consulting services, with TEUR 852 (2017/18: TEUR 802), insurance contracts covering all Group companies and TEUR 125 (2017/18: TEUR 115) running costs for a software tool (Hyperion Financial Management). The remainder of the expenses to affiliated companies relates to other goods and services provided to the Group.

Joint Ventures.
Revenues with joint ventures in fiscal year 2018/19 amounting to TEUR 9,058 (2017/18: TEUR 0) relate to the toll collection project ("passenger vehicle toll") of autoTicket GmbH, Germany and TEUR 1,143 (2017/18: TEUR 1,661) to the traffic safety and management project of Intelligent Mobility Solutions Ltd., Zambia. 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.

The revenues with autoTicket GmbH, Germany, are fully included as contract assets as of March 31, 2019.

As of March 31, 2018, receivables from joint ventures included loans to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540.

Other related parties.
Revenues from other related parties in the 2018/19 fiscal year relate to rental income from subletting in the amount of TEUR 129 (2017/18: TEUR 124).

Expenses to other related parties relate on the one hand to the leasing of telephone and IT equipment (hardware and software) with TEUR 104 (2017/18: TEUR 105) and to services in the area of vehicle management and vehicle services in the amount of TEUR 74 (2017/18: TEUR 87).

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 35. Details to contingent liabilities of related parties are included in note 29.

33 Earnings per share.

Earnings per share (undiluted earnings) are calculated by dividing the result for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares. As of March 31, 2019, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2017/18	2018/19
Result for the period attributable to equity holders of the company (in EUR)	28,680,062	47,820,497
Weighted average number of ordinary shares	13,000,000	13,000,000
Earnings per share (in EUR)	**2.21**	**3.68**

34 Events after the reporting period.

The composition of the Executive Board changed at the end of April 2019. Mr. Alexander Lewald, Chief Technology Officer (CTO), left the company amicably and Mr. Alfred Escribá Gallego takes over the portfolio of the CTO. His contract term is five years.

After successful acceptance and start of the operations of the nation-wide toll system for vehicles and trucks in Bulgaria, a partial amount of EUR 46 million was invoiced, and payment was received at the end of May 2019 according to the contract.

35 Supplementary disclosures.

The average number of staff in fiscal year 2018/19 was 4,399 salaried employees and 760 waged earners (2017/18: 4,267 salaried employees and 867 waged earners).

Expenses for the auditor.

The expenses for the auditor amount to TEUR 239 (2017/18: TEUR 209) and are broken down as follows:

	2017/18	2018/19
Audit of the consolidated financial statements	75	83
Other assurance services	67	83
Tax advisory services	0	0
Other services	67	74
Total	**209**	**239**

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

In fiscal year 2018/19, the following persons served on the Executive Board:
Georg Kapsch (Chief Executive Officer)
André Laux
Alexander Lewald (until April 30, 2019)
Alfred Escribá Gallego (since May 1, 2019)

The compensation paid to members of the Executive Board in fiscal year 2018/19 is shown below:

	2017/18	2018/19		
	Total	**Total**	**Fixed**	**Variable**
Georg Kapsch	1,135	1,021	680	340
André Laux	589	571	446	125
Alexander Lewald	531	513	387	125
Total	**2,255**	**2,104**	**1,514**	**591**
Expenses for termination benefits	17	1,060		
Expenses for pension benefits	95	85		
Expenses for termination and pension benefits	**112**	**1,145**		

Individual pension agreements were granted to André Laux and Alexander Lewald. Therefore, in fiscal year 2018/19 Kapsch TrafficCom AG paid to an external pension fund. Details can be found in the table above.

In fiscal year 2018/19, the following persons served on the Supervisory Board:
Franz Semmernegg (Chairman)
Kari Kapsch (Deputy-Chairman)
Sabine Kauper
Harald Sommerer

Delegated by the works council:
Christian Windisch
Martin Gartler (until November 20, 2018)
Claudia Rudolf-Misch (since November 21, 2018)

Remunerations paid to Supervisory Board members (including travel costs) and recognized as an expense amounted to TEUR 121 (2017/18: TEUR 122) in total.

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

Proposed appropriation of retained earnings.

The Group intends to distribute TEUR 19,500 from the unappropriated retained earnings of Kapsch TrafficCom AG (2017/18: TEUR 19,500), corresponding to a dividend per share of EUR 1.50 for fiscal year 2018/19 and to carry forward the remaining balance to new account.

36 Material accounting estimates and assumptions with regard to accounting policies.

The Group makes estimates and assumptions concerning the future development. 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 fiscal year.

36.1 Percentage of completion method for contract work / IFRS 15.

The Group used the percentage-of-completion method in accounting for its construction contracts until March 31, 2018. At the balance sheet date of March 31, 2018, the amounts due from customers for contract work amounted to TEUR 76,966 and the amounts due to customers for contract work amounted to TEUR 31,486. As of April 1, 2018, the Group applies the rules of IFRS 15. Also under this method, revenue for construction projects 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 the ratio between the costs already incurred and the expected total costs of the corresponding contract. This requires the Group to continuously estimate and update the planned costs arising from the contract as well as the risks arising from project management which 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 order. 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 40.2 and sensitivity analysis is included in note 20.

36.2 Estimated impairment of goodwill.

In accordance with the accounting policy stated in note 14 and 40, the Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash generating units is determined on the basis of the calculation of the value in use. These calculations require the use of estimates. Sensitivities for the acquired goodwill are detailed in note 14.

36.3 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 as well as provisions for warranties and losses for onerous contracts. Sensitivity analyses of the assumptions made by the Group in connection with inventories and provisions indicate that no material effect will arise if the actual final outcomes were to differ from the estimates made by 10%.

The sensitivities for liabilities from post-employment benefits to employees are detailed in note 25.

37 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.

37.1 Foreign exchange risk.

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to South African rand, the US dollar and the Bulgarian lev. 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. Since the application of IAS 29 would not have a material impact, no remeasurement in accordance with IAS 29 was made.

If the exchange rate of the below stated currencies had increased/decreased by the percentage rate (‘volatility’) stated below (relating to current and non-current receivables and payables), as of March 31, 2019 and March 31, 2018 respectively, the result before tax, provided all other variables had remained unchanged, would have been higher (+) or lower (-), respectively, by the following amounts. The details relating to EUR in the table below show the impact in subsidiaries whose functional currency is not euro and where a change in the rate to the euro would have the following impact.

	Effect on equity and result			
	2017/18		2018/19	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
USD	-5,849	7,149	-6,676	8,159
ZAR	-2,277	2,783	-2,282	2,789
BGN	-6	7	-2,827	3,456
EUR	5,272	-6,444	2,444	-2,987
CZK	-1,112	1,359	-668	816
PLN	-1,180	1,442	-628	767
AUD	-650	795	-616	753

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			
	2017/18		2018/19	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
NOK	-969	1,184	-1,035	1,265

37.2 Interest rate risk.

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

In the case of variable interest balance sheet items, the risk relates to the cash flow. With variable interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable interest (both current and non-current) financial liabilities account for almost half of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of March 31, 2019, 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.

37.3 Liquidity risk.

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

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

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

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

Kapsch TrafficCom employs a risk-averse investment strategy. Liquid funds are held such that they are generally available in the short term and can therefore be used quickly whenever needed. When it comes to securities, conservative 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 fiscal year
- Second half year of the next fiscal 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 23.

37.4 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 can not be entirely ruled out that there will be individual payment defaults that would have a material negative impact on the earnings and liquidity development of Kapsch TrafficCom in the case of an event of default.

In the case of large toll collection projects, there is a credit risk essentially in the phase of the construction of the toll system. With the exception of the toll collection projects in Bulgaria, USA, Austria, the Czech Republic and Spain (see note 19), 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 19 and 20.

The maximum credit risk corresponds to book values:

	2017/18	2018/19
Other non-current financial assets and investments	23,170	15,861
Other non-current contract assets	0	16,847
Other non-current assets	385	7,334
Other current financial assets	2,804	1,135
Current contract assets	0	122,555
Trade receivables and other current assets	254,394	209,419
Current income tax receivables	7,563	2,573
Cash and cash equivalents	181,835	94,652
Total	**470,151**	**470,376**

37.5 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 TEUR 1,139 (2017/18: TEUR 1,066) if stock price would have increased by 10% and TEUR -1,139 (2017/18: TEUR -1,066) 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.

38 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net cash) comprises current and non-current borrowings less cash on hand, bank balances and current securities. Kapsch Group's capital management strategy aims among other things to ensure that the Group companies' capital resources comply with local requirements. Furthermore, the Group focuses on maintaining the gearing ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. As at March 31, 2019, these were complied with. Cash and cash equivalents as at March 31, 2019 remain high amounting to TEUR 94,652.

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

Net debt and net cash as of March 31, 2019 and March 31, 2018 are as follows:

	March 31, 2018	March 31, 2019
Non-current financial liabilities	141,759	139,330
Current financial liabilities	26,675	29,934
Total financial liabilities	**168,434**	**169,264**
Cash and cash equivalents	181,835	94,652
Other current financial assets	2,804	1,135
Net cash (+) / net debt (-)	**16,205**	**-73,478**
Equity	229,930	258,672
Gearing	**n.a.**	**28%**

39 Consolidation.

39.1 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.

39.2 Transactions with non-controlling interest.

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

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

If the Group loses its control over any of the companies, the assets and liabilities of the former subsidiary are to be removed from the consolidated balance sheet. The remaining interest is to be remeasured at fair value and regarded as the initially recognized value of a financial asset pursuant to 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.

39.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

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

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

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

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

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

39.4 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.

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 policies of associated companies correspond substantially to those of the parent company.

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

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

39.6 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 Group'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 fiscal year, balance sheets at the prevailing mean exchange rate at the balance sheet date. The reference rates of the European Central Bank (ECB) and Deutsche Bundesbank, which are accessible via the Austrian Central Bank's (Österreichische Nationalbank) website, serve as the basis for the translation. If no current exchange rates are available, this will result in the use of the exchange rates as disclosed by the national banks. Differences arising from the currency translation of foreign operations into Euro are recognized in other comprehensive income and collected in equity. 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 average 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. Since the application of IAS 29 would not have a material impact on the non-monetary items and the statement of comprehensive income, no restatement in accordance with IAS 29 was made.

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

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

	2017/18		2018/19	
	Average exchange rate	**Exchange rate as at balance sheet date**	**Average exchange rate**	**Exchange rate as at balance sheet date**
AUD	1.512	1.604	1.589	1.582
CAD	1.504	1.590	1.525	1.500
CZK	25.965	25.425	25.740	25.802
GBP	0.879	0.875	0.882	0.858
PLN	4.216	4.209	4.290	4.301
SEK	9.761	10.284	10.379	10.398
USD	1.170	1.232	1.161	1.124
ZAR	15.096	14.621	15.823	16.264

Foreign currency transactions.

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

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

This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations as part of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold (see note 12).

40 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 fiscal year.

40.1 Fair value measurement.

Historical costs are based on the fair value as at the acquisition date. The fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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).

40.2 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 37.4. 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 revenue 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.

40.3 Segment information.

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

40.4 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.

40.5 Intangible assets.

40.5.1 Goodwill.

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

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

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

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

40.5.2 Concessions and rights.

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

40.5.3 Research and development costs.

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

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

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

40.5.4 Service concession arrangements.

Service concession arrangements exist when a private entity develops and operates an infrastructure facility for public services, 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 recognition of revenue according to the 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, 2019.

40.6 Impairment of non-financial assets.

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

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

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

40.7 Borrowing costs.

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

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

In fiscal year 2018/19, 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.

40.8 Government grants.

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

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

40.9 Leasing.

40.9.1 Finance leases – Accounting for agreements from the lessee's perspective.

Leasing agreements in which the Group as the lessee bears a substantial part of the risks and rewards associated with the use of an asset are accounted for as finance leases.

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

40.9.2 Operating leases – Accounting for agreements from the lessee's perspective.

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

40.10 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).

40.10.1 Financial assets.

In accordance with IFRS 9, financial assets are subdivided as follows:
- amortized cost,
- fair value through profit or loss
- 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 or 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 are such debt instruments that are held in the business model hold to collect the contractual cash flows, or hold to collect the contractual cash flows or sell, and that are solely payments of principal and interest of the principal amount outstanding. Those financial assets that are not 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.

40.10.2 Cash and cash equivalents.

Cash and cash equivalents include cash and cash equivalents, short-term bank deposits held at call and other bank balances. Changes in in cash and cash equivalents are presented in the cash flow statement. Overdrafts are reported in the balance sheet under current financial liabilities.

40.10.3 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. 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, trade payables, contract liabilities arising from contracts with customers as well as portions of other liabilities.

