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Kapsch TrafficCom

Annual Financial Statements.

Pursuant to Section 82 Para 4 BörseG.

125% dedication

125 years of Kapsch

Contents.

Consolidated Financial Statements
as of March 31, 2017.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2015/16	2016/17
Revenues	(4)	526,091,567	648,479,213
Other operating income	(5)	17,028,271	25,052,456
Changes in finished and unfinished goods and work in progress	(6)	-12,290,757	1,409,754
Other own work capitalized		708,875	3,551,874
Cost of materials and other production services	(7)	-201,861,358	-242,146,257
Staff costs	(8)	-153,160,789	-224,169,884
Amortization and depreciation	(9)	-14,532,982	-17,715,773
Other operating expenses	(10)	-99,636,031	-134,359,527
Operating result		**62,346,797**	**60,101,855**
Finance income	(11)	12,901,839	13,534,069
Finance costs	(11)	-20,473,837	-13,147,130
Financial result		**-7,571,998**	**386,940**
Results from associates and joint ventures	(17)	40,617	146,868
Result before income taxes		**54,815,416**	**60,635,663**
Income taxes	(12)	-18,355,734	-17,953,927
Result for the period		**36,459,682**	**42,681,736**
Result attributable to:			
Equity holders of the company		31,091,775	43,609,880
Non-controlling interests		5,367,907	-928,145
		36,459,682	**42,681,736**
Earnings per share from the result for the period attributable to the equity holders of the company (in EUR)			
diluted	(35)	2.39	3.35
undiluted	(35)	2.39	3.35
Other comprehensive income for the period			
Items subsequently be reclassified to the result for the period:			
Currency translation differences		2,504,663	-5,945,776
Currency translation differences from net investments in foreign operations		-2,334,164	2,673,308
Available-for-sale financial assets:			
Fair value gains/losses recognized in other comprehensive income		-4,606,733	-3,190,631
Reclassification of cumulated net losses to the result for the period (impairment)		1,237,309	2,276,893
Reclassification of cumulated net gains to the result for the period (sale of available-for-sale financial assets)		-3,317,930	-2,695
Cash flow hedges		0	424,038
Income tax relating to items subsequently reclassified to the result for the period		1,422,895	-655,344
Total items subsequently be reclassified to the result for the period		**-5,093,960**	**-4,420,207**
Items subsequently not be reclassified to the result for the period:			
Remeasurements of liabilities from post-employment benefits		-231,196	-520,789
Income tax relating to items subsequently reclassified to the result for the period		92,528	139,359
Total items subsequently not be reclassified to the result for the period		**-138,668**	**-381,429**
Other comprehensive income for the period net of tax	(13)	**-5,232,628**	**-4,801,636**
Total comprehensive income for the period		**31,227,054**	**37,880,100**
Total comprehensive income attributable to:			
Equity holders of the company		23,744,417	38,827,442
Non-controlling interests		7,482,637	-947,342
		31,227,054	**37,880,100**

Consolidated balance sheet.

All amounts in EUR	Note	March 31, 2016	March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	(15)	20,866,937	23,140,948
Intangible assets	(16)	64,911,212	71,985,004
Interests in associates and joint ventures	(17)	1,917,126	2,130,999
Other non-current financial assets and investments	(18)	18,651,333	18,363,679
Other non-current assets	(19)	18,877,084	611,149
Deferred tax assets	(25)	11,895,081	11,937,661
		137,118,772	**128,169,439**
Current assets			
Inventories	(20)	35,757,354	39,254,919
Current tax receivables	(21)	3,754,362	4,489,577
Trade receivables and other current assets	(21)	196,158,016	261,934,591
Other current financial assets	(18)	96,813	3,637,945
Cash and cash equivalents	(22)	140,782,047	211,298,792
		376,548,591	**520,615,824**
Total assets		**513,667,364**	**648,785,263**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(23)	13,000,000	13,000,000
Capital reserve		117,508,771	117,508,771
Retained earnings and other reserves		92,338,014	97,849,217
		222,846,785	**228,357,988**
Non-controlling interests		**7,811,064**	**-1,051,928**
Total equity		**230,657,849**	**227,306,060**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(24)	85,733,509	97,481,728
Liabilities from post-employment benefits to employees	(26)	24,107,382	23,946,148
Non-current provisions	(29)	1,395,787	9,992,550
Other non-current liabilities	(27)	3,332,528	10,536,107
Deferred income tax liabilities	(25)	3,190,360	2,745,150
		117,759,566	**144,701,683**
Current liabilities			
Trade payables		52,040,998	55,949,897
Other liabilities and deferred income	(28)	79,341,558	103,477,907
Current tax payables		3,572,533	1,807,143
Current financial liabilities	(24)	21,349,269	97,902,189
Current provisions	(29)	8,945,590	17,640,384
		165,249,949	**276,777,520**
Total liabilities		**283,009,514**	**421,479,203**
Total equity and liabilities		**513,667,364**	**648,785,263**

Consolidated statement of changes in equity.

All amounts in EUR	Attributable to equity holder of the company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of March 31, 2015	**13,000,000**	**117,508,771**	**-12,184,396**	**89,633,721**	**11,403,134**	**219,361,230**
Effects from acquisition of subsidiaries			0		21,006	21,006
Effects from increase in shares of subsidiaries			-2,404,359		-4,338,526	-6,742,885
Effects from decrease in shares of subsidiaries			48,632		-48,632	0
Dividend				-6,500,000	-6,708,555	-13,208,555
Result for the period				31,091,775	5,367,907	36,459,682
Other comprehensive income for the period:						
Currency translation differences			-1,360,690		2,114,730	754,040
Fair value gains/losses on available-for-sale financial assets			-5,848,000			-5,848,000
Remeasurements of liabilities from post-employment benefits			-138,668			-138,668
Carrying amount as of March 31, 2016	**13,000,000**	**117,508,771**	**-21,887,481**	**114,225,495**	**7,811,064**	**230,657,849**
Effects from acquisition of subsidiaries			0		203,757	203,757
Effects from increase in shares of subsidiaries			-13,816,239		-8,111,708	-21,927,947
Dividend				-19,500,000	-7,700	-19,507,700
Result for the period				43,609,880	-928,145	42,681,736
Other comprehensive income for the period:						
Currency translation differences			-3,921,597		-19,198	-3,940,794
Fair value gains/losses on available-for-sale financial assets			-903,450			-903,450
Remeasurements of liabilities from post-employment benefits			-381,429			-381,429
Cash flow hedges			424,038			424,038
Carrying amount as of March 31, 2017	**13,000,000**	**117,508,771**	**-40,486,160**	**138,335,376**	**-1,051,928**	**227,306,060**

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

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

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

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

The paid dividend of Kapsch TrafficCom AG in the fiscal year 2016/17 in the amount of TEUR 19,500 was EUR 1.50 per share (2015/16: TEUR 6,500 corresponded to EUR 0.50 per share).

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

The effects from acquisition of subsidiaries in the fiscal year 2016/17 result from the acquisition of shares in tolltickets GmbH, Deutschland, as well as from the acquisition of Fluidtime Data Services GmbH, Vienna. The effects from acquisition of subsidiaries in the fiscal year 2015/16 result from the acquisition of shares in Streetline International, Inc., U.S.A.

The effects from increase in shares of subsidiaries in the fiscal year 2016/17 result from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s r.o., Czech Republic, – an amount of TEUR 14,000 has already been paid – as well as from the acquisition of additional shares in Streetline International, Inc., U.S.A. The effects from the increase in shares of subsidiaries in the fiscal year 2015/16 result from the acquisition of the remaining shares in TMT Services and Supplies (Pty) Ltd., South Africa.

Consolidated cash flow statement.

All amounts in EUR	Note	2015/16	2016/17
Cash flow from operating activities			
Operating result		62,346,797	60,101,855
Adjustments for non-cash items and other reconciliations:			
Scheduled depreciation and amortization		14,532,982	17,715,773
Increase/decrease in obligations for post-employment benefits		-1,776,532	-1,142,501
Increase/decrease in other non-current liabilities and provisions		-1,250,875	6,208,605
Increase/decrease in other non-current receivables and assets		-9,700,466	5,387,530
Increase/decrease in trade receivables (non-current)		22,463,531	11,094,251
Increase/decrease in trade payables (non-current)		-602,836	-372,680
Other (net)		-328,646	-4,141,106
		85,683,957	**94,851,727**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets		6,472,721	-6,154,327
Increase/decrease in inventories		11,912,334	-1,794,485
Increase/decrease in trade payables and other current payables		12,884,830	-13,990,553
Increase/decrease in current provisions		-279,082	1,587,303
		30,990,803	**-20,352,062**
Cash flow from operations		**116,674,760**	**74,499,665**
Interest received	(11)	2,679,338	2,671,148
Interest payments	(11)	-5,226,812	-5,657,361
Net payments of income taxes		-16,225,090	-16,545,681
Net cash flow from operating activities		**97,902,196**	**54,967,771**
Cash flow from investment activities			
Purchase of property, plant and equipment	(15)	-7,049,013	-12,387,929
Purchase of intangible assets	(16)	-2,944,424	-2,711,023
Purchase of securities, investments and other non-current financial assets	(18)	-100,293	-2,850,742
Payments for the acquisition of entities (less cash and cash equivalents of these entities)		2,542,784	-22,806,653
Payments for the acquisition of shares in at-equity-consolidated entities		-69	0
Proceeds from the disposal of property, plant and equipment and intangible assets		2,771,393	2,773,296
Proceeds from the disposal of securities and other financial assets		5,374,761	71,820
Net cash flow from investment activities		**595,139**	**-37,911,231**
Cash flow from financing activities			
Dividends paid to parent company's shareholders		-6,500,000	-19,500,000
Dividends paid to non-controlling interests		-6,708,555	-7,700
Payments for the acquisition of non-controlling interests		-6,742,885	-14,094,405
Increase in non-current financial liabilities	(24)	470,947	100,375,177
Increase in current financial liabilities	(24)	2,829,828	2,666,048
Decrease in current financial liabilities	(24)	-32,926,939	-19,828,320
Net cash flow from financing activities		**-49,577,604**	**49,610,801**
Net increase/decrease in cash and cash equivalents		**48,919,731**	**66,667,341**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year		96,764,803	140,782,047
Net increase/decrease in cash and cash equivalents		48,919,731	66,667,341
Exchange gains/losses on cash and cash equivalents		-4,902,488	3,849,404
Cash and cash equivalents at end of year	(22)	**140,782,047**	**211,298,792**

Notes to the Consolidated Financial Statements.

1 General Information.

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

The Group operates in 2 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 nationwide 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 rounds off the range of IMS services offered by Kapsch TrafficCom.

1.1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of March 31, 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of March 31, 2017 are prepared under the historical cost convention, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date. Pertinent explanations can be found within the scope of the corresponding accounting policies.

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

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

1.2 Group structure and consolidated group.

The parent company (reporting entity) of this group is Kapsch TrafficCom AG, Vienna. Until June 2007 KAPSCH-Group Beteiligungs GmbH, Vienna, (immediate parent company of the reporting entity), a whollyowned 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, 2017 KAPSCH-Group Beteiligungs GmbH has a share of 63.3% (March 31, 2016: 63.3%) in Kapsch TrafficCom AG, Vienna. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since June 26, 2007.

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

As of March 31, 2017 the consolidated group (including parent company Kapsch TrafficCom AG, Vienna) consists of 57 entities (March 31, 2016: 48 entities). The consolidated group changed as follows:

	2015/16	2016/17
Amount of entities at the beginning of the fiscal year	47	48
Initial consolidation	3	9
Mergers	-1	0
Deconsolidations	-1	0
Amount of entities in the consolidated group	**48**	**57**

In the fiscal year 2016/17 Fluidtime Data Services GmbH, Vienna, tolltickets GmbH, Germany, Kapsch TrafficCom Transportation S.A.U., Spain, Kapsch TrafficCom Arce Sistemas S.A.U., Spain, Kapsch TrafficCom Saudi Arabia Co. Lt., Saudi Arabia, Telvent Thailand, Thailand, Kapsch TrafficCom Transportation Brasil Ltda., Brazil, Kapsch TrafficCom Transportation Argentina S.A., Argentina, as well as Kapsch TrafficCom Transportation NA, Inc., U.S.A., were acquired.

The regional distribution of our subsidiaries is as follows:

	2015/16	2016/17
Austria	6	7
EMEA (Europe excl. Austria, Middle East, Africa)	25	29
Americas	13	16
APAC (Asia and Pacific)	4	5
Total	**48**	**57**

For further information on interests in subsidiaries see note 32.

1.3 Consolidation.

1.3.1 Subsidiaries.

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

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

1.3.2 Transactions with non-controlling interests.

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

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

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

1.3.3 Joint arrangements.
The Group applies IFRS 11 to all joint arrangements.

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

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.

As of March 31, 2017, two joint ventures, which were acquired in the course of the acquisition of tolltickets GmbH, Germany, in July 2016, were included in the consolidated financial statements. The two joint ventures are accounted for using the equity method (see note 17).

As of March 31, 2017, there are also shares of joint operations acquired during the acquisition of the Transportation division of Schneider Electric S.E. Assets and liabilities as well as expenses and income are included in the consolidated financial statements on a pro rata basis and are shown in the respective items in the balance sheet or the statement of comprehensive income.

1.3.4 Associates.
Associates are entities in which the Group has a significant but not a controlling influence, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Associates are reported using the equity method and initially recognized at acquisition costs. Following the acquisition date, the share of the Company 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 affiliated company reduce the carrying amount of the interest. Goodwill arising on acquisition of associates is not separately shown but recorded as part of the carrying amount of associates.

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

or loss for the period where appropriate.
The accumulated shares of the Group in the gains and losses as well as the other comprehensive income of the associate following acquisition are offset against the carrying amount of the interest. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of 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 statement of comprehensive income. 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.

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

1.4 Business combinations.

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

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

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

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

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

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

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

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

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

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

1.5 Foreign currency translation.

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

1.5.1 Translation of foreign financial statements.

In accordance with IAS 21, financial statements of foreign subsidiaries (excepted 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 exchange rates as disclosed by the national banks being used. Differences arising from the currency translation of foreign operations into euro are recognized under other comprehensive income and collected under equity.

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

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

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

	Average exchange rate		Exchange rate as at balance sheet date	
	2015/16	2016/17	2015/16	2016/17
AUD	1.497	1.458	1.481	1.398
CAD	1.443	1.440	1.474	1.427
CZK	27.164	27.038	27.051	27.030
PLN	4.224	4.352	4.268	4.220
SEK	9.324	9.503	9.225	9.532
USD	1.101	1.097	1.139	1.069
ZAR	15.148	15.467	16.787	14.240

1.5.2 Foreign currency transactions.

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

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

2 Accounting principles.

2.1 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2016/17.

	New/adopted IFRSs	Published by the IASB (adopted by the EU)	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statement
IFRS 11	Joint Arrangements (Amended by Accounting for Acquisitions of Interests in Joint Operations)	May 2014	January 1, 2016	None
IAS 16 IAS 38	Amended by Clarification of Acceptable Methods of Depreciation and Amortisation	May 2014	January 1, 2016	None
IAS 16 IAS 41	Property, Plant and Equipment and Agriculture (Amended by Accounting of Bearer Plants)	June 2014	January 1, 2016	None
IAS 27	Separate Financial Statements (Amended by Equity Method in Separate Financial Statement)	August 2014	January 1, 2016	None
IAS 1	Presentation of Financial Statements (Amendment)	December 2014	January 1, 2016	None
IFRS 10 IFRS 12 IAS 28	Investment Entities: Applying the Consolidation Exception	December 2014	January 1, 2016	None
	Annual improvement to IFRSs, Cycle 2014-2016			
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Changes in methods of disposal)	September 2014	January 1, 2016	None
IFRS 7	Financial Instruments (servicing contract)	September 2014	January 1, 2016	None
IAS 19	Employee Benefits (Discount rate: regional market issue)	September 2014	January 1, 2016	None
IAS 34	Interim Financial Reporting (Disclosure of information 'elsewhere in the interim financial report')	September 2014	January 1, 2016	None

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

	New/adopted IFRSs	Published by the IASB (adopted by the EU)	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statement
IFRS 15	Revenue from Contract with Customers	May 2016	January 1, 2018	Described below
IFRS 9	Financial Instruments	July 2016	January 1, 2018	Described below

	New/adopted IFRSs	Published by the IASB (adopted by the EU)	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statement
IFRS 14	Regulatory Deferral Accounts	January 2014	January 1, 2016	None
IFRS 16	Leases	January 2016	January 1, 2019	Described below
IAS 12	Income Tax (Amended by Recognition of Deferred Tax Assets for Unrealised Losses)	January 2016	January 1, 2017	None
IAS 7	Cash Flow (Amendment)	January 2016	January 1, 2017	None
IFRS 15	Clarification of Revenues from Contracts with Customers	April 2016	January 1, 2018	None
IFRS 2	Share-based Payment (Classification and Measurement of Share-based Payment Transactions)	June 2016	January 1, 2018	None
IFRS 4	Insurance contracts Applying IFRS 9 with IFRS 4	September 2016	January 1, 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	December 2016	January 1, 2018	None
IAS 40	Transfer of Investment Property	December 2016	January 1, 2018	None
IAS 28 IFRS 10	Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Moved indefinitely	None
	Annual improvement to IFRSs, Cycle 2014–2016			
IFRS 1	Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose	December 2016	January 1, 2018	None
IFRS 12	Disclosure of Interests in Other Entities (clarified the scope of the standard)	December 2016	January 1, 2017	None
IAS 28	Investments in Associates and Joint Ventures (clarification)	December 2016	January 1, 2018	None

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

The Group is currently assessing the impact of applying the new Standard to the consolidated financial statements and has identified the following areas that are likely to be affected:

Within the Group, multi-element arrangements are concluded, which usually contain a construction contract and, after system implementation, a service for a defined period of time. Applying IFRS 15 may lead to shifts in the timing of recognition and the amount of revenue. The consideration received is allocated to the individual performance obligations on the basis of the relative stand-alone selling prices. On the basis of the contract and pricing conditions it is currently assumed for most of the existing contracts that there will be no significant shifts.

Construction contracts: Revenue from customer-specific construction contracts is currently recognized according to the percentage of completion method. IFRS 15 includes new criteria for recognizing revenue within a specified period of time. The construction contracts to be processed at present are expected to comply with the criteria for performance obligations satisfied over time, as assets without an alternative use to the Group are created and the Group has the right to payment of the services already performed.

Service transactions: are recognized in the reporting period in which the services are rendered, by reference to the rate of completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be provided. Since the customer receives the benefits provided by the Group's performance, while it renders the services, revenue from service transactions under IFRS 15 will also be recognized over time.

Sale of goods: In contrast to IAS 18, which follows a risk-and-rewards approach, the sale of goods is to be assessed when the transfer of control for a good takes place.

Certain *costs incurred in fulfilling a contract* are required to be recognized as an asset under IFRS 15, while they are recognized as an expense in profit or loss in accordance with the currently applicable Standard.

The presentation and disclosure requirements under IFRS 15 are quite extensive. Many disclosure requirements relate to completely new disclosures. Appropriate systems, guidelines and internal controls are needed to implement these disclosure requirements. Based on the contract analysis and examinations performed so far in the course of the implementation project for this new Standard, the Group currently does not expect any significant impact of the new regulations on the consolidated financial statements, apart from additional disclosures.

IFRS 9, "Financial Instruments", addresses the classification, recognition and measurement of financial assets and financial liabilities. The full version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39, "Financial instruments: Recognition and Measurement" that relate to the classification and measurement of financial instruments. IFRS 9 maintains the mixed measurement model and creates three new measurement categories for financial assets: at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). Classification is based on the entity's business model and the characteristics of the financial asset's contractual cash flows. As a matter of principle, FVPL classification is mandatory for investments in equity instruments. Only at initial recognition, an irrevocable election to present changes in fair value in other comprehensive income may be made. In addition, the Standard includes a new impairment model based on expected losses, replacing the model under IAS 39 which is based on incurred losses. Classification and measurement of financial liabilities remains basically unchanged, with the only exception relating to liabilities designated as at FVPL for which an entity is required to present changes to own credit risk in other comprehensive income. IFRS 9 simplifies hedge accounting. An economic relationship between the hedged item and the hedging instrument is required. Additionally, the hedging relationship must correspond to the one actually used for risk management purposes by Management. While different to the currently prepared documentation pursuant to IAS 39, simultaneous documentation is still required.

The current assessment status is as follows:
Debt instruments classified as "available-for-sale (AFS)" fulfill the criteria for classification as at FVOCI and are therefore not to be treated differently under IFRS 9 in terms of accounting.

The remaining financial assets include:

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

Consequently, we currently assume that IFRS 9 will not have a material impact on the presentation of the Group's financial assets.

Neither do we expect any impact on the Group's financial liabilities, as no liabilities to be designated as at FVPL exist. As the disposal rules pursuant to IAS 39 will be adopted by IFRS 9, we expect no changes in this respect, either.

Under the new rules, hedge accounting is brought further into accordance with the Group's risk management policies. Generally, more hedging relationships may be eligible for hedge accounting, as IFRS 9 introduces a principle-based approach. It is to be assumed that the Group's current hedging relationships would still qualify as hedges when applying IFRS 9. The Group thus expects no material impact on accounting.

The new impairment model requires the recognition of impairment using the expected credit loss model instead of the incurred loss model under IAS 39. It applies to financial assets measured at amortized cost, debt instruments measured at FVOCI, contractual assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet assessed in detail how its impairment policies will be affected by the new model, an earlier recognition of credit default is expected.

The new Standard also includes extended disclosure requirements and changes in the presentation. In the year of transition, they are expected to impact the nature and extent of the Group's disclosures.

IFRS 16 "Leases" specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. The Standard foresees a single accounting model for lessees. Lessees are required to recognize all assets and liabilities arising from lease agreements in the balance sheet under this model, unless they have a term of 12 months or less or the underlying asset is of low value. The simplifications are optional. Lessors still differentiate between finance and operating leases for accounting purposes, with the recognition model under IFRS 16 largely corresponding to the one under IAS 17.

The Standard will primarily have an impact on the Group's recognition of operating leases from a lessee perspective. At the reporting date, the Group reports non-cancellable operating lease commitments in the amount of TEUR 67,369 (see note 30). While the Group has not yet determined the extent to which these commitments will lead to the recognition of an asset or liability and what the impact on the Group's profit and the classification of cash flows will be, it can be assumed that, in any case, the result will be a significantly extended balance sheet and the corresponding effects on key figures, such as a reduction in the equity ratio.

Some commitments may be covered by the exemption rule for short-term leases or low-value assets.

From a current perspective, the remaining new and amended standards stated above are not expected to have a material impact on the Group's net assets, financial position or results of operations. More detailed remarks cannot currently be made as the analysis and implementation phases with regard to IFRS 16 are still at an early stage.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

2.3 Accounting and valuation principles.

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

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

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

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

3.1 Percentage-of-completion method for contract work.

The Group uses the percentage-of-completion method in accounting for its construction contracts. At the balance sheet date of March 31, 2017, the amounts due from customers for contract work amounted to TEUR 77,205 (March 31, 2016: TEUR 116,462) and the amounts due to customers for contract work amounted to TEUR 29,097 (March 31, 2016: TEUR 20,340). The use of the percentage-of-completion method requires the Group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by the Executive Board of Kapsch TrafficCom AG indicate that the operating result would fluctuate by TEUR 7,088 (March 31, 2016: TEUR 11,090) and the total comprehensive income for the period would fluctuate by TEUR 5,071 (March 31, 2016: TEUR 8,188) if the actual margin of the significant projects deviated by 10% from estimates. The analysis of assumptions made in the past as well as of actual profit markups showed that the estimates had been reliable up to now.

3.2 Estimated impairment of goodwill.

In accordance with the accounting policy stated in note 2.3 and 40, the Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash generating units is determined on the basis of the calculation of the value in use. These calculations require the use of estimates. Sensitivities for the acquired goodwill are detailed in note 16.

3.3 Further assumptions and estimates.

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

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

4 Segment Information.

Operating Segments.

The Group reports two operating segments (see section “General Information”):
- Electronic Toll Collection (ETC)
- Intelligent Mobility Solutions (IMS)

The segment information, considering the segment structure as described in the section General information, follows the same principles and same accounting policies as applied in these consolidated financial statements.

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

	ETC	IMS	Total
Revenues	468,449	180,030	648,479
Operating result	65,463	-5,361	60,102

The segment results for the fiscal year ended March 31, 2016 are as follows:

	ETC	IMS	Total
Revenues	442,125	83,966	526,092
Operating result	63,658	-1,311	62,347

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

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

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

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

The segment assets and liabilities as of March 31, 2016 as well as capital expenditure, depreciation, amortization and impairment and other non-cash-effective positions for the period then ended are as follows:

	ETC	IMS	Total
Assets	298,990	41,335	340,325
Investments in associates and joint ventures	0	1,917	1,917
Liabilities	153,028	19,708	172,736
Capital expenditure	8,398	1,595	9,993
Depreciation, amortization, and impairment	12,073	2,460	14,533
Other non-cash-effective positions	250	300	550

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:

	2015/16			2016/17		
	Revenue	ETC	IMS	Revenue	ETC	IMS
Customer 1	84,585	X	X	83,398	X	X
Customer 2	68,264	X		64,604	X	
Customer 3	58,297	X		42,350	X	

Information by region.

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, 2017 are as follows:

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

The figures for the fiscal year ended March 31, 2016 are as follows:

	Austria	EMEA (excluding Austria)	Americas	APAC	Total
Revenues	39,775	332,177	118,223	35,918	526,092
Non-current non-financial assets	15,113	32,699	30,071	7,895	85,778

Revenues per category.

Revenues are classified into the following categories:

	2015/16	2016/17
Sales of goods	132,474	129,781
Sales of services	344,391	481,148
Sales of maintenance	32,755	36,379
Accrued/deferred sales, license sales, and discounts on invoiced sales	16,472	1,172
	526,092	**648,479**

5 Other operating income.

	2015/16	2016/17
Exchange rate gains from operating activities	6,776	8,085
Badwill (see note 31)	0	2,982
Research tax credits	1,394	2,162
Income from the sale of non-current assets	35	60
Income from costs recharged	105	465
Sundry operating income	8,718	11,299
	17,028	**25,052**

The badwill resulted from the difference between the purchase price for the global transportation division (KTT) acquired by Schneider Electric as of April 1, 2016 and the net assets acquired (see note 31).

Sundry operating income mainly relates to the assumption of costs of transactions billed for the nationwide electronic truck toll collection system in the Czech Republic.

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

	2015/16	2016/17
Change in unfinished goods and work in progress	-8,129	-2,261
Change in finished goods	-4,162	3,671
	-12,291	**1,410**

7 Costs of materials and other production services.

	2015/16	2016/17
Cost of materials	84,696	108,090
Cost of purchased services	117,165	134,057
	201,861	**242,146**

8 Staff costs.

	2015/16	2016/17
Wages, salaries, and other remunerations	127,258	184,660
Expenses for social security and payroll-related taxes and contributions	19,948	28,432
Expenses for termination benefits (see note 26)	259	302
Expenses for pensions (see note 26)	7	6
Contributions to pension funds and other external funds (see note 26)	1,390	2,041
Fringe benefits	4,300	8,728
	153,161	**224,170**

As of March 31, 2017, the number of staff amounted to persons 4,823 (March 31, 2016: 3,716 persons) and averaged 4,774 persons in the fiscal year 2016/17 (2015/16: 3,514 persons).

The increase in the fiscal year 2016/17 resulted mainly from KTT, which was acquired at the beginning of the financial year, the employees as of March 31, 2017 from these companies were 858.

9 Amortization of intangible assets, depreciation of property, plant and equipment and impairment.

	2015/16	2016/17
Depreciation of property, plant and equipment	6,905	9,072
Amortization of intangible assets	7,628	8,644
	14,533	**17,716**

10 Other operating expenses.

	2015/16	2016/17
Legal and consulting fees	17,851	31,738
Rental expenses	13,326	18,455
Communication and IT expenses	18,359	17,539
Travel expenses	7,783	11,598
Marketing and advertising expenses	6,518	7,350
License and patent expenses	3,971	5,886
Taxes and charges	1,795	5,795
Office expenses	3,418	5,684
Automobile expenses	3,835	5,347
Maintenance	3,388	4,406
Insurance costs	3,371	4,160
Exchange rate losses from operating activities	8,140	3,386
Training costs	1,664	2,050
Adjustment of provision for warranties	624	1,995
Bank charges	737	1,574
Transport costs	1,049	1,484
Allowance and write-off of receivables	43	1,476
Operating gains from fair value change from derivative financial instruments and earn-out liabilities	0	1,366
Warranty costs and project financing	1,630	860
Membership fee	545	486
Commissions and other fees	268	449
Losses on disposal of non-current assets	508	144
Director's fees	120	120
Damages	63	49
Other	631	963
	99,636	**134,360**

The rise in legal and consulting expenses was due to the increased focus on the US market, where the costs associated with the enforcement of legal rights and legal redress are higher than in other jurisdictions. A dispute with a competitor regarding the ISO/IEC 18000-6C communications protocol included in Kapsch TrafficCom's toll readers caused legal expenses of EUR 11.9 million in 2016/17 (EUR 2.2 million in 2015/16). This dispute is carried out through several legal streams in parallel.

In addition, other operating expenses increased by TEUR 22,540 as a result of the acquisition of KTT at the beginning of the financial year.

The item "Other" includes other administrative and selling expenses.

11 Financial result.

	2015/16	2016/17
Interest and similar income:		
Interest income	2,610	2,623
Income from securities	69	48
Income from interest accretion of non-current receivables	3,698	2,040
Gains from the disposal of financial assets	3,362	58
Gains from the change of the fair value of derivative financial instruments	0	83
Exchange rate gains from financing activities	3,162	8,682
	12,902	**13,534**
Interest and similar expenses:		
Interest expense	-5,227	-5,657
Impairment of other investments	-1,513	-2,398
Expense from interest accretion of non-current payables	-264	-318
Exchange rate losses from financing activities	-12,724	-4,308
Interest expense from liabilities from post-employment benefits to employees (see note 26)	-509	-455
Interest expense from liabilities from anniversary bonuses to employees	-23	-10
Expense from change in fair value of derivative financial instruments	-213	0
	-20,474	**-13,147**
	-7,572	**387**

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

The impairment of other investments in the 2015/16 and 2016/17 financial years relates to the impairment recognized in profit or loss over the period result due to the sustained negative share price development of the shareholding in Q-Free ASA, Norway (see note 13).

12 Income taxes.

	2015/16	2016/17
Current taxes	-15,445	-18,680
Deferred taxes (see note 25)	-2,911	726
Total	**-18,356**	**-17,954**
Thereof income/expense from group taxation	-5,276	-9,520

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:

	2015/16	2016/17
Result before income taxes	54,815	60,636
Arithmetic tax expense based on a tax rate of 25% (2015/16: 25%)	-13,704	-15,159
Unrecognized deferred tax assets on current losses	-6,305	-9,646
Different foreign tax rates	3,134	4,869
Tax allowances claimed and other permanent tax differences	-480	-2,374
Income and expenses not subject to tax and other differences	1,123	4,875
Adjustment in respect to prior year	-2,123	-519
Recognized tax expense	**-18,356**	**-17,954**

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

13 Other comprehensive income.

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

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

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

2015/16	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-4,607	10	-4,597
Gains/losses recognized in the result for the period	-2,081	829	-1,251
Remeasurements of liabilities from post-employment benefits	-231	93	-139
Currency translation differences	2,505	0	2,505
Currency translation differences from net investments in foreign business	-2,334	584	-1,751
Fair value changes recognized in equity	**-6,748**	**1,515**	**-5,233**

The unrealized gains/losses on available-for-sale financial assets recognized in the fiscal year 2015/16 amounting to TEUR -4,567 relate to fair value changes on the investment in Q-Free ASA, Norway. Due to the ongoing unfavorable development of the share price up to the third quarter of the fiscal year 2015/16 the contained net losses amounting to TEUR -5.432, together with net losses that have been recognized through other comprehensive income in equity in the amount of TEUR 4,194 up to March 31, 2015, were recognized as impairment in the result for the period (TEUR -1,238; reclassification from other comprehensive income to the result for the period).

The realized gains/losses on available-for-sale financial assets relate to a sale of joint ownership shares (ESPA Cash Asset-Backed) in the fiscal year 2015/16. Net gains recognized in equity in the amount of TEUR 3,318 up to March 31, 2015 were also reclassified in the result for the period.