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

40.10.4 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 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. As at March 31, 2019 no such derivatives or cash flow hedges are recognized and no fair value hedges are recognized. The Group decided to continue applying the accounting principles for hedge accounting in accordance with IAS 39.

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

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 16. Movements in the cash flow hedge reserve are shown in note 12. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

In addition to that, the Group has stand-alone derivatives that are 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.

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.

40.10.5 Impairment of financial assets.
In accordance with IFRS 9, recognition of expected credit losses applies to the following financial assets:
> Trade receivables
> Contract assets
> Cash and cash equivalents

The Group uses the simplified impairment model for trade receivables without a significant financing component as well as for contract assets from contracts with customers 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. 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 the Group. 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. Receivables are written off in case 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.

40.11 Inventories.

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

40.12 Employee benefits.

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

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

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

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

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

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

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

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

40.13 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.

40.14 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.

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

40.15 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.

40.16 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).

40.17 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in fiscal year 2018/19.

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 statements
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	Annual improvement to IFRSs, Cycle 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 applied the standard, including the clarifications on IFRS 15, for the first time in fiscal year 2018/19 (as of April 1, 2018), taking into account the modified retrospective method. This resulted in no deviations from the previous recognition of revenue in the Group and thus in no equity effect.

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

Kapsch TrafficCom applied the new standard for the first time in fiscal year 2018/19 (as of April 1, 2018), with the exception of the new rules of hedge accounting, and take advantage of the practical facilitations. The comparative figures for fiscal year 2017/18 were not adjusted. As regards the adoption of IFRS 9, the following has to be stated additionally:

- Debt instruments previously classified as available for sale under IAS 39 are now measured at fair value through profit or loss under IFRS 9.
- Debt instruments leading to cash flows that are solely payments of principal and interest and that are held in the business model are to be accounted at amortized cost in accordance with IFRS 9. Kapsch TrafficCom uses the option to recognize them at their fair value instead.
- Equity instruments classified as available for sale under IAS 39 are measured at fair value through profit or loss under IFRS 9. The investment in the listed entity Q-Free ASA, Norway, and, until its sale, the investment in ParkJockey Inc., USA, fall into this category in fiscal year 2018/19.
- Existing investments previously accounted for at amortized cost and not classified as available for sale are measured at fair value through other comprehensive income (without recycling) under IFRS 9. Until its increase and subsequent reclassification as an associate, the investment in Traffic Technology Services Inc., USA, falls into this category in fiscal year 2018/19.
- Derivative financial instruments continue to be measured at fair value through profit or loss. 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.
- Trade receivables and other financial assets and liabilities continue to be measured at amortized cost in accordance with IFRS 9. There are no liabilities that were designated in the category “fair value through profit or loss“.

Due to the first-time application of IFRS 9 as of April 1, 2018, the following adjustments in equity were made on consolidated level: The measurement of other investments resulted in a positive effect in equity in the amount of TEUR 1,603, while the impairment on trade receivables due to expected credit losses resulted in a negative effect in the amount of TEUR -1,846, and the impairment on contract assets arising from contracts with customers due to expected credit losses resulted in a negative effect of TEUR -408. Net of deferred taxes, the effect in equity amounted to TEUR -504. The reclassification of securities that were previously classified as available for sale under IAS 39 and that are now measured at fair value through profit or loss under IFRS 9 resulted in a reclassification of cumulative gains arising from the fair value measurement (AFS reserve) that were previously recognized in other comprehensive income to retained earnings in the amount of TEUR 86.

First-time application of IFRS 9 and IFRS 15.

The following amounts were adjusted as of March 31, 2018 due to the first-time application of IFRS 9 und IFRS 15:

	March 31, 2018		April 1, 2018
Adjustment due to IFRS 9	**Carrying amount**	**Adjustments due to new IFRS**	**Carrying amount adjusted**
Trade receivables and other current assets	**254,394**	**-1,846**	**252,548**
Trade receivables including impairment	133,600	-1,846	131,754
Amounts due from customers for contract work	76,966	0	76,966
Amounts due from customers for service and maintenance contracts	6,937	0	6,937
Other receivables and prepaid expenses	36,891	0	36,891
Contract assets including impairment (non-current and current)	**-**	**-408**	**-408**
Other financial assets and investments (non-current and current)	**25,974**	**1,603**	**27,577**
Securities	3,505	209	3,714
Derivative financial instruments	154	0	154
Investments	14,729	1,357	16,086
Investments (at fair value through comprehensive income without recycling)	2,550	0	2,550
Fixed-income securities	2,214	0	2,214
Other financial assets and loans	2,822	37	2,859
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	-	147	147
Adjustment due to IFRS 15	**Carrying amount**	**Adjustments due to new IFRS**	**Carrying amount adjusted**
Trade receivables and other current assets	**254,394**	**-83,903**	**170,491**
Trade receivables including impairment	133,600	0	133,600
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)	**-**	**83,903**	**83,903**
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
Equity	**229,930**	**0**	**229,930**
Carrying amount as at March 31, 2018	229,930	0	229,930
Adjustment due to IFRS 15	-	0	0

40.18 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 fiscal 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

	New/amended IFRS	Published by the IASB but not yet adopted by the EU	Applicable to fiscal years beginning on or after	Material impact on group's consolidated financial statements
IFRS 17	Insurance Contracts	May 2017	January 1, 2021	None
Framework	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
IAS 1, IAS 8	Definition of Material	October 2018	January 1, 2020	None

The Group does not apply these new or amended standards and interpretations prematurely and plans to use the simplification rules.

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, regardless of whether they are operating or finance leases under the criteria of IAS 17, in the lessee's balance sheet. A lessee recognizes a right-of-use asset on the underlying asset and a liability that represents its liability to lease payments. The lessor continues to distinguish between finance or operating leases for accounting purposes. In this regard, the accounting model of IFRS 16 does not differ significantly from that in IAS 17.

The Group established a project team, which reviewed and assessed all of the Group's leases with respect to IFRS 16 in the past fiscal 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 recorded 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 Group will adopt the new standard as of the mandatory date of first-time adoption (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 first-time application, and leases of low-value assets will be applied. Those leases will not be recognized in the balance sheet, instead, payments made for such leases will continue to be recognized as expenses.

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.

At the date of first-time application, the Group's balance sheet total will increase by EUR 52.9 million as a result of the application of IFRS 16. On the assets side, right-of-use assets arising from the contracts or leasing receivables are recognized, and on the liabilities side, lease liabilities in this amount are recognized from the 2019/20 fiscal year. The most significant effect from the recognition of the rental and lease contracts results from leases for office and storage buildings as well as motor vehicles. The previously recorded lease expenses are replaced by depreciation of the right-of-use asset and interest expenses of the lease liability.

As a result of the amended regulations, there will be a significant improvement in earnings before interest, taxes, depreciation and amortization (EBITDA) and an increase in depreciation and interest expense. Based on the contracts as at March 31, 2019, EBITDA will improve by EUR 13.0 million in the coming fiscal year. The operating result (EBIT) will increase only slightly, while earnings before taxes (EBT) and the Group's result for the period will decrease slightly due to higher interest expenses.

The cash flow from operating activities will increase due to the absence of rental and leasing expenses, while the cash flow from financing activities will decrease accordingly due to the repayment of the lease liability. The total cash flow will remain unaffected by the effects of IFRS 16.

As a result of the increase in lease liabilities, net debt will decline by EUR 52.9 million at the time of first application and the gearing ratio will increase to around 48.9% (from 28.4%). The equity ratio will be reduced slightly to 35.4% (from 38.2%) due to the significant balance sheet extension. Since this also affects individual key figures which are defined as financial covenants in credit agreements, the Group will hold discussions with banks regarding an adjustment of these key figures on the basis of the changes.

The amendments to **IFRS 9 "Prepayment Features with Negative Compensation"** enable the measurement at amortized cost of some financial assets with negative compensation. The corresponding assets which include some loans and debt instruments would otherwise be classified at fair value through profit or loss. The amendment to the standard is not expected to have an impact on the consolidated financial statements of the Group.

IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies the accounting of uncertainties over incomes taxes. The application of this interpretation is not expected to have a significant impact on the consolidated financial statements of the Group.

The IASB published amendments to **IAS 28 "Associates"** in order to clarify that an entity applies IFRS 9 Financial Instruments on long-term interests in associates or joint ventures that constitute part of the net investment in the associate or joint venture but that are not accounted for using the equity method. The amendment to the standard is not expected to have a significant impact on the consolidated financial statements of the Group.

Standards and interpretations already **published by the IASB** but not yet adopted by the EU:
These standards or interpretations or amendments to the standards and interpretations are not yet mandatory, however from today's perspective they will not have a material impact on the Group. The amendments to "References to the Conceptual Framework in IFRS Standards" aim to update the references to the conceptual framework and quotations thereof in IFRS standards in such way that they refer to the revised Conceptual Framework for Financial Reporting published by the IASB on March 28, 2018. The amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" harmonize the definition of "material". The new definition states "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".

Authorized for issue:
Vienna, June 12, 2019

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alfredo Escribá Gallego
Executive Board member

Consolidated Management Report as of March 31, 2019.

1 Economic climate.

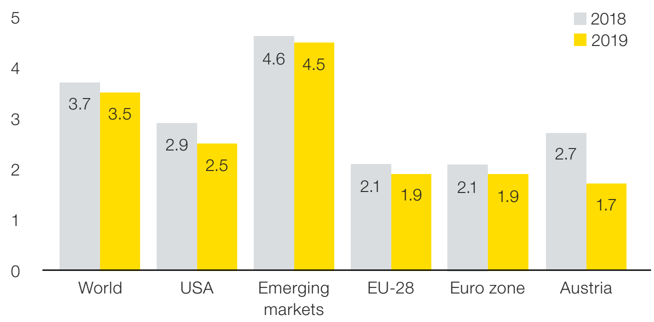
1.1 General economic situation.

Global economy.

In 2018, global economic activity continued to expand strongly despite early signs of a slowdown. The growth rate of aggregate output stood at 3.7% and thus only slightly below the previous year's level of 3.8%. World trade was among the growth drivers that fell short of expectations, mainly because of the open trade war between the US and China. Having increased by a robust 4.7% in 2017, the volume of goods and services exchanged worldwide rose by 3.9% in 2018. As a consequence of the growing number of geopolitical risk factors the International Monetary Fund (IMF) has lowered its global growth forecast for the year 2019 to 3.5%. However, the World Trade Organization estimates that worldwide trading volumes should expand by 3.7%.

Global economic growth at 3.7%.

GDP growth 2018/19.
(in %)



USA.

In the United States, GDP growth strengthened to almost 3% in 2018 despite the country's increasingly protectionist stance. The main reason for this strong economic performance was the introduction of new corporate tax incentives and the resulting boost in investments. Besides, private consumption continued to perform strongly, not least due to favourable labour market conditions. By contrast, the record-long government shutdown in early 2019, paralyzing several federal departments and agencies, is set to adversely affect the economy. GDP growth is expected to slow moderately to 2.5% in 2019.

US economic growth strengthened to almost 3%.

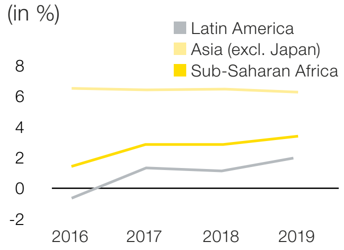
Emerging markets and developing economies.

Economic activity in the emerging and developing economies went up by 4.6% in 2018. On a regional level, Asia continued to be the main driver of growth. The *ASEAN-5 region* (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) remained on a steady expansion path. In *India*, growth accelerated noticeably to 7.3%. *China* also registered a GDP increase that was well above the global average (6.6%). At the same time, however, this constitutes a multi-year low and as for 2019, experts predict that Chinese growth will slow further to just above 6%.

GDP of emerging and developing countries rose by 4.6%.

The economic development in the *Commonwealth of Independent States (CIS)* was marked primarily by Russia's sluggish recovery. The largest regional economy expanded by only 1.7% in the year under review. A main reason was the upheaval on the international oil market. After oil prices started to plummet towards the 50-dollar mark in October 2018, OPEC agreed with Russia and other allied producers to cut oil production until mid-2019. The expected upward trend in prices should also prove beneficial for the oil-exporting states of the *MENAP region* (Middle East and North Africa, Afghanistan and Pakistan). Aggregate GDP growth in this region stood at a modest 2.4% in 2018, held back also by a lack of economic diversification.

GDP growth 2016-19.
(in %)



The overall performance of the *Latin American* countries in 2018 did not live up to the forecast. Main reasons were the muted growth in the region's leading market Brazil (+1.3%) and economic turbulences in Argentina. On a more positive note, Mexico signed a successor agreement to NAFTA, now called USMCA. The regional outlook for 2019 is generally more favourable thanks to the ongoing recovery in commodity prices. The latter effect should also benefit the countries in *Sub-Saharan Africa*, where growth is expected to strengthen from 2.9% in 2018 to 3.5%.

Europe.
The European economy remained on a path of continued, albeit subdued, growth. The combined GDP of the *EU-28* increased by 1.9% in 2018. The recent deceleration was primarily due to the mounting challenges in the largest European economies, including a crisis in the German car industry triggered by the emissions scandal, ongoing protests by the Yellow Vests movement in France and a budget dispute between Italy and the European Commission. Among the more positive developments was the successful conclusion of Greece's three-year stabilisation support programme in August 2018 as well as the continued decline in the EU-28 unemployment rate to below 7%.

Economic output of the EU-28 rose by 1.9%.

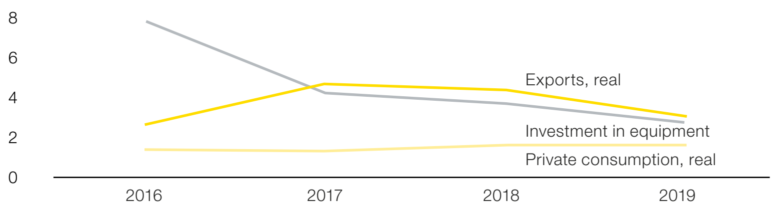
The *Euro zone* grew by 1.9%. The main cause of uncertainty, on the political scene as well as on the stock markets, was the lack of a breakthrough in the negotiations over the UK's exit from the EU (Brexit). Looking to 2019, Brexit continues to pose a major downside risk to growth in the region. Inflation in the Euro zone, meanwhile, climbed to 1.7% in 2018, thus gradually approaching the European Central Bank's medium-term target of 2%. This trend has contributed to a trend reversal in monetary policy. While the ECB continues to keep the prime interest rate at a historic low, its monthly bond-buying programme officially ended in 2018.

Economic activity in *Central and Southeast Europe* proved resilient in 2018 and was driven by strong investment activity. This, in turn, can be attributed to high capacity utilisation, the low level of interest rates and the continued inflow of EU funds. On a national level, the Polish (+5.1%), Hungarian (+4.9%), Slovenian (+4.5%) and Serbian economy (+4.4%) performed comparatively well in the year under review. By contrast, Ukraine witnessed renewed political tensions with Russia, while the Turkish economy was plagued by a sharp currency depreciation.

Austria.
With 2.7%, economic growth in Austria was once again well above the EU average in 2018. This dynamic performance was primarily due to buoyant industrial production, benefiting in turn from strong external impulses. For 2019, economists predict a GDP increase of 1.7%. As a consequence of the expected slackening of business activity, the reported increase in capital expenditure of 3.7% was markedly weaker than in the years before. Private consumption went up by 1.6%. This is attributable to higher real incomes on the one hand and a tax relief resulting from the newly introduced family bonus on the other. In 2018, the average annual inflation rate amounted to 2.0%. For 2019, the national price level is forecast to rise by 1.7%, the unemployment rate should decline, and a slight budget surplus is expected.

GDP growth of 2.7% once again above the EU average.

Export and investment growth in Austria 2016-19.
(in %)



1.2 Market for intelligent transportation systems.

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

Customer segments.
Kapsch TrafficCom 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 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.

The Kapsch TrafficCom Group was able to increase revenues by 6.4% to EUR 737.8 million in fiscal year 2018/19. EBIT reached EUR 57.0 million (previous year: EUR 50.1 million).

Highlights of the past fiscal year:

> Earnings for the second half of the year were significantly better than those for the first six months of the fiscal year. On May 17, 2019, Kapsch TrafficCom announced that its earnings for fiscal year 2018/19 are expected to exceed capital market expectations.

> In December 2018, the consortium of Kapsch TrafficCom AG and CTS EVENTIM AG & Co. KGaA was commissioned to levy the German infrastructure charge ("passenger vehicle toll"). The operating company, which is held equally by both companies, is accounted for by Kapsch TrafficCom as a joint venture. The subject of the contract is the implementation of the toll system and accordingly the collection of the passenger vehicle toll for at least twelve years. The total contract volume for the operating company over the entire minimum term of the contract is approximately EUR 1.6 billion. The client has the option of extending the cooperation to a maximum of 15 years.

> In addition, in December 2018, Kapsch TrafficCom sold its investment in ParkJockey Global Inc., USA. The transaction resulted in extraordinary financial income of approximately EUR 5 million. Since the investment in this US company in 2016, the strategic contribution to Kapsch TrafficCom's core business has decreased. Thus, an offer by ParkJockey to repurchase the shares held by Kapsch TrafficCom was accepted.

> On November 21, 2018, the Works Council delegated Ms. Claudia Rudolf-Misch to the Supervisory Board, where she replaced Mr. Martin Gartler. Thus, two out of a total of six Supervisory Board positions are now held by women.

> In November, Kapsch TrafficCom and Axxès from France established a joint operation to operate a sustainable technology platform to support the business activities of both shareholders for the European Electronic Toll Service (EETS).

> In October 2018, Kapsch TrafficCom was able to secure a follow-up agreement for the operating agreement of the nation-wide toll system in Poland expiring on November 2, 2018. Accordingly, the company will support the continued operation of the toll system during a transition period of 27 months (starting November 3, 2018). The customer has the right to terminate the contract early, six months prior to the end of the period, i.e., after a term of 21 months. Kapsch TrafficCom will receive a monthly fee of approximately EUR 2.4 million for the support provided.

> In October 2018, Kapsch TrafficCom was awarded the contract for the planning, development, installation and operation of the automatic ISA control system to control the German passenger vehicle toll. The duration of the contract corresponds to that of the aforementioned passenger vehicle toll collection project. Depending on the call for optional services, an order volume (over the entire term) of under EUR 100 million up to EUR 120 million is possible.

> In the first half of fiscal year 2018/19, Kapsch TrafficCom was awarded three major contracts for the supply of traffic management systems for Buenos Aires (Argentina), Lima (Peru) and Panama City (Panama) with a total order value of approximately EUR 15 million.

> In September 2018, the Czech Minister of Transport signed a contract with a competitor for the construction and operation of a new nation-wide toll system. Kapsch TrafficCom believes that both the tender and the contract should be seriously scrutinized for a number of reasons. Legal action has thus been taken. According to the current status, Kapsch TrafficCom's operations will be transferred to the competitor in the second half of 2019/20.

> In the summer of 2018, Kapsch TrafficCom was commissioned to modernize the Swiss truck toll system. The company will also be responsible for maintenance and system operation until the end of 2020, renewable annually until the end of 2024. The maximum order value is just over EUR 20 million.

> On July 24, 2018, Kapsch TrafficCom had to announce that project postponements in the first quarter would lead to revenues and earnings below expectations. The outlook for the full year has been adjusted accordingly.

> On June 30, 2018, Kapsch TrafficCom completed the modernization of the Austrian GO toll system (for vehicles over 3.5 tons) on schedule.

2.2 Revenue and earnings.

In fiscal year 2018/19, Kapsch TrafficCom recorded revenues of EUR 737.8 million, or EUR 44.5 million (6.4%) higher than in the previous year. The transition of revenue recognition to the new IFRS 15 accounting standard did not result in any changes.

The EMEA region (Europe, Middle East, Africa) accounted for 58.4% of revenues. The Americas region (North, Central and South America) generated 34.3% of Group revenues. The APAC region (Asia-Pacific) contributed 7.2% to revenues.

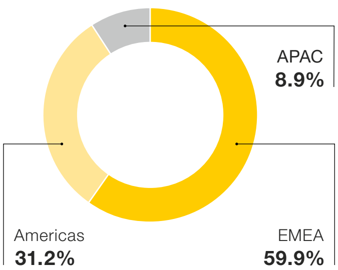
Kapsch TrafficCom's operating profit (EBIT) amounted to EUR 57.0 million and was thus 13.9% higher than in the previous year. The EBIT margin rose to 7.7% (previous year: 7.2%). The operating currency result (which can only be influenced to a limited extent) amounted to EUR 3.6 million in 2018/19 and was thus EUR 8.8 million higher than in the previous year (EUR -5.2 million).

Earnings before depreciation and amortization (EBITDA) rose from EUR 64.9 million in the previous year to EUR 71.5 million.

Revenues and operating result (EBIT) by segment.

Electronic Toll Collection (ETC). This segment includes projects for the implementation, maintenance and operation of systems that include electronic toll collection as well as manual toll systems and toll services. As a rule, these are projects put out to tender and awarded by public authorities or private concessionaires. These are systems on individual road sections or nation-wide road networks. After installation, components for the expansion, adaptation and operation of the systems are often delivered at a later date.

ETC revenues per region.



Revenues. In fiscal year 2018/19, revenues rose by 7.1% to EUR 558.4 million.

At EUR 334.3 million (previous year: EUR 346.8 million), the EMEA region was again able to generate the largest contribution to revenues this fiscal year. The volume of implementation projects increased by 11.3% mainly due to the development of the nation-wide toll system in Bulgaria. This was achieved despite the fact that the modernisation of the Austrian truck tolling system was already completed at the end of the first quarter and no significant expansion investments were made in the Czech Republic due to the short remaining term of the operation project. The old contract for the operation of the nation-wide toll system in Poland expired in November 2018 but it was agreed that Kapsch TrafficCom would support the operation for up to 27 months. No significant expansion investments were made in connection with this reorganisation of activities in Poland. However, the volume of operations projects fell by 7.9%, mainly due to lower revenues in Poland and Austria. Component sales in the EMEA region declined slightly (-4%).

Revenues in the Americas region increased to EUR 174.5 million in the past fiscal year (previous year: EUR 139.3 million). Growth was recorded in both implementation and operations projects.

Revenues also rose in the APAC region in 2018/19. It was mainly implementation projects that led to an increase in revenues to EUR 49.7 million (previous year: EUR 35.5 million).

In fiscal year 2018/19, the number of on-board units sold reached a new record high of 13.5 million (previous year: 12.7 million units). Increases were recorded in particular in the USA (with over 8.0 million units sold, compared with 7.4 million in the previous year), Spain and South Africa. Chile was a new sales market. Sales figures in Sweden and Denmark decreased compared to the same period of the previous year.

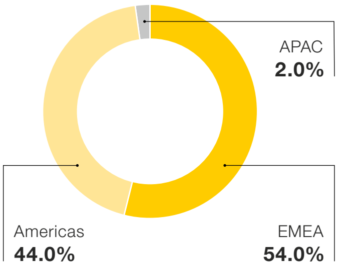
Segment ETC by business type.

in EUR million	2017/18	2018/19	+/-
Revenues	**521.6**	**558.4**	**7.1%**
Implementation	138.9	190.5	37.2%
Operations	278.1	264.4	-4.9%
Components	104.7	103.5	-1.1%
EBIT	**53.5**	**64.9**	**21.5%**

EBIT. The operating result rose by 21.5% year-on-year to EUR 64.9 million (previous year: EUR 53.5 million). The increase resulted from higher earnings contributions from implementation projects, particularly in the Americas region. This more than compensated for the lower earnings contributions from operations projects. The cost of materials and other production services rose faster than revenues. Legal and consulting fees in connection with legal advice and representation in the USA, in Germany and Australia increased by EUR 3.7 million. On the other hand, communication and IT expenses fell by EUR 5.3 million, particularly in the USA, whereas part of those costs for customer projects are now included in the higher material costs. The operating currency result also improved to EUR 3.5 million (previous year: -4.7 million).

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

IMS revenues per region.



Revenues. In fiscal year 2018/19, revenues rose by 4.5% to EUR 179.4 million (+4.5%). This was mainly due to higher revenues from operation projects and components.

Revenues of EUR 96.8 million were generated in the EMEA region (previous year: EUR 95.1 million). Revenues from implementation projects decreased, however the project to set up and operate a traffic management system in Zambia largely offset this decline from implementation projects.

Revenues also rose by 13.2% to EUR 79.0 million in the Americas region. Revenue increases were achieved in both implementation and operation projects, in particular the new construction project in Lima, Peru, made a valuable contribution.

In the APAC region, revenues fell from EUR 6.8 million to EUR 3.6 million, with both implementation and operation projects affected.

Segment IMS by business type.

in EUR million	2017/18	2018/19	+/-
Revenues	**171.6**	**179.4**	**4.5%**
Implementation	83.4	80.8	-3.1%
Operations	78.9	86.4	9.4%
Components	9.3	12.2	31.0%
EBIT	**-3.4**	**-7.9**	**-131.9%**

EBIT. The operating result amounted to EUR -7.9 million (previous year: EUR -3.4 million). The cost of materials and other production services as well as personnel expenses rose faster than revenues. In other operating expenses, value adjustments for other taxes in Brazil (EUR 3.3 million) increased in particular, while the reversal of a provision in connection with other taxes and levies was also reduced in Brazil (EUR -1.3 million). Communication and IT expenses increased (EUR 2.1 million) in Spain and South Africa, while they decreased in the USA.