14 Additional disclosures on financial instruments by category.

14.1 Assets.

	Note	2015/16	2016/17
Cash flow hedges			
Forward foreign exchange contracts – cash flow hedges, level 2	–	0	5
		0	**5**
At fair value through profit or loss			
Forward foreign exchange contracts – held-for-trading, level 2	–	0	198
		0	**198**
Receivables (financial assets recognized at (amortized) cost)			
Non-current receivables	(19)	783	611
Loans	(18)	196	1,770
Fixed income securities (short-term)	(18)	0	2,161
Trade receivables	(21)	51,425	132,929
Cash and cash equivalents	(22)	140,782	211,299
		193,186	**348,770**
Available-for-sale financial assets			
Available-for-sale securities (non-current), level 1	(18)	3,030	2,940
Available-for-sale securities (non-current), level 2	(18)	693	663
Available-for-sale investments, level 1	(18)	14,825	11,683
Available-for-sale securities (current), level 1	(18)	0	0
Other investments (at cost)	(18)	4	2,785
		18,552	**18,070**
Total		**211,739**	**366,846**

14.2 Liabilities.

	Note	2015/16	2016/17
Cash flow hedges			
Forward foreign exchange contracts – cash flow hedges, level 2	–	0	72
		0	**72**
At fair value through profit or loss			
Forward foreign exchange contracts (non-current) – held-for-trading, level 2	–	0	4
Forward foreign exchange contracts (current) – held-for-trading, level 2	–	0	6
Other non-current liabilities	(27)	2,349	8,851
		2,349	**8,861**
Loans (financial liabilities recognized at (amortized) cost)			
Corporate bond	(24)	70,513	70,702
Promissory note bond	(24)	0	75,376
Other financial liabilities	(24)	36,570	49,305
Trade payables	–	52,041	55,950
Other non-current liabilities	(27)	983	1,681
		160,107	**253,015**
Total		**162,456**	**261,947**

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

	2015/16	2016/17
Available-for-sale-financial assets	1,918	-2,209
Loans and receivables	-6,743	7,082
Financial liabilities recognized at (amortized) cost	-5,491	-5,975
At fair value through profit or loss	-237	-10
	-10,553	**-1,112**

To hedge foreign exchange risk, certain derivatives are designated as cash flow hedges. These are forward exchange rate contracts with different maturities and currencies.

The following table shows the nominal values of outstanding foreign currency forward contracts.

Type of financial instruments	Currency	Nominal value	Nominal value	Fair value		Carrying amount March 31, 2017
				positive	negative	
Currency related instruments:						
Forward foreign exchange contracts						
Held-for-trading[1]	GBP	1,030	1	0	-4	-4
Non-current				**0**	**-4**	**-4**
Currency related instruments:						
Forward foreign exchange contracts						
Held-for-trading[2]	USD	5,380	2	198	0	198
Held-for-trading[3]	GBP	2,610	2	0	-6	-6
Held-for-trading[3]	USD	3,573	10	0	-72	-72
Cash flow hedges[2]	USD	1,000	1	4	0	4
Cash flow hedges[2]	SAR	1,000	1	1	0	1
Cash flow hedges[2]	CBY	98	2	0	0	0
Current				**204**	**-77**	**126**
Total				**204**	**-81**	**122**

1) Other non-current liabilities (Maturity: June 2018)
2) Trade receivables and other current assets
3) Other liabilities and deferred income

In fiscal year 2015/16 no hedging transactions were concluded.

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, whereby the change in the fair value of a hypothetical derivative is the change in the actual derivative, simulating an increase or decrease of the fair value by 300, 500 and 1000 basis points.

15 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Prepayments	Total
Carrying amount as of March 31, 2015	**4,572**	**8,909**	**2,096**	**6,628**	**188**	**22,393**
Currency translation differences	-49	-504	-83	-449	0	-1,084
Reclassification	375	201	-2,351	1,775	0	0
Reclassification of prepayments	0	188	0	0	-188	0
Additions from the acquisition of companies	0	843	401	7	0	1,251
Additions	665	1,463	1,302	3,619	0	7,049
Disposals	-7	-705	-448	-677	0	-1,837
Scheduled depreciation	-929	-2,406	0	-3,570	0	-6,905
Carrying amount as of March 31, 2016	**4,628**	**7,989**	**917**	**7,333**	**0**	**20,867**
Acquisition/production costs	10,655	45,743	917	26,313	0	83,628
Accumulated depreciation	-6,027	-37,754	0	-18,979	0	-62,761
Carrying amount as of March 31, 2016	**4,628**	**7,989**	**917**	**7,333**	**0**	**20,867**
Carrying amount as of March 31, 2016	**4,628**	**7,989**	**917**	**7,333**	**0**	**20,867**
Currency translation differences	47	323	32	349	0	751
Reclassification	0	418	-540	123	0	0
Reclassification of prepayments	0	0	0	0	0	0
Additions from the acquisition of companies	286	159	0	505	0	950
Additions	284	3,046	4,150	4,908	0	12,388
Disposals	0	-173	-2,380	-190	0	-2,742
Scheduled depreciation	-1,036	-3,274	0	-4,762	0	-9,072
Carrying amount as of March 31, 2017	**4,209**	**8,488**	**2,180**	**8,265**	**0**	**23,141**
Acquisition/production costs	11,594	49,071	2,180	32,723	0	95,568
Accumulated depreciation	-7,386	-40,583	0	-24,458	0	-72,427
Carrying amount as of March 31, 2017	**4,209**	**8,488**	**2,180**	**8,265**	**0**	**23,141**

16 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayment	Total
Carrying amount as of March 31, 2015	**0**	**19,019**	**45,328**	**907**	**5,997**	**71,250**
Currency translation differences	-2	-72	0	0	0	-74
Reclassification of prepayments	0	5,997	0	0	-5,997	0
Additions from the acquisition of companies	46	0	0	0	0	46
Additions	149	2,606	0	58	132	2,944
Disposals	0	-663	0	-964	0	-1,627
Scheduled amortization	-194	-7,435	0	0	0	-7,628
Carrying amount as of March 31, 2016	**0**	**19,452**	**45,328**	**0**	**132**	**64,911**
Acquisition/production costs	9,725	66,227	59,727	0	132	135,810
Accumulated amortization	-9,725	-46,775	-14,399	0	0	-70,899
Carrying amount as of March 31, 2016	**0**	**19,452**	**45,328**	**0**	**132**	**64,911**
Carrying amount as of March 31, 2016	**0**	**19,452**	**45,328**	**0**	**132**	**64,911**
Currency translation differences	135	32	0	36	0	203
Additions from the acquisition of companies	-1,312	0	0	1,312	0	0
Reclassification of prepayments	0	132	0	0	-132	0
Additions from the acquisition of companies	6,337	2,739	2,227	1,500	0	12,803
Additions	1,420	1,206	0	69	17	2,711
Disposals	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Scheduled amortization	-2,216	-6,427	0	0	0	-8,644
Carrying amount as of March 31, 2017	**4,363**	**17,133**	**47,555**	**2,917**	**17**	**71,985**
Acquisition/production costs	20,987	86,939	61,953	2,917	17	172,814
Accumulated amortization	-16,624	-69,806	-14,399	0	0	-100,829
Carrying amount as of March 31, 2017	**4,363**	**17,133**	**47,555**	**2,917**	**17**	**71,985**

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

	2015/16	2016/17
CGU **ETC Americas**: Electronic Toll Collection, Americas	11,723	11,723
CGU **ETC EMEA**: Electronic Toll Collection, Europe, Middle East and Africa	19,941	21,316
CGU **ETC APAC**: Electronic Toll Collection, Asia and Pacific	7,378	7,378
CGU **IMS Americas**: Intelligent Mobility Solutions, Americas	3,349	3,349
CGU **IMS EMEA**: Intelligent Mobility Solutions, Europe, Middle East and Africa	2,708	3,559
CGU **IMS APAC**: Intelligent Mobility Solutions, Asia and Pacific	230	230
	45,328	**47,555**

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

	2015/16	2016/17
Determination of recoverable amount	Value in use	Value in use
Detailed planning period	4 years	4 years
Discount rate after tax	6.36%	7.14%
Long-term growth rate	2.00%	2.00%

16.1 Cash-generating unit CGU ETC-Americas.

Key assumptions for determining expected cash flows of the CGU ETC-Americas.
Management has based its determination on the assumption that after the successful implementation of road toll collection systems, in particular in the U.S.A. and Chile, 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 makes a substantial contribution to revenue.

Parameter CGU ETC-Americas

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	11,723	11,723
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	0
Value in use of the CGU	232,044	205,574
Carrying amount of the CGU	48,580	49,445
Discount rate before tax	7.6%	8.8%
Break-even discount rate	31.1%	39.2%

Sensitivity analyses 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 Bp	29,783	-22,574
Revenue growth	± 10%	-1,478	1,514
EBITDA margin	± 10%	-4,026	4,026
Long-term growth rate	± 0.5%	-13,664	16,611

16.2 Cash-generating unit CGU ETC-EMEA.

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

Parameter CGU ETC-EMEA

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	19,941	21,316
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	0
Value in use of the CGU	394,719	381,530
Carrying amount of the CGU	120,615	113,006
Discount rate before tax	7.9%	9.0%
Break-even discount rate	21.1%	23.2%

Sensitivity analyses 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 Bp	68,981	-51,884
Revenue growth	± 10%	-1,282	1,290
EBITDA margin	± 10%	-7,679	7,679
Long-term growth rate	± 0.5%	-32,490	39,495

16.3 Cash-generating unit CGU ETC-APAC.

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

Parameter CGU ETC-APAC

	2015/16	2016/17
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	146,052	152,924
Carrying amount of the CGU	16,205	16,516
Discount rate before tax	7.8%	8.7%
Break-even discount rate	99.6%	116.6%

Sensitivity analyses 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 Bp	23,110	-17,476
Revenue growth	± 10%	-149	479
EBITDA margin	± 10%	-2,139	2,139
Long-term growth rate	± 0.5%	-10,687	12,992

16.4 Cash-generating unit CGU IMS-Americas.

Key assumptions for determining expected cash flows of the CGU IMS-Americas
Management has based its determination on the assumption that after the successful implementation of intelligent mobility solutions in North 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.

Parameter CGU IMS-Americas

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	3,349	3,349
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	1,417
Value in use of the CGU	79,389	57,994
Carrying amount of the CGU	18,745	21,146
Discount rate before tax	7.5%	9.0%
Break-even discount rate	18.4%	25.5%

Sensitivity analyses 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 Bp	7,929	-6,044
Revenue growth	± 10%	-871	895
EBITDA margin	± 10%	-2,168	2,168
Long-term growth rate	± 0.5%	-3,563	4,332

16.5 Cash-generating unit CGU IMS-EMEA.

Key assumptions for determining expected cash flows of the CGU IMS-EMEA
Management has based its determination on the assumption that after the successful implementation of intelligent mobility solutions in South Africa, the Netherlands, Great Britain, Italy and the Czech Republic, 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-EMEA is based especially on road safety and traffic monitoring systems.

Parameter CGU IMS-EMEA

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	2,708	3,559
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	1,500
Value in use of the CGU	64,186	135,830
Carrying amount of the CGU	2,885	30,353
Discount rate before tax	7.7%	8.7%
Break-even discount rate	482.2%	42.7%

Sensitivity analyses 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 Bp	19,609	-14,860
Revenue growth	± 10%	-372	376
EBITDA margin	± 10%	-2,822	2,822
Terminal value growth rate	± 0.5%	-9,002	10,943

16.6 Cash-generating unit CGU IMS-APAC.

Key assumptions for determining expected cash flows of the CGU IMS-APAC
Management has based its determination on the assumption that after the successful implementation of intelligent mobility solutions in Australia and New Zealand, demand for intelligent mobility solutions 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.

Parameter CGU IMS-APAC

	2015/16	2016/17
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	5,441	32,446
Carrying amount of the CGU	2,300	1,538
Discount rate before tax	15.7%	8.7%
Break-even discount rate	136.6%	371.4%

Sensitivity analyses 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 Bp	4,977	-3,763
Revenue growth	± 10%	-220	228
EBITDA margin	± 10%	-442	442
Terminal value growth rate	± 0.5%	-2,302	2,799

16.7 Capitalized development costs.

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

Additional research and development costs of the Group in the fiscal year 2016/17 amounted to EUR 85.4 million (2015/16: EUR 56.6 million). In the fiscal year 2016/17, EUR 44.2 million thereof (2015/16: EUR 32.4 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 41.1 million (2015/16: EUR 24.2 million) was recognized as an expense.

17 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2015/16	2016/17
Carrying amount as of March 31 of prior year	**2,014**	**1,917**
Currency translation differences	-138	65
Addition from foundation and acquisition	0	2
Disposal	0	0
Share in result	41	147
Carrying amount as of March 31 of fiscal year	**1,917**	**2,131**
thereof shares in associates	1,917	2,130
thereof interests in joint ventures	0	1

Interests in associates

LLC National operator of telematic services
On December 3, 2015, together with a partner, the Group founded the Russian company LLC National operator of telematics 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, 2017, the book value of the interest amounting to TEUR 0 (March 31, 2016: TEUR 0).

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

	March 31, 2016	March 31, 2017
Non-current assets	12	67
Current assets	9	8
Non-current liabilities	0	-0
Current liabilities	-68	-384
Net assets	**-47**	**-310**
Revenue	0	0
Result for the period	-51	-218
Other comprehensive income for the period	0	0
Total comprehensive income for the period	**-51**	**-218**

SIMEX, Integración de Sistemas, S.A.P.I. de C.V.
On July 31, 2012, the Group acquired 33% of the shares in SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico. Taking potential voting rights into account (options for purchase of the remaining shares) the Group has the majority of the shares. As the potential voting rights are not assessed to be substantial the presumption of control was rebutted. As significant influence over the financial and business policies exists, the investment is accounted for using the equity method. As of March 31, 2017, the book value of the interest amounts to TEUR 2,130 (March 31, 2016: TEUR 1,917).

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

	December 31, 2015	December 31, 2016
Non-current assets	1,474	1,290
Current assets	10,584	10,142
Non-current liabilities	-635	-691
Current liabilities	-6,471	-5,863
Net assets	**4,953**	**4,878**
Revenue	13,066	7,986
Result for the period	470	218
Other comprehensive income for the period	0	0
Total comprehensive income for the period	**470**	**218**

Interests in joint ventures

In the course of the company acquisition of tolltickets GmbH, Germany, on July 1, 2016 (see note 31), the two Italian consortia “Consorzio 4trucks” and “MyConsorzio” were acquired. Both investments are accounted for using the equity method.

The acquired joint ventures Consorzio 4trucks and MyConsorzio are jointly managed by one partner each, with an equal distribution of the shares of 50% in both consortia. The two consortia serve as a purchasing cooperative 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.

Consorzio 4trucks
As of March 31, 2017, the book value of the interest amounts to TEUR 1 (March 31, 2016: n/a).

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

	March 31, 2016	March 31, 2017
Non-current assets	n/a	214
Current assets	n/a	14
Non-current liabilities	n/a	-31
Current liabilities	n/a	-197
Net assets	**n/a**	**0**
Revenue	n/a	365
Result for the period	n/a	-0
Other comprehensive income for the period	n/a	0
Total comprehensive income for the period	**n/a**	**-0**

MyConsorzio
As of March 31, 2017, the book value of the interest amounts to TEUR 1 (March 31, 2016: n/a).