Revenues per region.

in EUR million	2017/18	2018/19	+/-
EMEA	**441.9**	**431.1**	**-2.4%**
Implementation	104.7	108.0	3.2%
Operations	291.6	278.2	-4.6%
Components	45.6	44.9	-1.6%
Americas	**209.1**	**253.4**	**21.2%**
Implementation	96.3	129.5	34.4%
Operations	57.2	65.8	15.0%
Components	55.5	58.1	4.6%
APAC	**42.3**	**53.3**	**26.0%**
Implementation	21.3	33.8	58.8%
Operations	8.1	6.7	-17.2%
Components	12.8	12.7	-1.0%
Total	**693.3**	**737.8**	**6.4%**

Significant Items in the Statement of Comprehensive Income.

Cost of materials and other production services increased by EUR 44.1 million to EUR 323.5 million (previous year: EUR 279.8 million). The ratio of material and other purchased manufacturing services to revenues rose from 40.3% to 43.8%.

Staff costs rose by 6.2% to EUR 252.7 million (previous year: EUR 237.9 million). While the number of employees in Poland fell due to the changed assignment of manual tolling, the company increased its staff in the USA. Overall, the average number of employees rose by 25 to 5,159, with a decrease of 488 in Poland. At 34.3%, the personnel ratio (personnel expenses as a percentage of revenues) was unchanged from the previous year.

Amortization and depreciation fell slightly to EUR 14.5 million (previous year: EUR 14.8 million). There were no extraordinary depreciations or impairment losses in the fiscal year.

Other operating expenses fell by 6,4% year-on-year to EUR 126.3 million. Operating currency losses (EUR -8.9 million) and communication and IT expenses (EUR -4.2 million) declined, while legal and consulting expenses (mainly in the USA, Germany and Australia) rose by EUR 4.9 million.

The proportional result of joint ventures includes the proportional result of the joint venture in Germany of EUR 0.7 million and the proportional result of the joint venture in Zambia of EUR 0.2 million for the period from March to August 2018. Furthermore, the revaluation of the joint venture in Zambia due to full consolidation contributed EUR 0.5 million to EBIT.

The financial result improved from EUR -5.2 million in the previous year to EUR -1.7 million. The main reasons for this were income of EUR 5.1 million from the sale of the investment in ParkJockey Global Inc., USA, and lower interest expenses (EUR -1.8 million). This was offset by foreign exchange losses of EUR -5.2 million (previous year: gains of EUR 0.1 million), primarily in connection with the US dollar (USD) and the South African rand (ZAR).

The proportional result from other joint ventures and associates amounted to EUR -0.3 million and resulted from Traffic Technology Services Inc., USA. In fiscal year 2017/18, this result amounted to EUR -0.7 million and can be attributed to the result as well as the devaluation of the investment in SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico, following the purchase of the remaining shares.

Income taxes fell to EUR 8.5 million (previous year: EUR 16.2 million) despite higher earnings before taxes due to one-off effects. Deferred tax assets of EUR 5.0 million were recognized for previously unrecognized tax loss carryforwards in the USA and Brazil, which can be utilized based on planning for the next few years.

Result for the period rose by 66.1% to EUR 46.6 million. Earnings of EUR 47.8 million were attributable to the shareholders of the company. This corresponds to earnings per share of EUR 3.68 (previous year: EUR 2.21).

Other comprehensive income amounted to EUR -2.0 million (previous year: EUR -6.0 million) and mainly includes currency translation differences and revaluations of post-employment benefit obligations.

Total comprehensive income of Kapsch TrafficCom Group amounted to EUR 44.6 million (previous year: EUR 22.0 million).

2.3 Financial situation.

The balance sheet total of Kapsch TrafficCom as of March 31, 2019 was EUR 677.7 million, EUR 56.5 million higher than the balance sheet total of the previous year (EUR 621.1 million).

Assets.
At EUR 22.0 million, “Property, plant and equipment” remained at the previous year’s level (EUR 21.4 million). Due primarily to the full consolidation of Intelligent Mobility Solutions Ltd. in Zambia (EUR 15.1 million), “Intangible assets” increased by EUR 12.1 million to EUR 82.9 million. The full consolidation had a negative impact of EUR 7.5 million on “Interests in associates and joint ventures”. However, this balance sheet item increased due to the new joint venture autoTicket GmbH, Germany, and the associated company Traffic Technology Services Inc., USA. The latter was included as an investment in the previous year and reclassified due to the purchase of additional shares. As a result, and due to the sale of ParkJockey Global Inc., USA, “Other non-current financial assets and investments” decreased to EUR 15.9 million (March 31, 2018: EUR 23.2 million).

“Deferred tax assets” rose from EUR 12.4 million to EUR 18.5 million, mainly due to the capitalization of tax loss carryforwards in the USA and Brazil (EUR 5.0 million in total).

“Inventories” rose sharply from EUR 38.9 million to EUR 64.1 million, especially in the USA (EUR +15.8 million) and Bulgaria (EUR +5.6 million).

Previously, “Amounts due from customers for contract work as well as service and maintenance contracts” (March 31, 2018: EUR 83.9 million) were entirely part of “Trade receivables and other current assets”. In accordance with IFRS 15 (as of April 1, 2018), receivables now referred to as “Contract assets” need to be presented separately for the first time for the 2018/19 fiscal year (non-current: EUR 16.8 million; current: EUR 122.6 million). The item “Trade receivablse and other current assets” therefore decreased by EUR 45.0 million over the previous year. In particular, trade receivables increased in Bulgaria and Poland.

“Cash and cash equivalents” decreased by EUR 87.2 million to EUR 94.7 million compared to March 31, 2018, mainly due to the dividend payment (EUR 19.5 million) and the negative free cash flow (EUR 57.5 million) in fiscal year 2018/19.

Liabilities and equity.
There were hardly any changes in financial liabilities compared with the previous year: As of March 31, 2019, “Non-current financial liabilities” amounted to EUR 139.3 million (previous year: EUR 141.8 million) and “Current financial liabilities” amounted to EUR 29.9 million (previous year: EUR 26.7 million).

“Non-current provisions” decreased slightly by EUR 2.2 million to EUR 6.7 million. “Other non-current liabilities” decreased year-on-year by EUR 2.9 million to EUR 1.3 million, mainly due to the earn-out payment of EUR 3.0 million from the purchase of Kapsch Telematic Services spol. s r.o., Czech Republic.

“Contract liabilities” were presented separately for the first time in fiscal year 2018/19 in accordance with IFRS 15 (non-current: EUR 5.2 million; current: EUR 26.9 million). Previously, amounts due to customers for contract work (March 31, 2018: EUR 31.5 million) were part of the balance sheet item “Other liabilities and deferred income”, which consequently fell significantly by EUR 41.0 million compared with March 31, 2018 to EUR 71.8 million (previous year: EUR 112.7 million). The decrease also results from the final earn-out payment of EUR 3.5 million from the acquisition of Kapsch Telematik Services GmbH, Vienna, in the first quarter of 2018/19.

“Trade payables” amounted to EUR 89.6 million (previous year: EUR 58.3 million) and increased mainly in Austria, Zambia and Spain. “Current provisions” rose to EUR 14.7 million (previous year: EUR 9.6 million), whereby provisions for customer projects increased the amount.

Equity as at March 31, 2019 was EUR 258.7 million, and thus was EUR 28.7 million higher than at the end of the last fiscal year. The solid “Total comprehensive income for the period” of EUR 44.6 million and the increase in non-controlling interests of EUR 3.6 million due to the full consolidation of Intelligent Mobility Solutions Ltd., Zambia, had a positive effect. However, the dividend paid (EUR 19.5 million) reduced equity. The first-time application of the new IFRS 9 accounting standard had an impact of EUR -0.5 million. The equity ratio as of March 31, 2019 was 38.2% (March 31, 2018: 37.0%).

2.4 Financial situation.

Cash Flow.
Cash flow from operating activities amounted to EUR -39.5 million in the reporting period (previous year: EUR 41.8 million). Cash flow from earnings before changes in net working capital rose slightly to EUR 34.5 million (previous year: EUR 29.3 million), as lower taxes and interest were paid despite higher earnings, but the increase in “Other non-current receivables and assets” led to a higher adjustment.

Changes in net working capital amounted to EUR -74.0 million (previous year: EUR 12.5 million). In particular, “Trade receivables and other current assets” and “Contract assets” increased by EUR 77.8 million (previous year: decrease of EUR 12.0 million). Inventories grew by EUR 25.2 million while they fell by EUR 3.5 million in the previous year. The increase in “Trade payables and other current liabilities”, including “Contract liabilities” had a positive effect on the cash flow with EUR 23.8 million.

Cash flow from investing activities amounted to EUR -18.0 million in fiscal year 2018/19 and was thus a bit more positive than in the previous year (EUR -20.0 million). While investments in associated companies, joint ventures and other investments increased (EUR -17.9 million), the sale of ParkJockey Global Inc., USA (EUR +10.7 million) contributed significantly to the improvement in cash flow from investing activities. Net CAPEX in 2018/19 were also EUR 2.9 million higher than in the previous year.

From March 31, 2019, free cash flow is redefined as cash flow from operating activities plus cash flow from investing activities and, at EUR -57.5 million, was significantly below the adjusted prior year figure of EUR +21.8 million. This development reflects the increase in net working capital.

Free Cash flow: EUR -57.5 million.

Cash flow from financing activities amounted to EUR -27.1 million (previous year: EUR -46.9 million). The payment of a dividend of EUR 19.5 million and earn-out payments of EUR 6.3 million from earlier acquisitions essentially led to this result. In the previous year, the corporate bond was repaid as planned, but not refinanced to the same amount.

Cash and cash equivalents decreased by EUR 87.2 million to EUR 94.7 million as of March 31, 2019 (March 31, 2018: EUR 181.8 million).

Key Figures.
While “Receivables due from customers for contract work” were already included in the calculation of net working capital as part of the item “Trade receivables and other current assets”, the current “Liabilities due to customers for contract work” were not recorded as part of “Other liabilities and deferred income”. Kapsch TrafficCom takes the separate disclosure of “Current contract liabilities” required by IFRS 15 as an opportunity to include this item as well as “Other liabilities and deferred income” in the calculation of net working capital from the current fiscal year onwards. Furthermore, “Current provisions” are also included in the calculation of net working capital. Net working capital as of March 31, 2019 amounted to EUR 193.3 million (March 31, 2018 adjusted: EUR 117.0 million). The difference between the change in net working capital and the cash flow statement is mainly due to the difference in current tax receivables and liabilities, the business combination of IMS Zambia, and payments for the acquisition of non-controlling interests.

As at March 31, 2019 Kapsch TrafficCom reported net debt in the amount of EUR -73.5 million (March 31, 2018: net cash of EUR 16.2 million). This corresponds to a gearing ratio of 28.4% (March 31, 2018: n/a).

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 fiscal year 2018/19 the patent portfolio has been further streamlined in areas of high strategic importance for Kapsch TrafficCom. The current patent portfolio consists of 181 patent families with more than 1,262 individual patents and 125 pending patent applications. During the last fiscal year, five new patent families in the tolling and connected roads area were filed.

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

In order to mitigate any risk of patent infringement and to foster the patenting of new ideas, a mandatory patent analysis procedure has been integrated in both the portfolio management process and the development process. This will ensure that any IPR issues can be handled and IPR is checked before starting the development process. Additionally the worldwide patent monitoring is 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. On March 31, 2019, Kapsch TrafficCom employed 860 engineers (previous year: 761 engineers) for its research and development activities. The development expenses of Kapsch TrafficCom amounted to EUR 113.7 million in fiscal year 2018/19 (previous year adjusted: EUR 110.4 million). This corresponds to about 15.4% (previous year adjusted: 15.9%) of total Group revenues. The amount of the previous year was adjusted by including research and development costs of affiliated companies. The breakdown of development expenses was as follows: Expenses for customer-specific developments amounted to EUR 51.0 million (previous year adjusted: EUR 56.1 milion), the expenses for product management, IPR management, development support and generic development totalled EUR 62.7 million (previous year adjusted: EUR 54.3 milion).

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 2018/19.

3.3 Risk report.

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

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

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

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

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

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

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

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

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

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

Technical challenges and tight schedules produce typical project risks.

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

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

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

Strategic risks.

Ability to innovate. The strong market position of Kapsch TrafficCom is based to a large extent on its ability to develop high quality, efficient and reliable systems, components, 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. In addition, any failures in protecting these technologies may negatively impact the competitive position. Kapsch TrafficCom therefore places great importance on protecting technologies and the company's internal know-how, such as through patents and non-disclosure agreements with contractual parties. Moreover, it is possible that newly developed systems, components, products or services could infringe on the intellectual property rights of third parties.