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

	March 31, 2016	March 31, 2017
Non-current assets	n/a	7
Current assets	n/a	31
Non-current liabilities	n/a	-9
Current liabilities	n/a	-30
Net assets	**n/a**	**0**
Revenue	n/a	20
Result for the period	n/a	-1
Other comprehensive income for the period	n/a	0
Total comprehensive income for the period	**n/a**	**-1**

18 Current and non-current financial assets.

	2015/16	2016/17
Other non-current financial assets and investments	18,651	18,364
Other current financial assets	97	3,638
	18,748	**22,002**

Other non-current financial assets and investments	**Available-for-sale securities**	**Available-for-sale investments**	**Other investments**	**Other non-current financial assets**	**Total**
Carrying amount as of March 31, 2015	**3,803**	**19,291**	**5**	**0**	**23,099**
Currency translation differences	0	0	0	1	1
Additions	0	101	0	98	199
Disposals	-40	0	-0	0	-40
Change in fair value	-40	-4,567	0	0	-4,607
Carrying amount as of March 31, 2016	**3,723**	**14,825**	**4**	**99**	**18,651**
Currency translation differences	0	0	83	7	90
Additions	0	0	2,679	171	2,851
Additions resulting from company acquisition	0	0	27	16	43
Disposals	-72	0	-9	0	-81
Change in fair value	-49	-3,141	0	0	-3,191
Carrying amount as of March 31, 2017	**3,602**	**11,683**	**2,785**	**293**	**18,364**

Other current financial assets	**Available-for-sale securities**	**Current loans**	**Other**	**Total**
Carrying amount as of March 31, 2015	**5,291**	**0**	**0**	**5,291**
Currency translation differences	0	-9	0	-9
Additions	0	106	0	106
Disposals	-5,291	0	0	-5,291
Change in fair value	0	0	0	0
Carrying amount as of March 31, 2016	**0**	**97**	**0**	**97**
Currency translation differences	0	29	171	201
Additions	0	1,119	1,990	3,109
Additions resulting from company acquisition	0	282	0	282
Disposals	0	-50	0	-50
Change in fair value	0	0	0	0
Carrying amount as of March 31, 2017	**0**	**1,477**	**2,161**	**3,638**

As of March 31, 2017, the **available-for-sale securities** relate to government and bank bonds as well as shares in investment funds.

As of March 31, 2017, the **available-for-sale investments** essentially accounted for a 15.4% interest in the listed Q-Free ASA, Norway.

The acquisition of a minority interest in ParkJockey, Inc., U.S.A., is mainly attributable to **other investments** in the fiscal year 2016/17.

Additions to **other current financial assets** in the fiscal year 2016/17 relate to a short-term fixed-income security.

Unrealized gains and losses are recognized in other comprehensive income of the period (see note 13).

Fair value-hierarchies and determination of fair value:
Financial assets and liabilities have to be classified in 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 observable direct or indirect market data. This category comprises available-for-sale securities, such as mortgage bonds and government bonds, which are quoted, however not regularly traded on a stock market.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments;
- 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 back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Level 3: Financial instruments are included in level 3 if the valuation information is not based on observable market data.

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

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

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

Current and non-current financial assets	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2015/16
Non-current financial assets				
Available-for-sale securities	3,030	693	0	3,723
Available-for-sale investments	14,825	0	0	14,825
	17,855	**693**	**0**	**18,548**
Current financial assets				
Available-for-sale securities	0	0	0	0
	0	**0**	**0**	**0**
Total	**17,855**	**693**	**0**	**18,548**

In the fiscal year 2015/16, other non-current financial assets amounting to TEUR 99, other investments amounting to TEUR 4 as well as other current financial assets amounting to TEUR 97 were recognized at cost less impairment.

19 Other non-current assets.

	2015/16	2016/17
Project in the Republic of Belarus	18,094	0
Truck toll collection system in the Czech Republic	711	212
Other	72	400
	18,877	**611**

Other non-current assets include trade receivables (non-current) that are due from the Czech Ministry of Transport for the installation of the Czech truck toll collection system as well as amounts due from customers for contract work for the installation of the truck toll collection system in the Republic of Belarus as well as in the prior year. As in the prior year, they fall due between 1 and 5 years as of the balance sheet date.

Non-current receivables were discounted on the basis of cash flows using an interest rate of 2.39 to 7.00% (for that part which was funded by external loans) and an interest rate for alternative investments of 2.89% (for that part which was funded by internal cash flows of the Group). Thus, the fair values approximate the carrying amounts.

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

	2015/16	2016/17
Up to 2 years	19,891	481
Between 2 and 3 years	219	7
More than 3 years	62	164
	20,172	**652**

Amounts due from customers for contract work (non-current) are as follows:

	2015/16	2016/17
Construction costs incurred plus recognized gains	18,094	0
Less total amounts invoiced and advance payments received	0	0
	18,094	**0**

20 Inventories.

	2015/16	2016/17
Purchased parts and merchandise, at acquisition cost	26,268	27,973
Unfinished goods and work in progress, at production cost	6,551	4,289
Finished goods, at production cost	2,871	6,542
Prepayments on inventories	68	451
	35,757	**39,255**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 22,094 (2015/16: TEUR 21,755). In the reporting period TEUR 339 were recognized in the statement of comprehensive income (2015/16: TEUR 584).

21 Trade receivables and other current assets.

	2015/16	2016/17
Trade receivables	53,520	140,926
Allowance for bad debts	-2,095	-7,997
Trade receivables – net	**51,425**	**132,929**
Amounts due from customers for contract work	98,368	77,205
Amounts due from customers for service and maintenance contracts	15,247	6,879
Current tax receivables from income tax	3,754	4,490
Receivables from tax authorities (other than income tax)	10,489	15,781
Other receivables and prepaid expenses	20,629	29,141
	199,912	**266,424**

As of March 31, 2017, trade receivables with a net value of TEUR 8,269 (2015/16: TEUR 2,238) have been impaired. The corresponding impairment amounts to TEUR -7.997 (2015/16: TEUR -2,095).

Allowance for bad debt developed as follows:

	2015/16	2016/17
Balance as of March 31 of the prior year	**-2,715**	**-2,095**
Additions from the acquisition of companies	0	-2,664
Addition	-70	-4,499
Utilization	261	5
Disposal	337	1,355
Currency translation differences	93	-99
Balance as of March 31 of the reporting year	**-2,095**	**-7,997**

Maturity structure of trade receivables and other current assets:

	2015/16	2016/17
Not yet due	21,954	99,709
Overdue:		
Less than 60 days (not impaired)	12,040	14,219
Less than 60 days (impaired)	0	639
More than 60 days (not impaired)	17,288	18,729
More than 60 days (impaired)	2,238	7,630
	53,520	**140,926**

Given the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts. There is no concentration of credit risk with respect to trade receivables (except for the toll collection projects in America, the Czech Republic, South Africa, Poland and the Republic of Belarus), as the Group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the truck toll collection system of the Czech Republic amounting to TEUR 1,356 (2015/16: TEUR 3,670) and to the operation and maintenance of the system amounting to TEUR 12,616 (2015/16: TEUR 20,474) are due from Ředitelství silnic a dálnic ČR (RSD), a company of the Czech Republic. Trade receivables from the toll collection project in Poland due from GDDKiA (Generalna Dyrekcja Dróg Krajowych i Autostrad) amount to TEUR 1,253 (2015/16: TEUR 4,890). Trade receivables (current) relating to the installation of the truck toll collection system of the Republic of Belarus amounting to TEUR 23,400 (2015/16: TEUR 39,042) and to the operation of the system amounting to TEUR 3,602 (2015/16: TEUR 3,317) are due from BelToll.

Trade receivables amounting to TEUR 0 (2015/16: TEUR 3,365) were pledged as collateral to banks (see note 24).

Amounts due from customers for contract work are as follows:

	2015/16	2016/17
Construction costs incurred plus recognized gains	471,098	585,105
Less amounts billed and prepayments received	-372,731	-507,900
	98,368	**77,205**

As of March 31, 2017, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 44,731 (2015/16: TEUR 23,592), Latin America amounting to TEUR 6,364 (2015/16: TEUR 921), Spain amounting to TEUR 6,954 (2015/16: TEUR 0), Poland amounting to TEUR 5,896 (2015/16: TEUR 0), Czech Republic amounting to TEUR 4,577 (2015/16: TEUR 0) as well as the construction of the Belarusian toll system amounting to TEUR 1,931 (2015/16: TEUR 64,174).

Revenues from construction contracts amount to TEUR 308,189 (2015/16: TEUR 115,263).

22 Cash and cash equivalents.

	2015/16	2016/17
Cash on hand	90	162
Deposits held with banks	140,692	211,137
	140,782	**211,299**

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

23 Share capital.

	2015/16	2016/17
Carrying amount as of March 31 of fiscal year	**13,000**	**13,000**

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

24 Current and non-current financial liabilities.

	2015/16	2016/17
Non-current		
Corporate bond	70,513	0
Promissory note bond	0	75,376
Loans for acquisitions	0	21,428
Other non-current loans	15,221	677
	85,734	**97,482**
Current		
Corporate bond	0	70,702
Loans for acquisitions	0	3,572
Loans for project financing	14,500	0
Other current loans	6,849	23,628
	21,349	**97,902**
Total	**107,083**	**195,384**

Movements are as follows:

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

	March 31, 2015	Addition resulting from company acquisition	Reclassifi-cation	Additions	Repayment	Currency translation differences	March 31, 2016
Non-current financial assets	88,985	0	-3,220	471	0	-502	85,734
Current financial assets	48,969	0	3,220	2,830	-32,927	-742	21,349
Total	**137,954**	**0**	**0**	**3,301**	**-32,927**	**-1,245**	**107,083**

The corporate bond of Kapsch TrafficCom AG was successfully placed in November 2010 with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25%. The effective interest rate amounts to 4.54%.

In May 2015 debts with a nominal value of TEUR 4,182 of the corporate bond were reacquired prematurely. Therefore the corporate bond is outstanding with TEUR 70,818 with a maturity period until November 3, 2017.

The addition in non-current financial assets mainly relates to a promissory note bond (“Schuldscheindarlehen”). Details to tranches, maturity periods and interest rates are shown in the table below:

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

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

	2015/16	2016/17
Carrying amount	**107,083**	**195,384**
Fair value	**113,768**	**194,694**
Gross cash flows:		
In the first half year of the next fiscal year	15,264	25,330
In the second half year of the next fiscal year	9,344	76,017
Total up to 1 year	**24,609**	**101,347**
Between 1 and 2 years	79,164	5,613
Between 2 and 3 years	3,677	4,912
Between 3 and 4 years	3,618	4,893
Between 4 and 5 years	3,558	48,578
More than 5 years	898	39,327
	115,524	**204,670**

The classification of financial liabilities is as follows:

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

	Level 1 Quoted prices	Level 2 Observable market data	2015/16
Corporate bond	73,297	0	73,297
Other financial liabilities	0	40,471	40,471
Total	**73,297**	**40,471**	**113,768**

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

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

	2015/16	2016/17
Total financial liabilities:		
Carrying fixed interest rates	72,364	108,346
Carrying variable interest rates	34,719	87,038
	107,083	**195,384**
Average interest rates:		
Loans for project financing	5.46%	–
Corporate bond	4.54%	4.54%
Promissory note bond	–	1.20–2.57%
Loans for acquisitions	–	0.54%
Other loans	0.60–2.77%	0.50–2.90%

Trade receivables (current) amounting to TEUR 0 (2015/16: TEUR 3,365) were pledged as collateral for bank guarantees and loans.

A bill of exchange amounting to TEUR 1,425 (2015/16: TEUR 1,425) was issued for an export promotion credit.

25 Deferred tax assets/liabilities.

	2015/16	2016/17
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	9,251	7,316
Deferred tax assets to be recovered within 12 months	2,644	4,622
	11,895	**11,938**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	789	1,910
Deferred tax liabilities to be recovered within 12 months	2,401	835
	3,190	**2,745**
Deferred tax assets net (+)/deferred tax liabilities net (-)	**8,705**	**9,193**

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 62,308 (2015/16: TEUR 37,983) have not been recognized because it was uncertain whether there would be sufficient taxable profits available against which to offset them. These tax loss carry-forwards origin from foreign subsidiaries with 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 income tax assets and liabilities are offset, taking maturities into account, when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes 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, 2016	Addition resulting from company acquisition	Taken through the profit or loss of the period	Taken through other comprehensive income	Currency translation differences	Reclassification	March 31, 2017
Deferred tax assets							
Tax loss carry-forwards	7,143	0	-1,336	0	633	0	6,439
Provisions disallowed for tax purposes	4,998	0	-439	139	9	0	4,708
Depreciation disallowed for tax purposes	875	0	-276	0	3	0	602
Construction contracts	0	0	0	0	0	0	0
Other	4,195	668	795	-656	135	-10	5,126
	17,212	**668**	**-1,257**	**-517**	**779**	**0**	**16,876**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	753	0	0	0	25	0	778
Contract work	1,758	0	-1,431	0	0	37	327
Gains from recognition at fair value	3,361	1,042	-950	0	0	0	3,453
Other	2,635	40	398	0	25	-10	3,098
	8,507	**1,082**	**-1,983**	**0**	**50**	**0**	**7,683**
Total change	**8,705**	**-414**	**726**	**-517**	**730**	**0**	**9,193**

	March 31, 2015	Addition resulting from company acquisition	Taken through the profit or loss of the period	Taken through other comprehensive income	Currency translation differences	Reclassification	March 31, 2016
Deferred tax assets							
Tax loss carry-forwards	8,010	0	13	0	-880	0	7,143
Provisions disallowed for tax purposes	4,753	0	221	93	-92	24	4,998
Depreciation disallowed for tax purposes	1,049	0	-168	0	-7	0	875
Construction contracts	2,014	0	0	0	0	-2,014	0
Other	4,456	0	-4	584	-226	-614	4,195
	20,283	**0**	**62**	**676**	**-1,205**	**-2,605**	**17,212**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	857	0	-47	0	-57	0	753
Contract work	0	0	3,772	0	0	-2,014	1,758
Gains from recognition at fair value	5,310	0	-1,949	0	0	0	3,361
Other	2,905	0	1,197	-839	-38	-590	2,635
	9,073	**0**	**2,973**	**-839**	**-95**	**-2,605**	**8,507**
Total change	**11,210**	**0**	**-2,911**	**1,515**	**-1,110**	**0**	**8,705**

26 Liabilities from post-employment benefits to employees.

	2015/16	2016/17
Termination benefits	9,505	9,858
Pension benefits	14,603	14,088
	24,107	**23,946**

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, they are paid into an external employee benefit fund on a monthly basis so that the Group does not normally incur any severance payments.

Retirement benefits

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

Termination benefits obligations were valued based on an interest rate of 1.20% — 1.40% (2015/16: 1.30% – 1.75%), pension benefit obligations were valued based on an interest rate of 1.60% (2015/16: 1.85%) for the euro area and based on an interest rate of 4.00% (2015/16: 4.30%) for Canada and compensation increases based on a rate of 2.50% (2015/16: 2.50%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2015/16: AVÖ 2008-P) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada. Pension increases were estimated at 1.55% (2015/16: 0.89%).

The following amounts are recognized in the statement of comprehensive income as expenses for **termination benefits**:

	2015/16	2016/17
Change in liabilities recognized on the balance sheet:		
Carrying amount as of March 31 of prior year	**9,690**	**9,505**
Addition resulting from company acquisition	0	85
Remeasurements (actuarial gains/losses)	416	541
Current service cost	259	302
Interest expense	197	141
Payments	-1,038	-722
Currency translation differences	-18	7
Carrying amount as of March 31 of fiscal year	**9,505**	**9,858**
Total, included in the staff costs (note 8)	259	302
Total, included in the financial result (note 11)	197	141

Remeasurements of employee benefit obligations after termination of the employment relationship are attributable to the following positions:

	2015/16	2016/17
Remeasurements from changes in demographic assumptions	-73	261
Remeasurements from changes in financial assumptions	690	219
Remeasurements from other changes (experience adjustments)	-200	60
Total	**416**	**541**

The expected allocation for termination benefits for the next fiscal year 2017/2018 amounts to TEUR 275. The weighted average duration amounts to 8.6 years.

Analysis of expected maturity of undiscounted benefits

	2017/18	2018/19	2019/20	2020/21	2021/22	over 5 years	Total
Termination benefits	607	385	567	813	853	8,159	11,385

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

Sensitivity	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 50 Bp	422	-394
Expected annual interest expenses (IC)	± 50 Bp	-44	40
Expected annual service costs (CSC)	± 50 Bp	8	-7
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-368	389
Expected annual interest expenses (IC)	± 50 Bp	-5	5
Expected annual service costs (CSC)	± 50 Bp	-8	8
Impact of changes in fluctuation			
Defined benefit obligation (DBO)	± 5%	21	-21
Expected annual interest expenses (IC)	± 5%	0	0
Expected annual service costs (CSC)	± 5%	1	-1

The following amounts are recognized in the statement of comprehensive income as expenses for **retirement benefits**:

	2015/16	2016/17
Change in liabilities recognized on the balance sheet:		
Carrying amount as of March 31 of prior year	**15,520**	**14,603**
Remeasurements of employee benefit obligations after termination of the employment relationship	-185	-20
Current service cost	7	6
Interest expense	312	314
Payments	-876	-892
Currency translation differences	-176	76
Carrying amount as of March 31 of fiscal year	**14,603**	**14,088**
Total, included in the staff costs (note 8)	7	6
Total, included in the financial result (note 11)	312	314

Remeasurements of employee benefit obligations after termination of the employment are relationship attributable to the following positions:

	2015/16	2016/17
Remeasurements from changes in demographic assumptions	0	0
Remeasurements from changes in financial assumptions	-208	349
Remeasurements from other changes (experience adjustments)	23	-369
Total	**-185**	**-20**

The expected allocation for retirement benefits for the next fiscal year 2017/2018 amounts to TEUR 277. The weighted average duration amounts to 10.0 years.

Analysis of expected maturity of undiscounted benefits

	2017/18	2018/19	2019/20	2020/21	2021/22	over 5 years	Total
Termination benefits	847	824	823	821	817	13,059	17,192

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 50 Bp	602	-556
Expected annual interest expenses (IC)	± 50 Bp	-52	47
Expected annual service costs (CSC)	± 50 Bp	0	0
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-556	595
Expected annual interest expenses (IC)	± 50 Bp	-9	10
Expected annual service costs (CSC)	± 50 Bp	0	0

27 Other non-current liabilities.

	2015/16	2016/17
Liabilities of acquisition of shares	2,077	8,851
Truck toll collection system Czech Republic	229	174
Other	1,027	1,511
	3,333	**10,536**

The liabilities of acquisition of shares mainly relate to the long-term part of the variable purchase price component (earn-out payment) from the acquisition of shares in Kapsch Telematic Services GmbH, Vienna, amounting to TEUR 3,465 (2015/16: TEUR 2,077) see note 34, the long-term part of the variable purchase price component (earn-out payment) from the acquisition of the remaining 48% share in Kapsch Telematic Services spol. s r.o., Czech Republic (TEUR 4,888) and 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 (TEUR 498).

Other non-current liabilities relate to trade payables (non-current) amounting to TEUR 174 (2015/16: TEUR 229) due to subcontractors for the installation of the Czech truck toll collection system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years as of the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck toll collection system (see note 19). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities mainly relate to rental payments for American subsidiaries amounting to TEUR 1.085 (2015/2016: TEUR 576).

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

	2015/16	2016/17
Less than 2 year	573	5,466
Between 2 and 3 years	2,341	3,685
More than 3 years	654	1,851
	3,568	**11,001**

28 Other liabilities and deferred income.

	2015/16	2016/17
Amounts due to customers for contract work	20,340	29,097
Prepayments received	508	14,509
Current portion of other non-current liabilities	8	0
Current liabilities from derivatives	0	6
Current liabilities from hedging activities	0	72
Current employee liabilities	22,274	26,542
Liabilities to tax authorities (other than income tax)	5,234	7,766
Liabilities from tax compensation to the tax group leader	4,421	8,268
Other liabilities and deferred income	26,557	17,218
	79,342	**103,478**

Amounts due to customers for contract work detail as follows:

	2015/16	2016/17
Construction costs incurred plus recognized gains	-136,723	-176,523
Less amounts billed and prepayments received	157,063	205,620
	20,340	**29,097**

As of March 31, 2017, amounts due to customers for contract work mainly relate to toll collection projects in North America (2015/16: toll collection projects in North America).

29 Provisions.

	2015/16	2016/17
Non-current provisions	1,396	9,993
Current provisions	8,946	17,640
	10,341	**27,633**

The provisions changed as follows:

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

	March 31, 2015	Additions from the acquisition of companies	Addition from accumu-lation	Addition	Utiliza-tion	Disposal	Reclassi-fication	Currency translation differences	March 31, 2016
Obligations from anniversary bonuses	1,189	0	23	7	0	-33	0	0	1,186
Other non-current provisions	472	0	4	215	-5	-340	0	-137	210
Non-current provisions, total	**1,661**	**0**	**28**	**221**	**-5**	**-373**	**0**	**-137**	**1,396**
Warranties	1,611	711	0	218	-1	-359	0	-68	2,113
Losses from pending transactions and rework	1	0	0	0	0	-1	0	0	0
Projects (excl. impending losses)	0	0	0	0	-4	0	3,216	-17	3,196
Legal fees, costs of litiga-tion and contract risks	402	0	0	6,572	-3,337	-184	0	-103	3,349
Costs of dismantling, removing and restoring assets	0	183	0	0	0	-15	0	-12	156
Other current provisions	7,211	0	0	2,041	-4,100	-1,699	-3,216	-105	132
Current provisions, total	**9,225**	**894**	**0**	**8,831**	**-7,442**	**-2,258**	**0**	**-305**	**8,946**
Total	**10,886**	**894**	**28**	**9,052**	**-7,447**	**-2,631**	**0**	**-441**	**10,341**

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% – 1.45% (2015/16: 1.15% – 1.75%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2015/16: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 2.50% (2015/16: 2.50%).

As manufacturer, dealer and service provider, the Group issues *"product warranties"* at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of TEUR 640 will be used in the first half of fiscal year 2017/18, TEUR 731 in the second half of the year and the remaining amount of TEUR 1,516 in the following fiscal years.

The provision for *"losses from pending transactions and rework"* was set up for expected losses from not yet completed construction contracts at the balance sheet date.

The provisions for *"projects (excl. impending losses)"* mainly regard to maintenance-, extension- and repair services for current toll projects. It is expected that an amount of TEUR 1,000 will be used in the first half of the fiscal year 2017/18, TEUR 9,430 in the second half of the year and the remaining amount of TEUR 872 in the following fiscal years.

Provisions for *"legal fees, costs of litigation and contract risks"* mainly regard to current case laws and consulting costs related to acquisitions. It is expected that an amount of TEUR 4,501 will be used in the first half of the fiscal year 2017/18, TEUR 144 in the second half of the year and the remaining amount of TEUR 61 in the following fiscal years.

"Costs of dismantling, removing and restoring assets" mainly relate to a provision for dismantling sensors in the area of mobility solutions for cities after expiry of the contract of an American subsidiary. It is expected that an amount of TEUR 19 will be used in the second half of the fiscal year 2017/18 and the remaining amount of TEUR 137 in the following fiscal years.

"Other provisions" mainly include a provision amounting to TEUR 5,822 of the at the beginning of the fiscal year acquired KTT Brazil for taxes and duties as well as provisions for commissions and bonuses, outstanding credit notes and project costs as well as discounts granted to customers. It is expected that an amount of TEUR 639 will be used in the first half of the fiscal year 2017/18, TEUR 537 in the second half of the year and the remaining amount of TEUR 6,158 in the following fiscal years.

30 Contingent liabilities, other commitments and operating lease commitments.

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

The contingent and other liabilities have been adjusted in line with standard industry practice and solely comprise obligations owed to third parties as follows:

	2015/16	2016/17
Contract, warranty, performance and bid bonds		
South Africa (toll collection system)	47,029	42,134
Australia (toll collection systems)	20,832	22,428
Other	241	416
Total	**68,102**	**64,978**

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 expected as unlikely. This kind of contract, warranty, performance and bid bonds in the amount of TEUR 369,605 (previous year: TEUR 178,598) are not included in the contingent liabilities respectively in the financial statements.

For details of securities for above-mentioned contingent liabilities and other commitments, see note 21 and note 24. Furthermore, assets of Kapsch TrafficCom AB, Sweden, amounting to TEUR 9,442 (2015/16: TEUR 9,756) were pledged in favor of a Swedish bank in order to secure contingent liabilities.

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

	2015/16	2016/17
Up to 1 year	14,474	17,872
Between 1 and 5 years	25,999	30,780
Over 5 years	12,069	18,716
	52,543	**67,369**

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:

	2015/16	2016/17
Rent	10,365	16,671
Motor vehicle leases	1,461	2,418
IT leases	2,736	3,066
Other	640	569
	15,202	**22,723**

31 Business combinations.

Kapsch TrafficCom Transportation (Transportation division of Schneider Electric).
On December 14, 2015, Kapsch TrafficCom concluded an agreement with Schneider Electric S.E. concerning an acquisition of its global transportation business. The closing was on April 1, 2016. The transportation segment, which previously operated under the name Telvent Tráfico y Transporte, is a provider of real-time IT solutions and intelligent traffic systems for use in cities, on highways and in tunnels. The portfolio also includes tolling and transit solutions. The acquisition will enable Kapsch TrafficCom to offer existing and future customers an integrated portfolio of intelligent transportation solutions from the highway into the city.

Consideration paid	31,096
Less fair value of net assets acquired	-34,078
Badwill	**-2,982**

Assets and liabilities resulting from the acquisition are shown as follows:

	Fair value
Property, plant and equipment	747
Intangible assets	9,003
Other non-current assets	856
Inventories	1,689
Receivables and other current assets	61,041
Cash and cash equivalents	9,204
Liabilities, other liabilities and deferred income	-48,463
Net assets acquired	**34,078**

Since the global transport division was not part of the core business of the Schneider Electric Group, but instead wanted to be repelled by the seller, an agreement could be reached on a selling price that was lower than the fair value. The resulting negative difference amounting to TEUR 2,982 was recognized in the income statement under “Other operating income” (see note 5).

The acquired company contributed revenue of TEUR 112,798 and a net loss of TEUR -3,857 to the Group’s result for the period from April 1, 2016 to March 31, 2017.

The following table shows the revenue and earnings contribution of KTT for the period from April 1, 2016 to March 31, 2017:

	ETC	IMS	Total
Revenues	21,817	90,981	112,798
Operating result	-3,953	1,625	-2,328
Result for the period			-3,857

The acquisition-related costs amounting to TEUR 5,315 were recognized as an expense (of which TEUR 3,244 relate to fiscal year 2015/16 and TEUR 2,071 to the 2016/17 fiscal year) and are each classified as "Legal and consulting expenses" in "Other operating expenses" (see note 10).

tolltickets.
On July 1, 2016 Kapsch TrafficCom AG, Vienna, acquired 65% of shares in tolltickets GmbH, Germany. The purchase price was EUR 1.5 million. There are also two call options on the acquisition of up to a further 20% of the shares. The options are valued at fair value on the basis of an option pricing model and accounted for as free-standing derivatives. As of the balance sheet date as of March 31, 2017, the fair value is zero.

Consideration paid	1,524
Less fair value of net assets acquired	-148
Goodwill (provisionally determined)	**1,376**
Non-controlling interests (provisionally determined)	**80**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value
Property, plant and equipment	174
Intangible assets	72
Financial assets	14
Joint Ventures	2
Inventories	164
Receivables and other assets	2,100
Cash and cash equivalents	1,202
Liabilities, other liabilities and deferred income	-3,500
Net assets acquired	**228**
thereof controlling interest (65%)	148
thereof non-controlling interest (35%)	80

The acquired company contributed revenue of TEUR 1,010 and a net loss of TEUR -581 to the Group's result for the period from July 1, 2016 to March 31, 2017. If the acquisition had occurred on April 1, 2016, there would have been no material impact on the Group's revenues or net income.

Fluidtime.
On December 20, 2016, Kapsch TrafficCom AG, Vienna, acquired 75.5% of the shares in Fluidtime Data Services GmbH, Vienna. Fluidtime develops and operates software solutions and user-friendly mobile services for intermodal travel in urban areas. The purchase price comprises a fixed component and an earn-out payment.

Consideration paid	690
Variable purchase price	543
Purchase price total (provisionally determined)	**1,233**
Less fair value of net assets acquired	-382
Goodwill	**851**
Non-controlling interests (provisionally determined)	**124**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value
Property, plant and equipment	28
Intangible assets	1,501
Receivables and other assets	527
Cash and cash equivalents	97
Liabilities, other liabilities and deferred income	-1,648
Net assets acquired	**506**
thereof controlling interest (75.5%)	382
thereof non-controlling interest (24.5%)	124

The acquired company contributed revenue of TEUR 226 and a net result of TEUR -149 to the Group's result for the period from December 20, 2016 to March 31, 2017. If the acquisition had occurred on April 1, 2016, there would have been no material impact on the Group's revenues or net income.

32 Interests in subsidiaries.

Entity, headquarter of entity	Internal designation	March 31, 2016 Group's share	March 31, 2016 Non-controlling interests	March 31, 2017 Group's share	March 31, 2017 Non-controlling interests
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	KTC C&R CZ	99.00%	1.00%	99.00%	1.00%
Kapsch TrafficCom Ltd., Manchester, United Kingdom	KTC UK	100.00%	–	100.00%	–
Kapsch Components GmbH & Co KG, Vienna	KCO	100.00%	–	100.00%	–
Kapsch Components GmbH, Vienna	KCO GmbH	100.00%	–	100.00%	–
FLUIDTIME Data Services GmbH, Vienna [1]	Fluidtime	n.a.	n.a.	75.50%	24.50%
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	ArtiBrain	100.00%	–	100.00%	–
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	KTC Italy	100.00%	–	100.00%	–
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	KTC Slovenia	100.00%	–	100.00%	–
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates	TTS, UAE	49.00%	51.00%	49.00%	51.00%
Kapsch TrafficCom Russia, OOO, Moscow, Russia	KTC Russia	100.00%	–	100.00%	–
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	KTTB, Bulgaria	100.00%	–	100.00%	–
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	KTC Argentina	100.00%	–	100.00%	–
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	KTC Kazakhstan	100.00%	–	100.00%	–
Kapsch Telematic Services IOOO, Minsk, Belarus	KTS Belarus	100.00%	–	100.00%	–
Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan	KTC Kyrgyzstan	100.00%	–	100.00%	–
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	KTC Lithuania	51.00%	49.00%	51.00%	49.00%
tolltickets GmbH, Rosenheim, Germany [1]	tolltickets	n.a.	n.a.	65.00%	35.00%
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain [1]	KTT Spain	n.a.	n.a.	100.00%	–
Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain [1]	KTC Arce	n.a.	n.a.	100.00%	–
Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia [1]	KTC Saudi Arabia	n.a.	n.a.	100.00%	–
Telvent Thailand, Bangkok, Thailand [1]	KTT Thailand	n.a.	n.a.	100.00%	–
Kapsch TrafficCom Transportation Brasil Ltda., Sao Paulo, Brazil [1]	KTT Brazil	n.a.	n.a.	100.00%	–
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina [1]	KTT Argentina	n.a.	n.a.	100.00%	–
KTS Beteiligungs GmbH, Vienna	KTS Beteiligung	100.00%	–	100.00%	–
Kapsch TrafficCom AB, Jonkoping, Sweden	KTC Sweden	100.00%	–	100.00%	–
Kapsch TrafficCom do Brasil LTDA., Sao Paulo, Brazil	KTC Brazil	100.00%	–	100.00%	–
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	KTC Australia	100.00%	–	100.00%	–
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	KTC Chile	100.00%	–	100.00%	–
Kapsch TrafficCom France SAS, Paris, France	KTC France	100.00%	–	100.00%	–
Kapsch TrafficCom PTE. LTD., Tripleone Somerset, Singapore	KTC Singapore	100.00%	–	100.00%	–
Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia	KTC Malaysia	100.00%	–	100.00%	–
Kapsch TrafficCom Limited, Auckland, New Zealand	KTC New Zealand	100.00%	–	100.00%	–
Kapsch TrafficCom South Africa (Pty) Ltd., Johannesburg, South Africa	KTC SA	100.00%	–	100.00%	–
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	ETC	100.00%	–	100.00%	–
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	KTC SA Holding	100.00%	–	100.00%	–
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa	TMT	100.00%	–	100.00%	–
Mobiserve (Pty) Ltd., Cape Town, South Africa,	Mobiserve	100.00%	–	100.00%	–
Berrydust 51 (Pty) Ltd., Cape Town, South Africa	Berrydust	100.00%	–	100.00%	–
Kapsch TrafficCom B.V., Amsterdam, Netherlands	KTC BV	100.00%	–	100.00%	–
Kapsch TrafficCom Canada Inc., Mississauga, Canada	KTC Canada	100.00%	–	100.00%	–
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	KTC IVHS Mexico	100.00%	–	100.00%	–
Kapsch TrafficCom Holding II US Corp., McLean, U.S.A.	KTC Hold. II US Corp.	100.00%	–	100.00%	–
Kapsch TrafficCom IVHS Inc., McLean, U.S.A.	KTC IVHS Inc., USA	100.00%	–	100.00%	–
Kapsch TrafficCom USA Inc., Duluth, U.S.A.	KTC USA, Inc.	100.00%	–	100.00%	–
Kapsch TrafficCom Transportation NA, Inc., Rockville, U.S.A. [1]	KTT USA	n.a.	n.a.	100.00%	–
Kapsch TrafficCom Holding Corp., McLean, U.S.A.	KTC Holding Corp., USA	100.00%	–	100.00%	–
Kapsch TrafficCom Inc., McLean, U.S.A.	KTC Inc., USA	100.00%	–	100.00%	–
Streetline Inc., Foster City, U.S.A.	Streetline	81.20%	18.80%	93.94%	6.06%
Streetline International, Inc., Delaware, U.S.A.	Streetline international	81.20%	18.80%	93.94%	6.06%
SPS funding Co. LLC, Delaware, U.S.A.	SPS Funding	81.20%	18.80%	93.94%	6.06%

Kapsch Telematic Services GmbH, Vienna	KTS Austria	100.00%	–	100.00%	–
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	KTS CZ	52.00%	48.00%	100.00%	–
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	KTS Germany	100.00%	–	100.00%	–
Kapsch Telematic Services Solutions A/S under tvangsoplosning, Copenhagen, Denmark [5]	KTSS Denmark	60.00%	40.00%	60.00%	40.00%
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	KTS Poland	100.00%	–	100.00%	–
Kapsch Road Services Sp. z o.o., Warsaw, Poland	KRS Poland	100.00%	–	100.00%	–

1) Foundation/acquisition in fiscal year 2016/17
2) Deconsolidation in fiscal year 2016/17
3) Merger in fiscal year 2016/17
4) Power over the relevant activities of the entity based on substantiv rights
5) in liquidation

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

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

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

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

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

33 Non-controlling interests.

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

Information on the balance sheet.