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

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 financial and cash planning. Potential liquidity shortages can be identified this way and adequate countermeasures can be taken in good time.

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

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

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:

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

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

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

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

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

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was advanced again in the 2018/19 fiscal year, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

The 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-officer was established within the Finance department of Kapsch TrafficCom AG. This person is responsible for centrally standardizing the ICS within the entire Kapsch TrafficCom Group, ensuring continuous further development, initiating the improvement of identified weaknesses and periodically reporting to the Audit Committee of the Supervisory Board.

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, 2019. 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, 2019, 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”), the syndicated financing of EUR 175 million raised by autoTicket GmbH to finance the German passenger vehicle toll and further financing of EUR 50 million, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.6 Corporate Governance Report.

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

4 Outlook and goals.

Outlook 2019/20:
> Revenues +5%
> EBIT +5%

Revenues. Group revenues are expected to increase again in fiscal year 2019/20. Specifically, revenues are to be increased by at least 5%. This should be possible, although it must be assumed that some high-revenue projects will be phased out and that the project in Poland will make a significantly lower contribution to revenues. The most important growth market in the coming years will be North America (the USA and Canada). Growth rates in the double digits should be easily possible there (based on revenues of approximately EUR 200 million in the 2018/19 fiscal year). But also in Europe and to a lesser extent in Central and South America, as well as in Africa, there are interesting opportunities for new business. In the medium term, significant business opportunities could open up in Asia as well, as soon as increased investment is made in electronic toll systems and intelligent transportation systems. Finally, we want to further strengthen our market position in Australia and New Zealand, where acquisitions may well provide additional support for our growth.

EBIT. Another goal for the 2019/20 fiscal year is to improve the Group's profitability. Specifically, we want to increase EBIT by at least 5% (excluding any one-time effects). This is to be achieved by both high-yield new business as well as further increases in efficiency through internal collaboration. Investments in future growth are being examined on an ongoing basis. The Company will discontinue any activities that prove to no longer be strategic or that do not live up to expectations over the long term. Half of the result for the period of the operating company for the German passenger vehicle tolls will flow into the EBIT of Kapsch TrafficCom.

The Company assumes that the 2019/20 fiscal year will follow a similar course as the previous year: after a restrained first half, a strong second half should follow.

Medium-term: EBIT margin >10%

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

Vienna, June 12, 2019

Georg Kapsch Chief Executive Officer	André Laux Executive Board member	Alfredo Escribá Gallego 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, 2019, 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, 2019, 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 findings
- Reference to related disclosures

1 Recoverability of goodwill.

Description.
The consolidated financial statements contain goodwill in the amount of TEUR 49,266 under the item intangible assets, of which TEUR 11,783k is allocated to the CGU ETC-Americas and TEUR 21,316 to the CGU ETC-EMEA. The Group carries out an impairment test at least once a year and additionally, if a triggering event occurs (impairment test in accordance with IAS 36).

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

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

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

We have examined whether the assumptions used in the budget are in line with the plans drawn up by the Executive Board and approved by the Supervisory Board and we have analyzed and critically assessed the essential drivers for future development (such as 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 impairment model was tested for mathematical accuracy. Further, we have assessed the appropriateness of the disclosures on impairment testing provided in the notes. This included, in particular, the sensitivity analyses performed to assess the risk of possible deviations from revenue and earnings assumptions as well as from the used discount and growth rates.

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

Reference to related disclosures.
The Group's disclosures on goodwill are set out in note 14 "Intangible assets" and note 40.5.1 "Goodwill" in section 40 "Accounting and valuation principles".

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

Description.
A significant part of the Group's revenue and earnings contribution 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 of March 31, 2019 amount to TEUR 139,402 and the non-current and current contract liabilities to TEUR 32,118. In the fiscal year 2018/19 revenue from implementation of ETC and IMS systems was generated in the amount of TEUR 271,336. The Group realizes revenue for its implementation projects in accordance with IFRS 15 based on the degree 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 has to be 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 financial position and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the revenue from implementation projects, the Group´s result and the project-related balance sheet items contain a material misstatement, for this reason this matter has been identified as a key audit matter.

Audit approach and findings.
Within the framework of our risk-based audit approach, we have gained an understanding of the revenue processes 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 calculations for new contracts, approval of ongoing cost updates and status reports on major projects. We reviewed and appreciated the Group's technical concept for the implementation of IFRS 15. In addition, we performed audit procedures related to the IT-system for revenue accounting according to IFRS 15 ("Revenue Engine") which was implemented in fiscal year 2018/19 within the group and recalculated revenue 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 for individual significant projects and held discussions with the project managers and the management team regarding the status of the project, project risks and planning assumptions.

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

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

Reference to related disclosures.
The Group's information on revenue recognition can be found in the notes 36.1 "Percentage of completion method for contract work / IFRS 15" in section 36 "Material accounting estimates and assumptions with regard to accounting policies", notes 20 "Contract assets and contract liabilities", as well as in note 40.2 "Revenue recognition" in section 40 "Accounting and valuation principles".

3 Acquisition of Intelligent Mobility Solutions Limited, Lusaka, Zambia.

Description.
In fiscal year 2017/18, the Group acquired 50% of the shares in Intelligent Mobility Solutions Limited, Lusaka, Zambia, and accounted for this company as a joint venture in the consolidated financial statements as of March 31, 2018. In fiscal year 2017/18, the Company has won a 17-year concession agreement for the design, construction and operation of a nationwide system for traffic surveillance, vehicle speed enforcement and vehicle inspection as well as vehicle registration in Zambia. This contract is accounted for as a service concession arrangement according to IFRIC 12.

In May 2018, the Group acquired another one percent of the shares in the company, initially without amendment of the articles of association and the representation rights in the committees that direct the relevant activities. At the end of August 2018, an amendment of the articles of association was signed, which resulted in a change in the representation rights in the committees responsible for directing the relevant activities in favour of the Group and therewith in gaining control according to IFRS 10. The initial consolidation and purchase price allocation according to IFRS 3 occurred on September 1, 2018. From the purchase price allocation results a goodwill of TEUR 1,636 after revaluation of the service concession arrangement to fair value.

In the course of a business combination, material assumptions are made regarding the existence and valuation of acquired assets (primarily intangible assets), liabilities and contingent liabilities. The significant risk is the determination of fair values and the valuation of assets, the non-identification of intangible assets and the estimation of future cash flows and the discount rate, for this reason it has been identified as a key audit matter.

Audit approach and findings.
We evaluated the appropriateness of the estimates and key assumptions, as well as the calculation model used, with the involvement of internal valuation specialists. Our audit procedures included in particular:

- Inspection of the contractual documentation for the acquisition of the additional shares and the amendment of the articles of association
- Assessing the transition of control according to the criteria of IFRS 10
- Analysis of the results of the purchase price allocation prepared by the Group and discussion of the assumptions with the management
- Audit of the identification and measurement of intangible assets (in particular the service concession arrangement) and the methodology used, with the involvement of valuation specialists, plausibility of assumptions, calculations and the discount rates
- Audit of the initial consolidation of Intelligent Mobility Solutions Limited, Lusaka, Zambia, on the basis of the preliminary purchase price allocation and review of the relevant notes.

The valuation methods used and the assumptions underlying the preliminary purchase price allocation are justifiable. The disclosures required by IFRS 3 are complete.

Reference to related disclosures
The Group's disclosures on the acquisition of Intelligent Mobility Solutions Limited, Lusaka, Zambia, are set out in Note 2.2 "Business combinations".

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements.

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

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

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

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

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

Other Information.

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

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

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

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

We were appointed as statutory auditor at the ordinary general meeting dated September 6, 2018 and engaged by the supervisory board on January 7, 2019. We have audited the Group for an uninterrupted period since 2006.

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

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

Responsible Engagement Partner.

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

Vienna, June 12, 2019

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 group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced by the Group.

Vienna, June 12, 2019

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, 2019.

Balance sheet as at March 31, 2019
(Translation)

Assets

	March 31, 2019		March 31, 2018	
	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		17,583,038.53		8,942
2. Prepayments made and assets under construction		1,158,448.67		705
		18,741,487.20		9,647
II. Tangible assets				
1. Leasehold improvements		1,751,558.40		991
2. Technical equipment and machinery		295,741.64		106
3. Other equipment, factory and office equipment		1,562,453.32		1,476
4. Prepayments made and assets under construction		0.00		804
		3,609,753.36		3,377
III. Financial assets				
1. Shares in affiliated companies		177,517,660.49		153,421
2. Loans to affiliated companies		62,394,334.66		54,593
thereof with a remaining maturity of more than one year	*62,394,334.66*		*41,312*	
3. Participating interests		30,861,295.22		17,326
4. Loans to companies in which the Company has a participating interest		0.00		1,530
thereof with a remaining maturity of more than one year	*0.00*		*1,530*	
5. Securities		4,375.00		4
		270,777,665.37		226,874
		293,128,905.93		239,898
B. Current assets				
I. Inventories				
1. Merchandise		8,594,116.49		5,129
2. Services not yet invoiced		28,551,423.02		23,334
3. Prepayments made		574,230.26		5,540
		37,719,769.77		34,003
II. Receivables and other assets				
1. Trade receivables		6,542,922.46		18,364
thereof with a remaining maturity of more than one year	*0.00*		*0*	
2. Receivables from affiliated companies		116,882,555.30		95,876
thereof with a remaining maturity of more than one year	*20,543,857.21*		*1,563*	
3. Receivables from companies in which the Company has a participating interest		6,580,977.99		310
thereof with a remaining maturity of more than one year	*335,004.99*		*310*	
4. Other receivables and assets		10,876,309.97		6,756
thereof with a remaining maturity of more than one year	*0.00*		*0*	
		140,882,765.72		121,306
III. Cash on hand, cash at banks		19,703,673.19		79,155
		198,306,208.68		234,464
C. Prepaid expenses and deferred charges		1,678,570.49		1,066
D. Deferred tax assets		2,559,295.45		2,319
		495,672,980.55		477,747

Balance sheet as at March 31, 2019
(Translation)

Shareholders' equity and liabilities

	March 31, 2019		March 31, 2018	
	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		158,863,668.80		147,445
thereof prior period unappropriated retained earnings brought forward	*127,945,071.14*		*116,990*	
		289,263,668.80		277,845
B. Investment grants		0.00		58
C. Accruals and provisions				
1. Accruals for severance payments		6,479,729.00		5,280
2. Other accruals and provisions		17,251,342.21		10,724
		23,731,071.21		16,004
D. Accounts payable				
thereof with a remaining maturity of less than one year	*43,432,744.34*		*40,850*	
thereof with a remaining maturity of more than one year	*139,245,496.20*		*142,990*	
1. Promissory note bonds		74,961,496.20		74,924
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	*74,961,496.20*		*74,924*	
2. Bank loans and overdrafts		69,281,462.56		72,854
thereof with a remaining maturity of less than one year	*4,997,462.56*		*4,998*	
thereof with a remaining maturity of more than one year	*64,284,000.00*		*67,856*	
3. Prepayments received		615,484.73		1,113
thereof with a remaining maturity of less than one year	*615,484.73*		*1,113*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
4. Trade payables		6,752,709.94		2,988
thereof with a remaining maturity of less than one year	*6,752,709.94*		*2,988*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
5. Payables to affiliated companies		23,322,520.75		27,766
thereof with a remaining maturity of less than one year	*23,322,520.75*		*27,766*	
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		3,962,167.06		0
thereof with a remaining maturity of less than one year	*3,962,167.06*		*0*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
7. Other liabilities		3,782,399.30		4,195
thereof taxes	*72,856.90*		*68*	
thereof social security payables	*756,897.57*		*719*	
thereof with a remaining maturity of less than one year	*3,782,399.30*		*3,985*	
thereof with a remaining maturity of more than one year	*0.00*		*210*	
		182,678,240.54		183,840
		495,672,980.55		477,747

Income statement for the fiscal year 2018/19 (Translation)

	2018/19		2017/18	
	EUR	EUR	EUR '000	EUR '000
1. Net sales		175,093,235.62		151,385
2. Change in services not yet invoiced		5,217,265.59		22,133
3. Other operating income				
a) Income from the retirement of fixed assets excluding financial assets		0.00		2
b) Income from the reversal of accruals and provisions		297,192.00		2,496
c) Other		7,946,519.47		8,168
		8,243,711.47		10,666
4. Cost of materials and other purchased services				
a) Cost of materials		-30,554,381.47		-31,125
b) Cost of purchased services		-57,420,910.79		-51,685
		-87,975,292.26		-82,810
5. Personnel expenses				
a) Wages		-86,869.62		-64
b) Salaries		-30,897,224.39		-28,617
c) Social benefits		-9,553,408.62		-8,098
thereof expenses for pensions	*-135,917.32*		*-146*	
thereof expenses for severance payments and contributions to staff provision funds	*-1,709,353.68*		*-678*	
thereof expenses for statutory social security, payroll-related taxes and mandatory contributions	*-7,504,814.10*		*-7,060*	
		-40,537,502.63		-36,779
6. Depreciation and amortization of fixed tangible and intangible assets		-4,790,174.56		-3,629
7. Other operating expenses		-50,794,218.55		-47,801
thereof taxes not included in line 16	*-154,411.80*		*-246*	
8. Subtotal of lines 1 to 7		4,457,024.68		13,165
9. Income from participating interests		27,707,976.62		22,172
thereof from affiliated companies	*27,707,976.62*		*22,172*	
10. Other interest and similar income		5,798,905.11		5,177
thereof from affiliated companies	*5,567,098.20*		*5,006*	
11. Income from the disposal and write-up of fixed financial assets		731,655.05		50
12. Expenses on fixed financial assets		-1,891,607.00		-1,026
thereof write-downs	*-1,891,607.00*		*-1,026*	
thereof relating to affiliated companies	*-1,891,607.00*		*0*	
13. Interest and similar expenses		-2,422,025.64		-3,346
14. Subtotal of lines 9 to 13		29,924,904.14		23,027
15. Profit before taxation (subtotal of lines 8 and 14)		34,381,928.82		36,192
16. Taxes on income		-3,463,331.16		-5,737
thereof recharged to group parent	*-3,667,699.57*		*-5,340*	
thereof deferred taxes	*239,930.54*		*-259*	
17. Profit after taxation		30,918,597.66		30,455
18. Net income for the year		30,918,597.66		30,455
19. Prior period unappropriated retained earnings brought forward		127,945,071.14		116,990
20. Unappropriated retained earnings		158,863,668.80		147,445

Notes to the financial statements for fiscal year 2018/19
(Translation)

A. General principles

The financial statements as at March 31, 2019 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 at the balance sheet date. All identifiable risks and impending losses occurred until the balance sheet date were taken into account.

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

B. Group relations

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

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

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

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

C. Accounting and valuation methods

The previously applied accounting and valuation methods have been maintained.

1. Fixed assets

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

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

Intangible assets

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

In the fiscal year, intangible assets in the amount of EUR 11,056,968.90 (prior year: EUR 3,806k) 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 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" (Mach 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 1.35% (prior year: 1.45%) was used for the calculation of the provisions for anniversary bonuses and a discount rate of 1.3% (prior year: 1.35%) for the calculation of accruals for severance payments. A rate of 2.5% (prior year: 2.5%) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables AVÖ 2018-P for salaried employees. Staff turnover rates were determined based on the period of service.

The new actuarial tables AVÖ 2018-P (new biometric calculation basis) have an impact on the amount of accruals for severance payments and the provision for anniversary bonuses. The difference between the amount determined in accordance with the previous basis of calculation and the amount in accordance with the modified basis of calculation is EUR 118,331.00 for the accruals for severance payments and EUR 171,518.00 for the provisions for anniversary bonuses.

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, 2018	Additions	Disposals	Balance March 31, 2019
	EUR	EUR	EUR	EUR
I. Intangible assets				
1. Industrial property and similar rights and assets, and licenses in such rights and assets	23,596,570.18	11,651,547.43	8,250.06	35,978,225.04
2. Prepayments made and assets under construction	704,524.59	1,192,281.57	0.00	1,158,448.67
	24,301,094.77	12,843,829.00	8,250.06	37,136,673.71
II. Tangible assets				
1. Leasehold improvements	5,197,786.98	154,528.07	42,676.09	6,395,768.14
2. Technical equipment and machinery	2,357,298.14	256,314.58	0.00	2,613,612.72
3. Other equipment, factory and office equipment	6,777,029.90	612,106.40	126,549.49	7,262,586.81
4. Prepayments made and assets under construction	804,139.48	281,989.70	0.00	0.00
	15,136,254.50	1,304,938.75	169,225.58	16,271,967.67
III. Financial assets				
1. Shares in affiliated companies	159,088,956.20	20,930,970.26	0.00	185,076,936.02
2. Loans to affiliated companies	54,592,657.36	6,271,469.40	0.00	62,394,334.66
3. Participating interests	24,318,872.41	17,860,663.36	0.00	37,122,526.21
4. Loans to companies in which the Company has a participating interest	1,530,207.90	0.00	0.00	0.00
5. Securities	4,375.00	0.00	0.00	4,375.00
	239,535,068.87	45,063,103.02	0.00	284,598,171.89
	278,972,418.14	59,211,870.77	177,475.64	338,006,813.27

	Accumulated amortization/depreciation					Net book value	
	Balance April 1, 2018	Additions	Disposals	Write-ups	Balance March 31, 2019	Balance March 31, 2019	Balance March 31, 2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets							
1. Industrial property and similar rights and assets, and licenses in such rights and assets	14,654,772.98	3,748,663.59	8,250.06	0.00	18,395,186.51	17,583,038.53	8,941,797.20
2. Prepayments made and assets under construction	0.00	0.00	0.00	0.00	0.00	1,158,448.67	704,524.59
	14,654,772.98	3,748,663.59	8,250.06	0.00	18,395,186.51	18,741,487.20	9,646,321.79
II. Tangible assets							
1. Leasehold improvements	4,206,846.49	479,323.68	41,960.43	0.00	4,644,209.74	1,751,558.40	990,940.49
2. Technical equipment and machinery	2,251,609.64	66,261.44	0.00	0.00	2,317,871.08	295,741.64	105,688.50
3. Other equipment, factory and office equipment	5,301,140.78	495,925.85	96,933.14	0.00	5,700,133.49	1,562,453.32	1,475,889.12
4. Prepayments made and assets under construction	0.00	0.00	0.00	0.00	0.00	0.00	804,139.48
	11,759,596.91	1,041,510.97	138,893.57	0.00	12,662,214.31	3,609,753.36	3,376,657.59
III. Financial assets							
1. Shares in affiliated companies	5,667,668.53	1,891,607.00	0.00	0.00	7,559,275.53	177,517,660.49	153,421,287.67
2. Loans to affiliated companies	0.00	0.00	0.00	0.00	0.00	62,394,334.66	54,592,657.36
3. Participating interests	6,992,886.04	0.00	0.00	731,655.05	6,261,230.99	30,861,295.22	17,325,986.37
4. Loans to companies in which the Company has a participating interest	0.00	0.00	0.00	0.00	0.00	0.00	1,530,207.90
5. Securities	0.00	0.00	0.00	0.00	0.00	4,375.00	4,375.00
	12,660,554.57	1,891,607.00	0.00	731,655.05	13,820,506.52	270,777,665.37	226,874,514.30
	39,074,924.46	6,681,781.56	147,143.63	731,655.05	44,877,907.34	293,128,905.93	239,897,493.68

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

	In the following fiscal year		In the next 5 fiscal years	
	EUR	Prior year EUR '000	EUR	Prior year EUR '000
Obligations from rental and lease agreements	7,893,862.01	3,992	21,674,093.80	17,447

Financial assets

Loans

Loans amounting to EUR 0.00 (prior year: EUR 13,281k) 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, 2019	Share	Shareholders' equity	Result of fiscal year	FN
	%	TEUR	TEUR	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100.00	38,425	8,435	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95.00	2,334	1,741	1)
Kapsch Components GmbH & Co KG, Vienna	100.00	6,944	2,679	1)
Kapsch Components GmbH, Vienna	100.00	125	5	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.00	117,157	15	1)
Kapsch Telematic Services GmbH, Vienna	93.00	14,446	1,243	1)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czechia	100.00	865	194	1)
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	100.00	-446	-708	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100.00	128	23	1)
Kapsch TrafficCom Ltd., Middlesex, Great Britain	100.00	1,197	219	1)
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100.00	49	-2	1)
Kapsch TrafficCom Russia OOO, Moscow, Russia	100.00	396	-62	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	294	40	1)
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	25.00	-21,707	-4,292	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.00	FALSE	-1,496	1)
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	100.00	69	7	1)
KTS Beteiligungs GmbH, Vienna	100.00	365	1,187	3)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates	49.00	69	8	1)
Kapsch Telematic Services IOOO, Minsk, Belarus	99.00	7,348	4,640	1)
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	51.00	30	3	1)
Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan	100.00	10	0	1)
Kapsch TrafficCom S.A.S., Bogotá, Colombia	100.00	837	-30	1)
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.00	18,775	6,513	1)
tolltickets GmbH, Rosenheim, Germany	65.00	48	-519	1)
MTS Maut & Telematik Services GmbH, Berlin, Germany	100.00	337	12	1)
Kapsch TrafficCom Norway AS, Oslo, Norway	100.00	6	0	1)
SIMEX Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico	100.00	2,110	235	1)
Intelligent Mobility Solutions Limited, Lusaka, Zambia	51.00	4,735	-1,710	1)
Kapsch TrafficCom Peru S.A.C., Lima, Peru	100.00	159	46	1)
FLUIDTIME Data Services GmbH, Vienna	75.50	837	204	1)
b) Participating Interests				
Q-Free ASA, Trondheim, Norway	15.41	46,666	265	3)
Traffic Technology Services Inc., Beaverton, USA	41.56	11,154	-630	4)
autoTicket GmbH, Berlin, Germany	50.00	21,529	1,505	4)

1) Figures as at March 31, 2019 (IFRS)
2) Figures as at March 31, 2019 (UGB)
3) Figures as at December 31, 2018
4) Figures from January 1, 2019 to March 31, 2019 (IFRS)

For the acquisition of 75.5% of the shares in FLUIDTIME Data Services GmbH, Vienna, a variable purchase price based on the financial statements as at December 31, 2019 (or, when the balance sheet date changes, as at March 31, 2020) was agreed and depends on net sales and net result. The variable purchase price still outstanding amounts to a maximum of EUR 505,000.00, although reaching this is estimated as unlikely.

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

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

With regard to the participating interests in Q-free ASA, Trondheim, Norway, in the fiscal year 2018/19, a write-up in the amount of EUR 731,655.05 on the share price was made at the balance sheet date.

Current assets

Inventories

Prepayments in the amount of EUR 0.00 (prior year: EUR 4,876k) relate to prepayments made to affiliated companies.

Valuation allowances in the amount of EUR 6,811,865.06 (prior year: EUR 7,230k) were set up for inventories.

Receivables

Receivables from affiliated companies pertain to trade receivables in the amount of EUR 76,926,536.25 (prior year: EUR 62,372k), loan receivables in the amount of EUR 39,956,019.05 (prior year: EUR 29,872k) and dividend receivables in the amount of EUR 0.00 (prior year: EUR 3,632k).

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 6,835,000.00 (prior year: EUR 5,146k) 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 2,623,634.54 (prior year: EUR 2,242k).

Shareholder s' equity and liabilities

Shareholders' equity

Disclosures on share capital

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

Authorized capital

The authorized capital amounts to EUR 0 as at March 31, 2019 (prior year: EUR 0k).

Proposed appropriation of retained earnings

The Company intends to distribute a dividend in the amount of EUR 19,500,000.00 (prior year: EUR 19,500k) and to carry forward the remaining amount to the next fiscal year.

Amount subject to a prohibition of profit distribution

According to Section 235 UGB, unappropriated retained earnings in the amount of EUR 2,803,886.09 (prior year: EUR 2,598k) resulting from deferred tax assets are not available for distribution.

Investment grants

Kapsch TrafficCom AG, Vienna, received an investment grant from the lessor for the adaptation of the location at Euro Plaza. The grant included in the item investment grants relates to the following items of fixed assets:

	Balance April 1, 2018	Utilization	Balance March 31, 2019
	EUR	EUR	EUR
Leasehold improvements	57,773.12	57,773.12	0.00

Accruals and provisions

Other accruals and provisions include the following items:

	March 31, 2019 EUR	March 31, 2018 EUR '000
Outstanding project costs and risks	9,673,685.55	5,297
Invoices not yet received (excl. projects)	933,071.48	792
Personnel-related accruals and provisions (including vacation accruals of EUR 2,145,495.71; prior year: EUR 1,892k)	5,592,961.59	4,242
Warranties and liabilities for construction flaws, as well as production and system defects	288,346.47	265
Other accruals and provisions	763,277.12	128
	17,251,342.21	10,724

Accounts payable

Of the payables, promissory note bonds in the amount of EUR 8,500,000.00 (prior year: EUR 31,500k) and bank loans and overdrafts in the amount of EUR 0.00 (prior year: EUR 16,068k) 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

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 5,663k).

Other liabilities include expenses in the amount of EUR 2,803,886.09 (prior year: EUR 2,598k) 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 1,426k) as well as the loan for acquisitions in the amount of EUR 17,856,000.00 (prior year: 21,428k) are secured by bill of exchange.