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

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

	Amounts before intercompany eliminations					
Information on the balance sheet as of March 31, 2016	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Net assets**	**Carrying amount of non-controlling interests**
KTS CZ	1,285	36,076	0	18,545	18,816	8,772
Streetline	804	1,324	441	2,667	-979	-516
Remaining						-444
Carrying amount as of March 31, 2016						**7,811**

Information on the statement of comprehensive income.

The statement of comprehensive income of the consolidated subsidiaries with material non-controlling interests are represented below:

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

	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
Information on the statement of comprehensive income 2015/16	**Revenues**	**Result for the period**	**Other comprehensive income**	**Total comprehensive income**	**Result for the period**	**Other comprehensive income**	**Total comprehensive income**
KTS CZ	80,332	14,001	368	14,369	6,720	177	6,897
TMT	19,461	2,461	4,365	6,826	913	1,619	2,532
ETC	52,881	-12,001	1,961	-10,040	-1,773	255	-1,518
Streetline	2,506	-3,829	84	-3,745	-505	16	-489
Remaining					12	49	61
Total					**5,368**	**2,115**	**7,483**

Information on the cash flow statement and dividends.

The cash flow statement and dividends of the consolidated subsidiaries with material non-controlling interests are represented below:

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

Information on the cash flow statement 2015/16	Cash flow from Operating activities	Investing activities	Financing activities	Cash net increase/ decrease	Dividends paid to non-con-trolling shareholders
KTS CZ	20,726	-482	-13,967	6,276	-6,704
Streetline	-465	-2,109	3,239	665	0
Remaining					-4
Total					**-6,709**

The information mentioned above relate to amounts before intercompany eliminations.

34 Related parties.

The following transactions were performed with related parties:

KAPSCH-Group Beteiligungs GmbH, Vienna.
Since January 2005 the company has provided services to the Group in the area of group consolidation and legal advice. Expenses incurred by the Group in the fiscal year 2016/17 amounted to TEUR 958 (2015/16: TEUR 704). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the Group amounting to TEUR 30 (2015/16: TEUR 22).

In fiscal year 2014/15 the company sold 3% of its shares in Kapsch Telematic Services GmbH, Vienna, to Kapsch TrafficCom AG. After this transaction, the Group is the sole shareholder of Kapsch Telematic Services GmbH, Vienna. The purchase price consists of a fixed purchase price component (TEUR 2,000) and a variable purchase price component (earn-out component, that depends on the earnings before interest and taxes (EBIT) of the KTS Group, net of non-controlling interests, of the financial years 2015-2018). The fixed purchase price (TEUR 2,000) has been already paid in fiscal year 2014/15, as at March 31, 2017, the variable purchase price component in the amount of TEUR 3,465 (March 31, 2016: TEUR 2,077) is recorded under other non-current liabilities (see note 27).

KAPSCH-Group Beteiligungs GmbH acts as the tax group leader in a tax group formed in March 2005, of which Austrian subsidiaries of this group are also members. Accordingly, all tax effects of the group companies that are tax group members are considered to be related party transactions.

Kapsch Aktiengesellschaft, Vienna.
In connection with the use of the KAPSCH trademark and logo, the company invoices license fees to the Group. The license fee amounts to 0.5% of all third-party sales of the Group. Expenses incurred by the Group in the fiscal year 2016/17 amounted to TEUR 3,213 (2015/16: TEUR 2,575).

Activities in the area of corporate development, public relations, sponsoring and other marketing activities are carried out centrally by Kapsch Aktiengesellschaft for all group companies. Costs allocated to the Group in the fiscal year 2016/17 amounted to TEUR 1,805 (2015/16: TEUR 1,512).

Furthermore, the company invoices management and consulting services to the Group amounted to TEUR 1,800 (2015/16: TEUR 1,750) in the fiscal year 2016/17.

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The costs allocated to the Group in the fiscal year 2016/17 amounted to TEUR 625 (2015/16: TEUR 607). In addition Kapsch Aktiengesellschaft maintains a softwaretool (Hyperion Financial Management) and invoiced TEUR 120 (2015/16: TEUR 120) to the Group for this service.

Kapsch Partner Solutions GmbH, Vienna.
The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the Group and provides apprentices and trainees. Expenses incurred by the Group in the fiscal year 2016/17 amounted to TEUR 2,006 (2015/16: TEUR 1,861).

The Group provides logistic services to the company amounting to TEUR 8 (2015/16: TEUR 8).

Kapsch Financial Services GmbH, Vienna.
The company leases telephone and IT equipment (hardware and software) to the Group and provides IT support. Expenses incurred by the Group in the fiscal year 2016/17 amounted to TEUR 195 (2015/16: TEUR 290).

Kapsch BusinessCom AG, Vienna.
The company delivers hardware (IT equipment) on behalf of the Group and provides maintenance and other services for various customer projects, the largest of which by far are the “truck toll collection system Austria” and the “truck toll collection system Poland”, in the previous year as well the “truck toll collection system of the Republic of Belarus”. The deliveries and services performed amounted to TEUR 3,400 in the fiscal year 2016/17 (2015/16: TEUR 3,132).

The company provides IT, data processing and telephone services to the Group amounting to TEUR 7,759 (2015/16: TEUR 5,303), as well as other services amounting to TEUR 503 (2015/16: TEUR 326).

The Group provides logistics services for the company amounting to TEUR 84 (2015/16: TEUR 80).

The Group also provides other services amounting to TEUR 275 (2015/16: TEUR 63).

Kapsch CarrierCom AG, Vienna.
The Group provides logistic services to the company amounting to TEUR 808 (2015/16: TEUR 798) and manufacturing services for GSM-R amounting to TEUR 6,752 (2015/16: TEUR 9,163). Furthermore, the Group provides the company with other deliverables and performances amounting to TEUR 326 (2015/16: TEUR 549).

The company provides other services to the Group amounting to TEUR 392 (2015/16: TEUR 225).

Kapsch CarrierCom France SAS, Paris.
The Group provides manufacturing services to the company for GSM-R projects amounting to TEUR 6 (2015/16: TEUR 1) and provides the company with other logistic services amounting to TEUR 123 (2015/16: TEUR 106).

Kapsch CarrierCom s r.o., Prague.
The company supplies hardware (IT-equipment) to the Group for a customer project and provides other services for the project in in the Czech Republic. The value of goods and services delivered in the fiscal year 2016/17 amounts to TEUR 15 (2015/16: TEUR 52).

The company provides other services to the Group amounting to TEUR 72 (2015/16: TEUR 36).

Kapsch CarrierCom Belgium NV, Zaventem.
In the fiscal year 2016/2017 the company charges services relating to the South African AFC project amounting to TEUR 2,204 (2015/16: TEUR 0) to the Group as well as other development services amounting to TEUR 73 (2015/2016: TEUR 0).

Kapsch BusinessCom s r.o., Prague.
The company provides technical maintenance services for the Czech truck toll collection system and is responsible for the current IT support for the Czech subsidiaries. Expenses incurred for this in the fiscal year 2016/17 totaled TEUR 1,711 (2015/16: TEUR 4,279). Furthermore, the company provided public relations services amounting to TEUR 91 in the fiscal year 2016/17 (2015/16: TEUR 91) and other services amounting to TEUR 37 (2016/17: TEUR 64).

The Group provides services to the company amounting to TEUR 110 (2015/2016: TEUR 94).

Kapsch Sp. z o.o., Warsaw.
The Company provides hardware (IT-equipment) to the Group and renders maintenance and other services for the customer project in Poland. These services amounted to TEUR 682 in the fiscal year 2016/17 (2015/16: TEUR 1,723).

Kapsch Immobilien GmbH, Vienna.
The company provides services in the area of motor vehicle management and automotive services amounting to TEUR 104 (2015/16: TEUR 107) in the fiscal year 2016/17.

Other related parties transactions.
Lease income of the Group resulting from the sub-lease to related parties in the fiscal year 2016/17 totaled TEUR 512 (2015/16: TEUR 481).

Liabilities for pension benefits include pension obligations (pensions in payment) to the widow of Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold at arm's length.

The following tables provide an overview of revenues and expenses in the respective fiscal years as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2015/16	2016/17
Parent company		
Revenues	0	0
Expenses	726	2,344
Affiliated companies		
Revenues	11,305	9,017
Expenses	23,764	26,658
Other related parties		
Revenues	149	160
Expenses	396	302

	2015/16	2016/17
Parent company		
Trade receivables and other assets	0	0
Trade payables and other payables	4,481	8,434
Liabilities from share purchase	2,077	3,465
Affiliated companies		
Trade receivables and other assets	1,728	1,926
Trade payables and other payables	3,512	3,965
Other related parties		
Trade receivables and other assets	15	15
Trade payables and other payables	293	1,090

35 Earnings per share.

Earnings per share (undiluted earnings) are calculated by dividing the result for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares. As of March 31, 2017, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2015/16	2016/17
Result for the period attributable to equity holders of the company (in EUR)	31,091,775	43,609,880
Weighted average number of ordinary shares	13,000,000	13,000,000
Earnings per share (in EUR)	**2.39**	**3.35**

36 Events after the balance sheet date.

- In the South African TMT, a now 100% owned subsidiary of Kapsch TrafficCom, 17.1% of the shares were indirectly transferred to a trust and an "Employee Participation Scheme Trust" was introduced, in which all group employees in South Africa on a voluntary basis can participate in the company success of the TMT. This measure aimed at increasing the motivation of the employees as well as the competitiveness of the company within the framework of the BBBEE evaluation in South Africa.

- In April 2017, there was an extensive fire at the business premises of the Swedish subsidiary. The resulting damage is covered by insurance.

37 Supplementary disclosures.

The average number of staff in the fiscal year 2016/17 was 4,012 salaried employees and 762 waged earners (2015/16 (adapted): 3,030 salaried employees and 484 waged earners).

Expenses for the auditor.

The expenses for the auditor amount to TEUR 234 (2015/16: TEUR 193) and are broken down as follows:

	2015/16	2016/17
Audit of the consolidated financial statements	56	80
Other assurance services	80	112
Tax advisory services	0	0
Other services	57	42
Total	**193**	**234**

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

In the fiscal year 2016/17, the following persons served on the Executive Board:

Georg Kapsch (Chief Executive Officer)
André Laux
Alexander Lewald

The compensation paid to members of the Executive Board is shown below:

	Total 2015/16	Fix 2016/17	Variable 2016/17	Total 2016/17
Georg Kapsch	653	659	401	1,060
André Laux	490	437	233	670
Alexander Lewald	133	352	93	444
Total	**1,276**	**1,447**	**728**	**2,175**

Expenses for termination benefits after use of provision for members of the Executive Board amount to TEUR 17 (2015/16: TEUR 9).

Individual pension agreements are granted to André Laux and Alexander Lewald. Therefore Kapsch TrafficCom AG paid TEUR 108 (2015/16: TEUR 23) to an external pension fund.

In the fiscal year 2016/17, the following persons served on the Supervisory Board:

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

Delegated by the works council:

Christian Windisch
Martin Gartler

Remunerations paid to Supervisory Board members (inclusive travel costs) amounted to TEUR 122 (2015/16: TEUR 122) in total.

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

Proposed appropriation of profit.

The Group intends to distribute TEUR 19,500 (previous year: TEUR 19,500) corresponding to a dividend per share of EUR 1,50 as of March 31, 2017 from the net profit of Kapsch TrafficCom AG and to carry forward the remaining balance to new account.

38 Risk management.

The Group's activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group employs hedge accounting as envisaged by IAS 39, when possible.

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

38.1 Foreign exchange risk.

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

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

If the exchange rate of the stated currencies (resulting from current and non-current receivables and payables) as of March 31, 2017 (March 31, 2016) had increased by the percentage rate ('volatility') stated below, the result before tax, provided all other variables had remained unchanged, would have been higher (+) or lower (-), respectively, by the following amounts:

	Effect on equity in TEUR			
	2015/16		2016/17	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
AUD	-138	169	-652	797
CAD	-416	509	-470	574
CZK	-319	390	-906	1,107
EUR	3,573	-4,367	10,936	-13,366
PLN	-141	172	-481	588
SEK	-511	625	-390	477
USD	-4,760	5,817	-5,822	7,115
ZAR	-951	1,162	-2,174	2,658

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

	Effect on equity in TEUR			
	2015/16		2016/17	
Currency	Volatility +10%	Volatility -10%	Volatility +10%	Volatility -10%
NOK	-1,348	1,647	-1,062	1,298

38.2 Interest rate risk.

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

In the case of variable-interest balance sheet items, the risk relates to the cash flow. With variable-interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable-interest (both current and non-current) financial liabilities account for almost half of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of March 31, 2017, this, as in the prior year, would not have had any material impact on the result of the Group.

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

38.3 Credit risk.

As part of the Group's risk management policy, the Group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the Group sells only to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain group policies limit the amount of its credit exposure to individual financial institutions, depending on the rating of the institution. There is usually a credit risk in the implementation phase of large toll collection projects. With the exception of the toll collection projects in America, the Czech Republic, South Africa, Poland, and the Republic of Belarus (see note 21), there is no concentration of credit risk relating to trade receivables since the Group generally has a large number of customers worldwide. Based on the Group's experiences, the default risk for trade receivables can be considered low.

The maximum credit risk is similar to book values:

in TEUR	2015/16	2016/17
Other non-current financial assets and investments	18,651	18,364
Other non-current assets	18,877	611
Current securities	97	3,638
Trade receivables and other current assets	199,912	266,424
Cash and cash equivalents	140,782	211,299
	378,320	**500,336**

38.4 Liquidity risk.

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

The Group controls liquidity risks predominantly by maintaining suitable financial reserves, by issuing bonds, through customer pre-payments and the continuous reconciliation of the terms of receivables, liabilities and financial assets. To this end, cash flow forecasts are made 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 endeavors to reduce the payment default risk of customers as far as possible by mandatory creditworthiness checks prior to the signing of orders and additionally for major projects by securing payments through guarantees. It cannot be completely ruled out, however, that some defaults might still occur, which would then have a major negative impact on the development of the results and liquidity of Kapsch TrafficCom.

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 (pertaining as a rule to long-term contracts, e.g. in the case of corporate bonds or long-term loans with redemption at maturity) are monitored on an ongoing basis. At an early stage, measures are taken to ensure that the agreed-upon payment obligations are met (either by checking the income from operational cash flow or through timely refinancing activities).

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

38.5 Equity price risk.

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

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

		Effect on equity in TEUR	
ISIN	**Volatility**	**2015/16**	**2016/17**
NO0003103103	+ 10%	1,482	1,168
NO0003103103	- 10%	-1,482	-1,168

38.6 Commodity price risk.

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

39 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. Kapsch Group's capital management strategy aims among other things to ensure that the group companies' capital resources comply with local requirements. Furthermore, the Group focuses on maintaining the gearing ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. Cash and cash equivalents as at March 31, 2017 rase to a record level, which in tun led to a net income reported in the past fiscal year.

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

in TEUR	**2015/16**	**2016/17**
Non-current financial liabilities	85,734	97,482
Current financial liabilities	21,349	97,902
Total financial liabilities	**107,083**	**195,384**
Cash on hand and at banks	140,782	211,299
Current securities	97	3,638
Net cash (+) / net debt (-)	**33,796**	**19,553**
Equity	230,658	227,306
Net gearing	**n.a.**	**n.a.**

40 Accounting policies.

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

40.1 Fair value measurement.

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

To the greatest extent possible, the Group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of 3 levels in the following fair value-hierarchy:
- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

40.2 Borrowing costs.

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

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

In the fiscal year 2016/17, none of the assets recognized by the Group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

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

40.3 Property, plant and equipment.

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

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

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

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

40.4 Intangible assets.

40.4.1 Goodwill.

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

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

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

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. If the carrying value of a CGU exceeds the recoverable amount, an impairment is to be recognized. First, goodwill is amortized by the amount of the impairment. If the impairment exceeds the carrying value of goodwill, the carrying values of the remaining assets of this CGU 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 written down 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 impairment loss of goodwill is recognized in the statement of comprehensive income. Write-ups on goodwill are not made.

40.4.2 Concessions and rights.

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

40.4.3 Research and development costs.

Research expenditures are recognized as an expense. Costs incurred for development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when 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 using the straight-line method on the basis of the normal useful life, which generally ranges between 3 and 5 years.

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

40.5 Impairment of non-financial assets.

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the asset should 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. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Assets, with the exception of goodwill, that have been subject to an impairment adjustment in the past are reviewed for possible reversal of the impairment at each subsequent reporting date.

The difference between the recoverable amount of assets and their carrying amount is recognized as income or expense in the result from operating activities. Gains are not classified as revenue.

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

40.6 Financial instruments.

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

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

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

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

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

40.6.1 Securities and investments.

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

Available-for-sale securities (AFS).

Available-for-sale securities are carried at fair value. Unrealized gains and losses arising from the changes in fair value of available-for-sale securities are recognized in other comprehensive income.

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

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

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

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

Financial assets at fair value through profit and loss.

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

40.6.2 Other investments.

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

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

40.6.3 Derivative financial instruments.

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

Kapsch designates certain derivatives (swaps, forwards) as hedges of a particular risk associated with the fluctuating cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges). Derivatives are currently only used as hedges of cash flows from forecast transactions. There are currently no fair value hedges recognized.

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

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the cash flow hedge reserve are shown in note 13. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve 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 do not qualify for hedge accounting. They are therefore designated as financial instruments held for trading and measured at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive fair values at the balance sheet date are recognized under financial assets and negative fair values under financial liabilities. Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other operating income or other operating expenses or the financial result, depending on the derivative's purpose.

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

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

40.6.4 Loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (e.g. trade receivables, other receivables, cash on hand and at banks) are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method, less allowance for bad debts.

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

40.7 Leases.

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

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

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

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

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

40.8 Government grants.

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

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

40.9 Inventories.

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

40.10 Construction contracts.

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

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

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

40.11 Trade receivables.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Receivables with a remaining term of up to one year are recognized as current receivables; all others are recognized as non-current receivables.

40.12 Cash and cash equivalents.

In the presentation of the cash flow statement, cash and cash equivalents include cash on hand, deposits held at call, and other cash at banks. Overdrafts are recognized on the balance sheet under current financial liabilities.

40.13 Provisions.

Provisions are set up when the Group has a present legal or constructive obligation to third parties as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount 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 they are material, provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

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

40.14 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.

40.15 Current and deferred income tax.

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

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

Deferred income 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 income 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 income 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 income tax asset is realized or the deferred income tax liability is settled.

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

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

Deferred income 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 income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

40.16 Liabilities.

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities with a remaining term of up to one year are recognized as current liabilities, those with longer terms are recognized as non-current liabilities. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date. Borrowings are initially recognized at fair value, net of transaction costs incurred, and subsequently stated at amortized cost. Borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

40.17 Contingent liabilities.

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

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

40.18 Revenue recognition.

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

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

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

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

Other revenue is recognized by the Group as follows:

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

40.19 Critical judgments in the application of accounting policies.

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

40.20 Segment information.

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

Authorized for issue:
Vienna, on June 07, 2017

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

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of March 31, 2017.

1 Economic Climate.

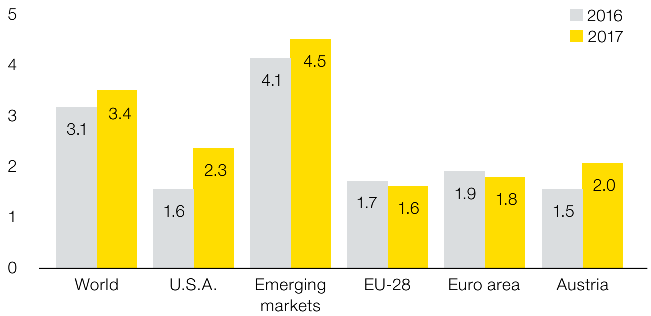
1.1 General economic situation.

Global economic growth at 3.1%.

Global economy.
In 2016 the global economy lost some momentum. Compared to the year before, aggregate GDP growth decreased from 3.2% to 3.1%. One of the main reasons for this is the lower level of business activity in advanced economies like the US. Emerging and developing countries, however, did not gather pace either, resulting in subdued global trade. Having expanded by 2.7% in 2015, the overall volume of goods and services exchanged worldwide increased by only 1.7% in the year under review. From a longer-term perspective, this constitutes the weakest growth rate since the onset of the economic and financial crisis in 2008.

For 2017 economists predict a turnaround, though. While global GDP is expected to go up by 3.4% according to the latest IMF report, worldwide trading volumes could reach an expansion rate of up to 3.1% based on current WTO estimates.

GDP growth 2016/17.
(in %)



US economic growth below 2%.

U.S.A.
In the *United States* GDP growth slipped below the 2% threshold in 2016. This is, among other things, due to the strong US dollar which made exports more expensive overseas. Looking at 2017, there is still a high level of uncertainty over the future economic course under the new US Presidency. If the announced plans for tax cuts as well as infrastructure investments are implemented accordingly, analysists consider GDP growth of up to 3% possible. Mounting protectionist tendencies, on the other hand, pose a major long-term threat.

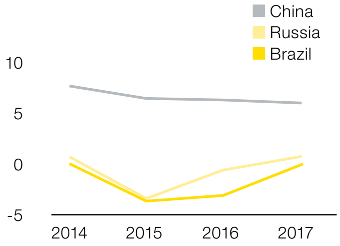
GDP of emerging and developing countries at 4.1%.

Emerging Markets and Developing Economies.
While overall growth in the *emerging and developing economies* remained at the previous year's level of 4.1%, substantial regional differences could be observed in 2016. In China the gradual slow-down in economic expansion continued in the context of the ongoing transformation process towards a stronger service-orientation. GDP growth decelerated from 6.9% to 6.7% in the year under review. The outlook for 2017 is generally positive, albeit clouded by the risk of new US tariffs on Chinese imports. As far as the ASEAN-5 (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) are concerned, the economy continued to expand by 4.8% in 2016. India, in contrast, witnessed less dynamic growth than before following an abrupt currency reform aimed at fighting corruption (+6.6%).

2016 marked a year of stabilisation for the *Commonwealth of Independent States (CIS),* driven primarily by a gradual economic recovery in Russia. After two years of recession, Russia looks set to return to a growth path in 2017 (+1.1%). Among the contributing factors is an upward trend in oil prices following the agreement among OPEC members as well as some major non-OPEC producers in December 2016 to trim overall production. In general, global commodity prices began to recover in 2016, which should also benefit the countries in Latin America down the line. In 2016 the region was still characterised by a downturn, not least due to a severe recession in the largest economy, Brazil (3.5%). Argentina also registered a drop in GDP, whereas Peru and Mexico showed relatively solid expansion rates.

Russian economy is bottoming out.

GDP growth 2014-17.
(in %)



The economic situation in *Sub-Saharan Africa* and the *MENAP region* (Middle East and North Africa, Afghanistan and Pakistan) proved challenging in 2016. The oil-exporting countries, in particular, were forced to adapt their economic structures to lower price levels and subdued demand from developed nations. Aggregate GDP growth stood at 1.6% in the countries south of the Sahara and at 3.8% in the MENAP region.

Europe.
The European economy continued to expand moderately in 2016. The combined GDP of the EU-28 rose by 1.9% compared to the year before, fuelled first and foremost by strong private consumption. Growing political uncertainty, in contrast, partly slowed economic recovery. Investment on the part of companies, for instance, fell short of expectations owing to an increase in risk factors. Germany was again the EU's growth engine (+1.9%), but also formerly crisis-ridden economies like Ireland (+4.3%) and Spain (+3.2%) performed favourably. Besides, the situation on the European labour market eased further. In the course of 2016, the EU unemployment rate slipped below the 8% threshold, thus reaching the lowest level since early 2009.

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

Growth in the *Eurozone* was again less dynamic in 2016 than in the EU as a whole, with aggregate GDP going up by 1.7%. Economists predict a similar expansion rate for 2017, even though the actual impact of Britain's upcoming exit from the EU is difficult to assess. As for the development of consumer prices in Eurozone, the inflation rate remained well below the European Central Bank's medium-term target of 2%. Against this background, the ECB held on to its expansionary monetary policy. For one thing, the prime interest rate as well as the deposit rate for commercial banks were kept at a historic low. For another thing, the bond-purchase programme aimed at stimulating the economy was extended until at least December 2017.

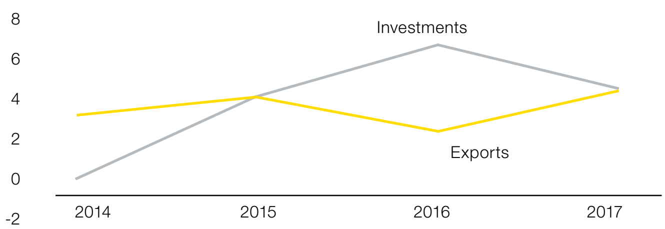
Open monetary policy in the euro area.

Business activity in *Central and Eastern Europe (CEE)* gathered pace in 2016, driven by improving labour market conditions and increasing wage levels.

Austria.
In *Austria,* economic recovery in 2016 markedly accelerated with a 1.5% increase in gross domestic product (GDP). For 2017 economic researchers expect a GDP increase of 2%. The average inflation rate in 2016 was just below 1%. An increase to 1.7% is expected for 2017. The unemployment rate according to the Eurostat definition climbed to 6% in 2016. The budget deficit (1.4% of GDP in 2016) was also on the rise, as the tax reform could not be fully financed.

GDP in Austria rose by 1.5%.

Export and investment growth in Austria 2014-17.
(in %)



1.2 Development of the market for intelligent transportation systems (ITS).

Kapsch TrafficCom strives to play a leading role in Intelligent Transportation Systems (ITS).

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

Kapsch TrafficCom divides the ITS market according to customer segments and the key users.

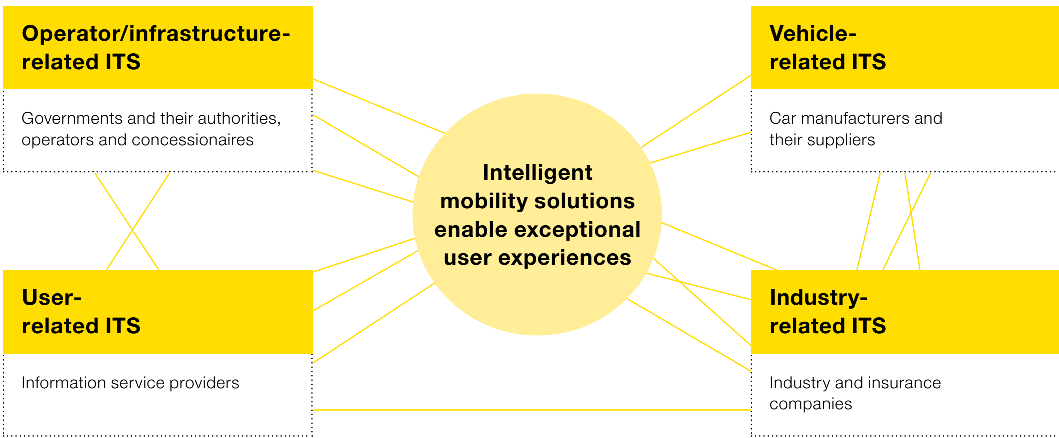
Customer segments.
Kapsch TrafficCom has developed its own understanding and its own view of the ITS market in order to define and develop its own market positioning. From this perspective, the ITS market was divided into four customer segments and the corresponding primary addressees were identified.

Operator/authority-related ITS encompass both ETC and ATMS (Advanced Traffic Management Systems) as well as applications for urban access and parking space management. The addressees are governments and their authorities, road and toll operators as well as concessionaires that develop transportation policies using ITS to ensure the availability and quality of the infrastructure in a way that improves safety, performance, security and environmental protection.

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

User-related ITS are focused mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation during the journey, thereby increasing traffic safety. Example applications for advanced vehicle information systems (AVIS) 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 (PVTMS, Public Vehicle Transportation Management Systems). Example applications include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. 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.



Kapsch TrafficCom strives to play a leading role in Intelligent Mobility Solutions.

Market positioning.
The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related segment of the ITS market. With the implementation of the 2020 strategy and the acquisition of Schneider's transport business, vehicle and user-oriented ITS are becoming increasingly important. Kapsch TrafficCom also continuously observes the other developments in industry-related ITS.

Market trends and drivers.
Kapsch TrafficCom believes that the following factors are the main trends and drivers of the market which it currently addresses:

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

Mobility. With increasing affluence, the desire for mobility and the associated demands on transportation systems also increase. Mobility is increasingly viewed as a basic need or a necessity. The transportation systems that have been developed to meet this need vary considerably around the world. The number of cars per 1,000 residents therefore serves as an indicator to assess the development level and untapped potential in many countries. While the U.S.A. has an average of 800 cars per 1,000 residents, the ratio in South American countries falls to just 100 cars, and the figure is even significantly lower in some African countries. If the emerging countries like China and Brazil continue the process of catching up to more developed nations economically, it can be assumed that individual transportation will experience strong growth as well. The developments with regard to new car registrations confirm this picture. In China alone, over 18 million new cars were registered in 2014, roughly one-third more than in the entire EU. There are now over 30 cities in China with more than one million cars.

Urbanization. The share of people living in cities is rising. While this applied to only 2% of the world's population in the year 1800, the year 2007 marked the first time when over half of all people on the planet resided in cities. Forecasts predict that the share of the urban population will rise to 60% by 2030 and reach 70% by 2050. Already by 2025, there will then be 40 mega-cities with over 10 million residents. This growth dynamic also places fundamental challenges on the urban transportation infrastructure and promotes investments in intelligent, sustainably designed transportation systems.

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

Expansion and financing of transportation networks. The basic need for mobility, the increasing urbanization and ever higher volumes of goods traffic in global economic trade reveal the limits of the current transportation systems. Highways that were built decades ago no longer live up to the demands placed on them today. Despite intensive efforts to make rail transport more attractive, the volume of freight traffic on Europe's roads has remained at the same level for years.

The willingness of governments to invest in the expansion of transportation networks depends on reliable financing opportunities, among other factors. While investments in the highway network increased over the past decade in Austria, stagnation has been observed in other countries such as Germany, Japan and Great Britain.

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

The Trans-European Road Network (TEN-V) made up roughly one-fourth of the entire primary road network in the European Union in 2015 with a total length of 84,700 km but carried only 40% of the goods transported by road. By 2020, an average expansion of 4,800 km per year is expected, of which 3,500 km will involve existing roads. The new EU Member States in particular as well as the corridors to these countries are expected to require higher levels of investment. In "Whitepaper: European transport policy for 2010", the European Commission indicated that investment costs up to 2020 will amount to EUR 600 billion. The increase in traffic volumes can therefore be expected to continue over the long term. In addition to the construction of new infrastructure, it is also important to finance the maintenance and repair of existing roads.