Contingent liabilities and other financial obligations

	March 31, 2019 EUR	March 31, 2018 EUR
Assumption of liabilities on behalf of subsidiaries	65,232,068.21	57,756,928.34
Bank guarantees for the performance of contracts relating to major projects	62,572,779.92	73,897,419.95
Payment guarantees	310,563.32	477,702.14
Performance bonds	252,425,256.45	264,201,202.18
Other guarantees (security deposits, bid bonds and sureties)	592,206.24	571,773.77
	381,132,874.14	396,905,026.38

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 38.6 million (prior year: EUR 39.0 million).

A letter of subordination exists vis-à-vis Electronic Toll Collection (PTY) Ltd., Centurion, South Africa, in the amount of EUR 13,144,223.02 (prior year: EUR 13,281k).

With regard to the subsidiary Kapsch Telematic Services Sp. z.o.o., Warsaw, Poland, as well as its subsidiary Kapsch Road Services Sp. z.o.o., Warsaw, Poland, the Company – on April 1, 2018 and April 2, 2018 – declared to financially support these companies for a period of at least 15 months from the date of the statement.

On April 24, 2019, the Company declared its intention to provide TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, with the necessary liquid funds to settle its liabilities until April 30, 2020.

As per May 15, 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, 2020.

On May 15, 2019, the Company committed itself to provide Intelligent Mobility Solutions Ltd., Lusaka, Zambia, with the necessary liquid funds to settle its liabilities for a minimum period of 12 months after the date on which management approves the financial statements as at March 31, 2019.

Financial obligations and contingent liabilities vis-à-vis autoTicket GmbH, Berlin, relating to the agreement regarding the collection of infrastructure charges in Germany (passenger car tolls) dated December 30, 2018 (Operator Agreement):

By shareholders' resolution dated February 8, 2019, Kapsch TrafficCom AG committed itself to grant a subordinated shareholder loan in the amount of up to EUR 17,500,000 to autoTicket GmbH, Berlin, and to assume joint and several liability by externally financing autoTicket GmbH with a total of EUR 175,000,000 (together with the second shareholder CTS Eventim AG & Co KGaA), which, once the collection of the infrastructure charges has started, the initial compensation has been received and the first operating year has ended, is transformed into an independent guarantee by each of the two shareholders relating to half of the amount still outstanding on that date, respectively, in accordance with the provisions of the loan agreement.

As at the balance sheet date March 31, 2019, no shareholder loans granted by Kapsch TrafficCom AG to autoTicket GmbH, Berlin, and no credit liabilities towards credit institutions relating to autoTicket GmbH were yet outstanding.

The shareholders, together with the operator (autoTicket GmbH, Berlin), are jointly and severally liable for all obligations of the operator according to the Operator Agreement (the liability of the operator is limited to a total of EUR 300 million until the end of the first operating year, then EUR 40 million per operating year and finally EUR 100 million in the last operating year and/or per operating year in the extended period).

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 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

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	GBP 1,030,000	1	12,178.61		n/a	n/a
Currency forward contracts	GBP 450,000	1		851.77	851.77	other accruals and provisions
Interest rate-related products						
Interest rate swap	USD 7,500,000	1	153,935.54		n/a	

The fair value corresponds to the market value.

E. Comments on income statement items

Breakdown of net sales

By field of activity:	2018/19 EUR'000	2017/18 EUR '000
Electronic Toll Collection (ETC)	160,573	140,077
Intelligent Mobility Solutions (IMS)	14,520	11,308
	175,093	151,385

By region:	2018/19 EUR'000	2017/18 EUR '000
Domestic	27,578	34,488
European Union	70,368	82,593
Foreign	77,147	34,304
	175,093	151,385

The item **salaries** includes expenses from changes in provisions for anniversary bonuses in the amount of EUR 306,528.80 (prior year: income in the amount of EUR 221k).

Expenses for severance payments and contributions to staff provision funds include the following:

	2018/19 EUR	2017/18 EUR '000
Expenses for severance payments	1,346,481.23	342
Contributions to staff provision funds	362,872.45	336
	1,709,353.68	678

Expenses for the auditor

Expenses for the auditor amount to EUR 239,459.24 (prior year: EUR 209k) and are broken down as follows:

	2018/19 EUR'000	2017/18 EUR '000
Audit of the financial statements	55	53
Other assurance services	110	89
Other services	74	67
	239	209

Taxes on income

The Company is member of a tax group, parent of the tax group is KAPSCH-Group Beteiligungs GmbH, Vienna. In accordance with Section 9 (1) KStG (Austrian Corporate Income Tax Act), the relevant tax result of the respective group member is allocated to the relevant tax result of the participating group member or the group parent in the respective fiscal year. Pursuant to Section 7 (2) KStG, the income is determined at the group parent based on the consolidated result of the group and taxed. Tax is allocated using the stand-alone method.

Liabilities resulting from tax allocation amount to EUR 3,990,363.02 (prior year: EUR 5,663k), 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 2018/19 was 442 including 436 salaried employees and 6 waged workers (prior year: 414 salaried employees, 6 waged workers).

In fiscal year 2018/19, total remuneration of the management board amounted to EUR 2,104,387.82 (prior year: EUR 2,255k), expenses for severance payments and pensions for managing directors amounted to EUR 1,155,104.39 (prior year: EUR 112k).

With regard to supervisory board members, remuneration (including travel expenses) in the amount of EUR 121,357.45 (prior year: EUR 122k) was recognized as expenses.

The following persons served on the management and supervisory board:

Management Board

Georg Kapsch (Chairman)
André Laux
Alexander Lewald (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
Martin Gartler (until November 20, 2018)
Claudia Rudolf-Misch (since November 21, 2018)

Subsequent events

At the end of April 2019, there was a change in the management board: Mr. Alexander Lewald, Chief Technology Officer (CTO) left the Company by mutual agreement and Mr. Alfredo Escribá Gallego will take over the tasks of the CTO. He is appointed for a period of five years.

After the countrywide toll system for passenger cars and trucks has been accepted and successfully been implemented in Bulgaria, an amount of EUR 46 million was invoiced. The payment was received in conformity with the agreement at the end of May 2019.

Vienna, June 12, 2019

The Management Board:

signed:	signed:	signed:
Georg Kapsch	André Laux	Alfredo Escribá Gallego

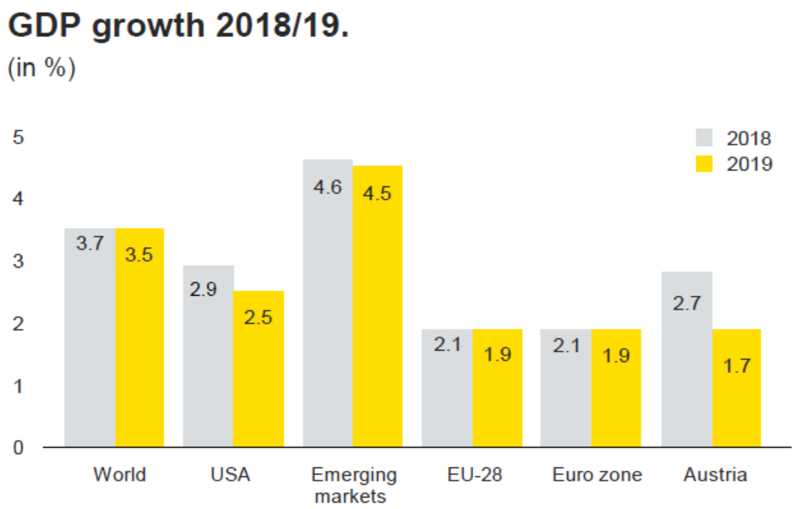
Management Report

(Translation)

Kapsch TrafficCom AG, Vienna as at March 31, 2019

1. General economic situation.

Global economy.
In 2018, global economic activity continued to expand strongly despite early signs of a slowdown. The growth rate of aggregate output stood at 3.7% and thus only slightly below the previous year's level of 3.8%. World trade was among the growth drivers that fell short of expectations, mainly because of the open trade war between the US and China. Having increased by a robust 4.7% in 2017, the volume of goods and services exchanged worldwide rose by 3.9% in 2018. As a consequence of the growing number of geopolitical risk factors the International Monetary Fund (IMF) has lowered its global growth forecast for the year 2019 to 3.5%. However, the World Trade Organization estimates that worldwide trading volumes should expand by 3.7%.



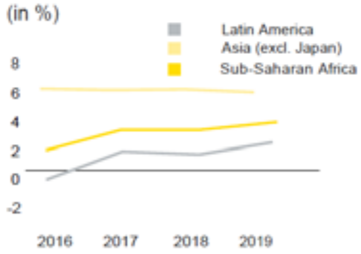
USA.
In the United States, GDP growth strengthened to almost 3% in 2018 despite the country's increasingly protectionist stance. The main reason for this strong economic performance was the introduction of new corporate tax incentives and the resulting boost in investments. Besides, private consumption continued to perform strongly, not least due to favourable labour market conditions. By contrast, the record-long government shutdown in early 2019, paralyzing several federal departments and agencies, is set to adversely affect the economy. GDP growth is expected to slow moderately to 2.5% in 2019.

Emerging markets and developing economies.
Economic activity in the emerging and developing economies went up by 4.6% in 2018. On a regional level, Asia continued to be the main driver of growth. The *ASEAN-5 region* (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) remained on a steady expansion path. In *India*, growth accelerated noticeably to 7.3%. *China* also registered a GDP increase that was well above the global average (6.6%). At the same time, however, this constitutes a multi-year low and as for 2019, experts predict that Chinese growth will slow further to just above 6%.

The economic development in the *Commonwealth of Independent States (CIS)* was marked primarily by Russia's sluggish recovery. The largest regional economy expanded by only 1.7% in the year under review. A main reason was the upheaval on the international oil market. After oil prices started to plummet towards the 50-dollar mark in October 2018, OPEC agreed with Russia and other allied producers to cut oil production until mid-2019. The expected upward trend in prices should also prove beneficial for the oil-exporting states of the *MENAP region* (Middle East and North Africa, Afghanistan and Pakistan). Aggregate GDP growth in this region stood at a modest 2.4% in 2018, held back also by a lack of economic diversification.

GDP growth 2016-19.

(in %)



The overall performance of the *Latin American* countries in 2018 did not live up to the forecast. Main reasons were the muted growth in the region's leading market Brazil (+1.3%) and economic turbulences in Argentina. On a more positive note, Mexico signed a successor agreement to NAFTA, now called USMCA. The regional outlook for 2019 is generally more favourable thanks to the ongoing recovery in commodity prices. The latter effect should also benefit the countries in *Sub-Saharan Africa*, where growth is expected to strengthen from 2.9% in 2018 to 3.5%.

Europe.
The European economy remained on a path of continued, albeit subdued, growth. The combined GDP of the *EU-28* increased by 1.9% in 2018. The recent deceleration was primarily due to the mounting challenges in the largest European economies, including a crisis in the German car industry triggered by the emissions scandal, ongoing protests by the Yellow Vests movement in France and a budget dispute between Italy and the European Commission. Among the more positive developments was the successful conclusion of Greece's three-year stabilisation support programme in August 2018 as well as the continued decline in the EU-28 unemployment rate to below 7%.

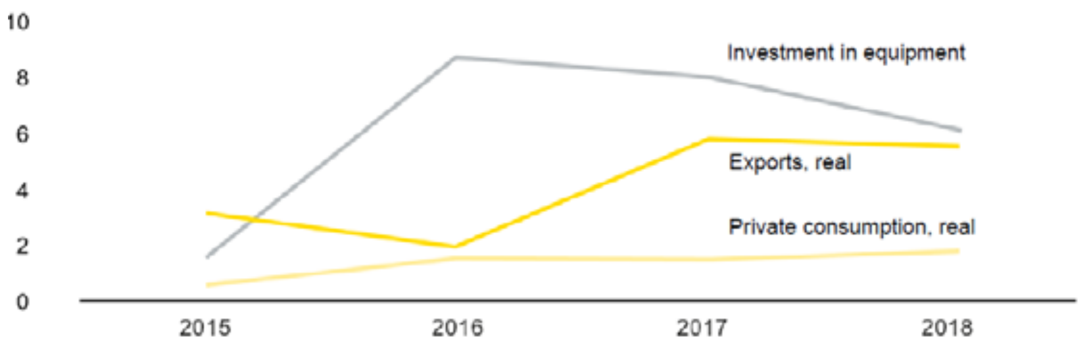
The *Euro zone* grew by 1.9%. The main cause of uncertainty, on the political scene as well as on the stock markets, was the lack of a breakthrough in the negotiations over the UK's exit from the EU (Brexit). Looking to 2019, Brexit continues to pose a major downside risk to growth in the region. Inflation in the Euro zone, meanwhile, climbed to 1.7% in 2018, thus gradually approaching the European Central Bank's medium-term target of 2%. This trend has contributed to a trend reversal in monetary policy. While the ECB continues to keep the prime interest rate at a historic low, its monthly bond-buying programme officially ended in 2018.

Economic activity in *Central and Southeast Europe* proved resilient in 2018 and was driven by strong investment activity. This, in turn, can be attributed to high capacity utilisation, the low level of interest rates and the continued inflow of EU funds. On a national level, the Polish (+5.1%), Hungarian (+4.9%), Slovenian (+4.5%) and Serbian economy (+4.4%) performed comparatively well in the year under review. By contrast, Ukraine witnessed renewed political tensions with Russia, while the Turkish economy was plagued by a sharp currency depreciation.

Austria.
With 2.7%, economic growth in Austria was once again well above the EU average in 2018. This dynamic performance was primarily due to buoyant industrial production, benefiting in turn from strong external impulses. For 2019, economists predict a GDP increase of 1.7%. As a consequence of the expected slackening of business activity, the reported increase in capital expenditure of 3.7% was markedly weaker than in the years before. Private consumption went up by 1.6%. This is attributable to higher real incomes on the one hand and a tax relief resulting from the newly introduced family bonus on the other. In 2018, the average annual inflation rate amounted to 2.0%. For 2019, the national price level is forecast to rise by 1.7%, the unemployment rate should decline, and a slight budget surplus is expected.

Export and investment growth in Austria 2016-19.

(in %)



1.1 Market for intelligent transportation systems.

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

Customer segments.
Kapsch TrafficCom 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.

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.

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 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.

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.

2. Economic Situation of Kapsch TrafficCom AG

2.1. General situation

In the fiscal year 2018/19, Kapsch TrafficCom AG generated net sales in the amount of EUR 175.1 million, meaning an increase of 15.7% year on year (2017/18: EUR 151.4 million). The Electronic Toll Collection (ETC) segment contributed 91.7% to the generated net sales, representing the core business with tolls collected. The Intelligent Mobility Solutions (IMS) segment contributed 8.3% in the reporting period.

- In December 2018, the consortium of Kapsch TrafficCom AG and CTS EVENTIM AG & Co. KGaA was commissioned to levy the German infrastructure charge ("passenger vehicle toll"). The operating company is held equally by both companies. The subject of the contract is the implementation of the toll system and accordingly the collection of the passenger vehicle toll for at least twelve years. The total contract volume for the operating company over the entire minimum term of the contract is approximately EUR 1.6 billion. The client has the option of extending the cooperation to a maximum of 15 years.

- On November 21, 2018, the Works Council delegated Ms. Claudia Rudolf-Misch to the Supervisory Board, where she replaced Mr. Martin Gartler. Thus, two out of a total of six Supervisory Board positions are now held by women.

- In November, Kapsch TrafficCom AG and Axxès from France established a joint operation to operate a sustainable technology platform to support the business activities of both shareholders for the European Electronic Toll Service (EETS).

- In October 2018, Kapsch TrafficCom Group was able to secure a follow-up agreement for the operating agreement of the nation- wide toll system in Poland expiring on November 2, 2018. Accordingly, the company will support the continued operation of the toll system during a transition period of 27 months (starting November 3, 2018). The customer has the right to terminate the contract early, six months prior to the end of the period, i.e., after a term of 21 months. Kapsch Telematic Services Sp. z.o.o., Poland, will receive a monthly fee of approximately EUR 4.2 million for the support provided, of which Kapsch TrafficCom AG receives approx. EUR 1.2 million.

- In October 2018, Kapsch TrafficCom AG was awarded the contract for the planning, development, installation and operation of the automatic ISA control system to control the German passenger vehicle toll. The duration of the contract corresponds to that of the aforementioned passenger vehicle toll collection project. Depending on the call for optional services, an order volume (over the entire term) of under EUR 100 million up to EUR 120 million is possible.

- In September 2018, the Czech Minister of Transport signed a contract with a competitor for the construction and operation of a new nation-wide toll system. Kapsch TrafficCom believes that both the tender and the contract should be seriously scrutinized for a number of reasons. Legal action has thus been taken. According to the current status, Kapsch TrafficCom's operations will be transferred to the competitor in the second half of 2019/20.

- In the summer of 2018, Kapsch TrafficCom AG was commissioned to modernize the Swiss truck toll system. The company will also be responsible for maintenance and system operation until the end of 2020, renewable annually until the end of 2024. The maximum order value is just over EUR 20 million.

- On June 30, 2018, Kapsch TrafficCom AG completed the modernization of the Austrian GO toll system (for vehicles over 3.5 tons) on schedule.

2.2 Earnings situation

Net sales of Kapsch TrafficCom AG reached EUR 175.1 million in the fiscal year 2018/19, thus up by 15.7% on the previous year (EUR 151.4 million). The Intelligent Mobility Solutions (IMS) segment exhibited an increase in net sales from EUR 11.3 million in the previous year to EUR 14.5 million. The Electronic Toll Collection (ETC) segment generated net sales in the amount of EUR 160.6 million (previous year EUR 140.1 million).

In comparison with the previous year, personnel expenses increased by EUR 3.7 million from EUR 36.8 million to EUR 40.5 million. The average number of staff increased from 420 to 442 in the fiscal year under review.

Other operating expenses were up by EUR 3.0 million from EUR 47.8 million to EUR 50.8 million.

The operating result (EBIT) of Kapsch TrafficCom AG amounts to EUR 4.5 million in the reporting year compared to EUR 13.2 million in the previous year.

The financial result of EUR 29.9 million (previous year: EUR 23.0 million) was mainly attributable to the income from investments.

2.3 Assets and liabilities

The balance sheet total of EUR 495.7 million at the balance sheet date March 31, 2019 increased by EUR 18.0 million compared to the end of the fiscal year 2017/18 (March 31, 2018: EUR 477.7 million).

At EUR 289.3 million, equity exceeded the amount of EUR 277.8 million as at March 31, 2018. At 58.4%, the equity ratio changed only slightly as at March 31, 2019 (previous year: 58.2%).

On the assets side, inventories increased from EUR 34.0 million to EUR 37.7 million due to services not yet invoiced.

The group receivables (incl. borrowings) increased from EUR 150.5 million in the previous year to EUR 179.3 million in the reporting year 2018/19.

Liquid funds decreased from EUR 79.2 million to EUR 19.7 million, resulting – among other things – from the self-financing of major projects.

On the liabilities side of the balance sheet, long-term liabilities decreased from EUR 149.4 million in the previous year to EUR 147.2 million as at the balance sheet date March 31, 2019.

At EUR 5.0 million, short-term bank loans and overdrafts remained stable at the balance sheet date March 31, 2019 compared to EUR 5.0 million in the previous year. Payables to affiliated companies in the amount of EUR 23.3 million decreased by EUR 4.5 million as compared to the previous year (EUR 27.8 million). Other liabilities fell from EUR 5.1 million in the previous year to EUR 4.4 million as at the balance sheet date March 31, 2019.

2.4 Financial position

The net cash flow from operating activities amounted to EUR 33.5 million after EUR 20.5 million in the comparative prior-year period.

At EUR -69.8 million (previous year EUR 0 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 -23.1 million (previous year EUR -43.8 million) resulted from the payment of the dividend and the partial repayment of an operating loan. In total, cash and cash equivalents decreased from EUR 79.2 million as at March 31, 2018 to EUR 19.7 million as at March 31, 2019.

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 2018/19 the patent portfolio has been further streamlined in areas of high strategic importance for Kapsch TrafficCom Group. The current patent portfolio consists of 181 patent families with more than 1,262 individual patents and 125 pending patent applications. During the last fiscal year, five new patent families in the tolling and connected roads area were filed.

In order to mitigate any risk of patent infringement and to foster the patenting of new ideas, a mandatory patent analysis procedure has been integrated in both the portfolio management process and the development process. This will ensure that any IPR issues can be handled and IPR is checked before starting the development process. Additionally the worldwide patent monitoring is 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 2018/19, research and development expenses of Kapsch TrafficCom AG amounted to EUR 46.3 million (previous year: EUR 36.2 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 2018/19.

3.3. Risk report.

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

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

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

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

Industry-specific risks

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

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

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

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

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

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

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

Strategic risks

Ability to innovate

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

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

Acquisition and integration of companies as part of the Group's growth

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

Country risk

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

Financial risks

Foreign exchange risk

As a global company, Kapsch TrafficCom maintains branches, offices and subsidiaries in many countries outside the euro zone. In the course of implementing projects outside the euro zone, transactions risks arise from possible exchange rate fluctuations that can be reflected in the consolidated financial statements as exchange rate losses or gains. Kapsch TrafficCom strives as far as possible to avoid these transaction risks in the amount of the net currency positions from the respective projects or to hedge them, if necessary. However, because the net currency position at the respective payment flow deadlines is often difficult to predict, hedging is only possible to a limited extent. The remaining exchange rate risk is accepted and included in the business planning. Due to the conversion of individual financial statements of the subsidiaries outside the 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 (Euribor, etc.). In this context, there is an interest rate risk, which — where material — is hedged by suitable financial instruments.

Liquidity risk

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

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

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

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

Personnel risk
The success of Kapsch TrafficCom depends heavily on key personnel with many years of experience. Moreover, the Group's ability to recruit qualified staff, integrate them into the company and retain them over the long term is critical. The loss of key personnel and difficulties in the recruitment of personnel could adversely affect the success of the Group.
Kapsch TrafficCom employs attractive measures to counteract this risk, such as incentive schemes and opportunities for training and further education. A periodical employee survey supports the Management to raise current concerns, worries and wishes as well as the general mood situation.

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

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

IT risks
As a technology company, Kapsch TrafficCom is exposed to common IT risks in terms of the security, confidentiality and availability of data. To this end, Kapsch TrafficCom 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 in the DACH region (Germany, Austria, Switzerland) have been certified according to ISO 20000 (IT Service Management - similar to ITIL®), and CRISAM® has been implemented within the Group as an IT risk management tool.

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

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

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

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

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

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

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

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

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was improved again in the 2018/19 fiscal year, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

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

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

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

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

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

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2019. 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, 2019, 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"), the syndicated financing of EUR 175 million raised by autoTicket GmbH to finance the German passenger vehicle toll and further financing of EUR 50 million, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.6. Corporate-Governance-Report.

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

4. Outlook and objectives.

In the fiscal year 2019/20, net sales are planned to further increase. Positive factors are, for example, the development of the toll systems in Germany and Bulgaria.

Kapsch TrafficCom AG plans to grow in both segments. At the same time, the goal is being pursued of raising the Group's EBIT margin to a sustainable level above 10%. For this purpose, the EBIT in the ETC business is to be kept well above 10% and that in the IMS business continuously improved. If the environment is good, from today's perspective an IMS EBIT of up to 8% seems feasible.

Vienna, June 12, 2019

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, 2019, 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, 2019, 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 177,518k) and also participating interests (book values in the amount of EUR 30,861k) as at March 31, 2019. EUR 11,389k of the participating interests relate to Q-Free ASA, Trondheim, Norway, which is listed on the Oslo stock exchange, and EUR 19,472k relate to unlisted companies.

Pursuant to Section 204 (2) UGB, participating interests are to be written down in case a diminution in value occurs that is expected to be permanent.

Testing participating interests for write-downs requires management to make significant estimates as to the future market development and the probability of winning individual major contracts during the planning period. Moreover, there is significant area of judgement involved in the valuation, in particular with regard to the discount rate and the long-term growth rate. With regard to the financial statements, there is a risk of an overstatement of participating interests due to these estimation uncertainties and it was therefore identified as key audit matter.

In the fiscal year 2018/19, write-downs on participating interests in Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy (EUR 1,186k) and in FLUIDTIME Data Service GmbH, Vienna (EUR 706k) were made based on these tests for write-downs.

Management believes that no further permanent diminutions in value apply to shares in affiliated companies and participating interests as at March 31, 2019 and that, consequently, no further write-downs are required.

As regards the participating interest in Q-Free ASA, Trondheim, Norway, in the fiscal year 2018/19, the continuing positive development of the share price resulted in a write-up in the amount of EUR 732k on the share price as at the balance sheet date.

- *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 Q-Free ASA, Trondheim, Norway, we checked whether the need for a write-up 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, 2019 amount to EUR 28,551k and project-related accruals amount to EUR 9,674k. 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 6, 2018. We were engaged by the supervisory board on January 7, 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 12, 2019

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 Sec. 124 (1) Stock Exchange Act 2018.

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

Vienna, June 12, 2019

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

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

In order to signalize that general references made to individuals in this annual report apply equally to women and men, male and female gender forms have been used in part.

Imprint.

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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 fiscal year 2018/19, Kapsch TrafficCom's about 5,000 employees generated revenues of EUR 738 million.

>>> www.kapsch.net

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