In the U.S.A., roughly USD 55 billion are invested every year in the road network. Experts estimate, however, that at least a doubling of investments to over 100 billion U.S. dollars will be necessary in the coming years in order to maintain the functionality of the road network. This pronounced need for financing inspires changing business models and increases willingness to adopt private concession models.

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

Technology.
The ITS market and associated factors are characterized by new technologies and short technology cycles. These changes open up new perspectives for Kapsch TrafficCom. It is necessary to intelligently resolve the apparent conflict between transportation developments on one side and the opportunities presented by mobility on the other. Through the use of technological and organizational measures, the demand for

transportation must be met in ways that do not negatively impact the environment or economic development. Kapsch TrafficCom will continue to make important contributions toward this goal.

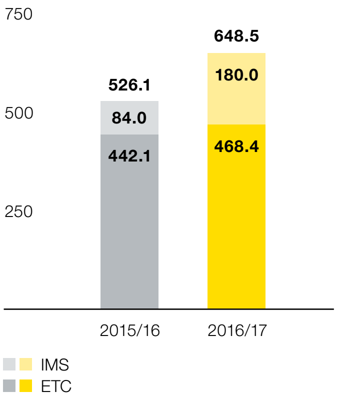
The future will belong to intelligent, holistic mobility solutions.

Intelligent mobility solutions.
A process of convergence has been under way in the ITS market during recent years as the individual market segments increasingly merge. In expectation of this convergence, even if not at the same pace, Kapsch TrafficCom is developing from a pure provider of electronic toll collection (ETC) systems to a provider of selected ITS applications. Kapsch TrafficCom expects that the future will belong to intelligent, holistic mobility solutions and strives to play a leading role in this future. This goal is anchored in Strategy 2020 with the establishment of an Intelligent Mobility Solutions (IMS) business. In pursuit of this goal, end customers will be addressed more heavily in the future and the portfolio will be expanded from the highway into the city. A key step in this direction was achieved with the acquisition of Kapsch TrafficCom Transportation (KTT).

2 Economic situation of Kapsch TrafficCom.

2.1 Business performance.

Revenue growth by 23.3%.
(in million EUR)



In the 2016/17 fiscal year, Kapsch TrafficCom generated revenues of EUR 648.5 million, which is an increase of 23.3% compared to the previous year (2015/16: EUR 526.1 million). Fortunately, both the Electronic Toll Collection (ETC) and in particular the Intelligent Mobility Solutions (IMS) segments recorded an increase in revenues. In addition to clear growth in revenues of 6% in the Electronic Toll Collection (ETC) segment, the new strategic orientation also resulted in a significant increase in revenues for the Intelligent Mobility Solutions (IMS) segment of 27.8% (previous year: 16.0%). The major driver of this development was the first-time consolidation of Kapsch TrafficCom Transportation (KTT), the global transportation division of Schneider Electric that was acquired on April 1, 2016. KTT contributed revenues in the amount of EUR 112.8 million (of which ETC: EUR 21.8 million; IMS: EUR 91.0 million). The highlights of the past fiscal year in the form of acquisitions, major projects, newly acquired projects and project advances were:

- In May 2016, Kapsch TrafficCom was commissioned to build a toll system for the Toowoomba Second Range Crossing (TSRC) project in Queensland, Australia. The project, with an order value of approximately EUR 6 million (AUD 9 million), encompasses the latest technology in toll systems in the form of a single-gantry Multi-Lane Free-Flow (MLFF) platform, which allows both toll collection and the latest automatic vehicle detection and classification (VDC) system as well as automatic number plate recognition (ANPR) on only one toll bridge. In addition to construction, the contract also includes ten years of operation.
- On June 28, 2016, Kapsch TrafficCom was awarded the contract for modernization of the Integrated Transportation Management System (ITMS) at the Highway Operations Center (HOC) of Massachusetts (Massachusetts Department of Transportation, MassDOT) with a contract value of EUR 10.4 million (USD 11.5 million). The DYNAC® software solution that will be used for this project, will encompass the entire road network of the state of Massachusetts and unite separate data systems for traffic and facility management on a single platform. This ensures that action plans are created and implemented in real time for quick, consistent and appropriate response to traffic events and life-threatening incidents in tunnels.
- In July 2016, another project was secured in Australia: A contract with an order value of EUR 9 million (AUD 14 million) was concluded with the Australian road operator Transurban Queensland for rehabilitation of the Gateway and the Logan Motorway in Queensland. Here, too, the latest single-gantry Multi-Lane Free-Flow (MLFF) technology is used for automatic vehicle detection and classification (VDC) as well as automatic number plate recognition (ANPR).
- On August 29, 2016, the existing contract with the Czech Ministry of Transport for operation of the countrywide truck toll system was extended for up to three years, as was as the technical implementation of the EETS (European Electronic Toll Service) service. This corresponds to an order volume of up to EUR 195 million.
- On November 29, 2016, ASFINAG (motorway and expressway financing company) in Austria awarded Kapsch TrafficCom the contract for construction and technical operation of the “GO Maut 2.0 Toll Technology” (Austria-wide toll system for vehicles over 3.5 ton). The contract also includes technical operation for ten years with the option of five times an extension of one year each. The road infrastructure is modernized and the headquarters (RSE proxy) updated to the latest technological state of the art. Modern technological standards are used as the benchmark. In the future, a control bridge will be sufficient for roadside checks; in addition to radio beacons and cameras for license plate evaluation, this will also include an optical vehicle classification system. With this system, it is possible to determine the vehicle class and axle number of vehicles subject to tolls with even greater accuracy during moving traffic. Implementation is geared toward maximizing domestic value creation.
- On February 27, 2017, Kapsch TrafficCom was awarded a contract for development, installation and support of an agency-wide Advanced Transportation Management Software (ATMS) system with an order value of approximately EUR 8.2 million (USD 8.8 million) for the port authorities of New York and New Jersey. The base runtime is four years, with the option to extend support twice for one year each time. The DYNAC® software makes it possible to have bridge, tunnel, air traffic and port facilities and also the local PATH metro railway system managed from any operational control center (OCC) or the Port Authority Agency Operations Center (PA-AOC). This will improve operational efficiency regarding the availability of up-to-date traffic information as well as the coordination of regional transport.

- The contract for the South African project GORT (Gauteng-Open Road Tolling) has also been extended. Kapsch TrafficCom has agreed with the client, SANRAL, that commercial operation will be extended by another year and the entire technical and commercial operation thus be extended for up to two years.

The following significant events and changes in corporate law took place during the 2016/17 fiscal year:

- On April 1, 2016, Kapsch TrafficCom finalized acquisition of the global transportation business of Schneider Electric S.E. The acquired division, henceforth to be known as Kapsch TrafficCom Transportation (KTT), is a provider of real-time IT solutions and intelligent traffic systems for use in cities, on highways and in tunnels. Its product offering also comprises toll collection and transit solutions.
- On April 21, 2016, Kapsch TrafficCom acquired a minority interest in ParkJockey Global, Inc., U.S.A., thereby rounding off the Group's portfolio of intelligent parking solutions with parking garages and other off-street parking spaces.
- In the first quarter of the 2016/17 fiscal year, Kapsch TrafficCom acquired the remaining 48% of shares in Kapsch Telematic Services spol. s r.o, Czech Republic, the company responsible for operating the nationwide toll collection system in the Czech Republic.
- On July 1, 2016, Kapsch TrafficCom acquired 65% of the shares in tolltickets GmbH, Germany, a provider of toll collection services for passenger cars to end customers.
- On December 20, 2016, Kapsch TrafficCom AG, Vienna, acquired 75.5% of the shares in Fluidtime Data Services GmbH, Vienna. Fluidtime develops and operates software solutions and user-friendly mobile services for intermodal travel in urban areas.

2.2 Earnings situation.

In the 2016/17 fiscal year, Kapsch TrafficCom **revenues** reached EUR 648.5 million – an increase of EUR 122.4 million or 23.3% compared to the previous year's figure of EUR 526.1 million. This welcome development is mainly due to the first-time consolidation of Kapsch TrafficCom Transportation (KTT, the global transportation division acquired by Schneider Electric as of April 1, 2016).

The EMEA region (Europe, the Middle East and Africa) generated 62.9% of the overall turnover. The Americas region (North America and Latin America) experienced growth primarily as a result of the acquisition of the KTT business, generating 30.1% of the group's revenues. The APAC region (Asia-Pacific) contributed 7.0% (no change) towards the overall total.

EBIT again at a high level (EUR 60.1 million).

Kapsch TrafficCom's **operating income (EBIT)** amounted to EUR 60.1 million, down -3.6% compared to the previous year (EUR 62.3 million). The EBIT margin declined to 9.3% (previous year: 11.9%), due to the strong contribution of KTT to revenues with a negative EBIT (EUR -2.3 million). Integration expenses in relation to the companies acquired at the beginning of the fiscal year also had an adverse impact on the overall result. A one-time effect ("badwill") of EUR 3.0 million (difference between the purchase price for KTT and the net assets acquired, in accordance with the purchase price allocation) had a positive influence here. The persistently negative results of the smart parking subsidiary, Streetline Inc., U.S.A., also had an adverse impact on the Group's results.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose slightly by 1.2% to EUR 77.8 million compared to the previous year (EUR 76.9 million). This is due to the fact that the new companies in the group have also increased scheduled amortization/depreciation.

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

Electronic Toll Collection (ETC). In this segment, projects for construction, maintenance and operation of systems, which include electronic toll collection for toll payment without stopping at a toll station as well as manual toll systems, are represented. These are usually projects that are awarded by public agencies or private concessionaires in the context of tender procedures. These systems are used for individual road sections or countrywide road networks. After construction, subsequent deliveries of components are often made for expansion and/or adaptation of the systems.

In the 2016/17 fiscal year, sales in the ETC segment rose by 6.0% from EUR 442.1 million to EUR 468.4 million.

The biggest contribution to sales of EUR 307.1 million (2015/16: EUR 321.7 million) was still generated in the EMEA region by road tolls in the Czech Republic, Poland, Belarus and Austria. In South Africa, a significant increase in sales was achieved through the contractual exchange of the IT infrastructure. The volume of construction projects was lower than in the same period of the previous year, as the expansion of the existing systems in Belarus and Poland progressed at a slower pace. Component sales in the EMEA region were marginally higher than in the previous year due to lower sales of on-board units in France, the Czech Republic, Spain and Russia.

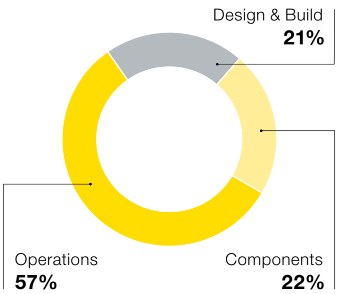
Sales in the Americas region increased to EUR 122.4 million in 2016/17 (2015/16: EUR 86.6 million). Above all, the projects acquired in the U.S.A. during the KTT acquisition contributed to this encouraging development.

New installation projects resulted in an increase in revenues in the APAC region to EUR 39.0 million (2015/16: EUR 33.8 million), such as the contract awarded to Kapsch TrafficCom for renewal of the existing toll collection system for the Sydney Harbor Bridge and the Sydney Harbor Tunnel.

In the segment ETC, new Design & Build projects and components sales contributed to the increased revenue and EBIT.

In the 2016/17 fiscal year, the number of on-board units sold reached a new record level of 11.7 million (2015/16: 9.6 million units). Increases were in particular recorded in the U.S.A. (over 6.1 million units, compared to 4.4 million units in the previous year), Australia, Norway, Russia and Spain, while sales figures for Thailand and Mexico fell compared to the equivalent period of the previous year. Component revenues, however, were down slightly compared to the previous year (-7%), due to the lower average price for on-board units, particularly in the U.S.A. Kapsch TrafficCom is also the exclusive supplier of on-board units for the E-ZPass network (U.S.A.).

Revenue distribution ETC.
(in %)



Segment Electronic Toll Collection (ETC).

in million EUR	2015/16	2016/17	+/-
Revenue	**442.1**	**468.4**	**6.0%**
Design & Build	92.3	96.9	5.0%
Operations	252.1	269.0	6.7%
Components	97.7	102.6	5.0%
EBIT	**63.7**	**65.5**	**2.8%**

The EBIT for the ETC segment increased by 2.8% compared to the equivalent period of the previous year, reaching EUR 65.5 million. This improvement was mainly due to the very satisfactory performance of operating projects – particularly in the EMEA region. Although KTT contribution towards EBIT remains a negative one, the badwill of EUR 0.9 million arising in connection with this acquisition had a positive effect.

Intelligent Mobility Solutions (IMS). In this segment, projects for construction, maintenance and operation of systems for traffic monitoring, traffic control and traffic safety are represented. Projects for monitoring of utility vehicles and for 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 operational surveillance of public transportation and environmental installations.

In the IMS segment, the 2016/17 fiscal year was characterized by significant growth, due to the major acquisition of Kapsch TrafficCom Transportation (KTT, the global transport division acquired by Schneider Electric on April 1, 2016). In the 2016/17 fiscal year, revenues in the IMS segment thus rose significantly by 114.4% – from EUR 84.0 million to EUR 180.0 million. However, integration of these companies that were acquired in a number of countries was also reflected in the integration costs and the corresponding segment earnings in the past financial year.

The strongest growth was recorded in the EMEA region (EUR +50.4 million to EUR 100.6 million), with KTT, acquired at the beginning of the fiscal year, contributing greatly towards this result. In addition to the KTT projects, which amounted to EUR 49.1 million in Spain and beyond in Saudi Arabia, the progress of the cross-border program "CHARM" – for which the Advanced Traffic Management System DYNAC© was implemented in both the UK and the Netherlands – as well as the significantly increased revenue contribution from the operation of traffic management systems in South Africa, contributed to these increases.

The likewise very significant increase in revenues in the Americas region (EUR +41.3 million to EUR 72.9 million) was also mainly attributable to KTT projects. In addition to the pleasing revenue development in the U.S.A., it was Brazil, Argentina, Panama and Ecuador, as well as some countries in Central and South America, that contributed to this increase in revenues in the IMS segment.

The third region, APAC, also had an increase in revenues (EUR +4.3 million to EUR 6.5 million), which was mainly due to KTT sales in China.

Segment Intelligent Mobility Solutions (IMS).

in million EUR	2015/16	2016/17	+/-
Revenue	**84.0**	**180.0**	**114.3%**
Design & Build	36.1	75.3	108.5%
Operations	32.3	92.6	186.8%
Components	15.6	12.1	-22.2%
EBIT	**-1.3**	**-5.4**	**312.4%**

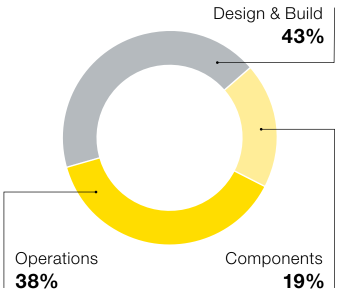
The EBIT of the IMS segment amounted to EUR -5.4 million, considerably lower than the figure for the equivalent period of the previous year (2015/16: EUR -1.3 million). The integration of KTT, investments in the development of the Smart Parking market as well as the drop in contributions by the North American operating projects all had a negative impact on the profitability of Kapsch TrafficCom in this segment. The negative difference ("badwill") arising from the KTT acquisition had a positive effect of EUR 2.1 million on the segment.

The segment IMS reflects growth but also the investments in new solutions.

Revenues by region.

in million EUR	2015/16	2016/17	+/-
EMEA	**372.0**	**407.7**	**9.6%**
Design & Build	58.2	53.1	-8.7%
Operations	264.2	305.7	15.7%
Components	49.6	48.8	-1.5%
Americas	**118.2**	**195.4**	**65.3%**
Design & Build	49.8	91.8	84.4%
Operations	16.3	48.7	198.8%
Components	52.2	54.8	5.0%
APAC	**35.9**	**45.4**	**26.5%**
Design & Build	20.4	27.2	33.3%
Operations	4.0	7.2	79.1%
Components	11.6	11.1	-4.7%
Total	**526.1**	**648.5**	**23.3%**

Revenue distribution IMS.
(in %)



Significant items in the overall results.

Expenses for materials and other related manufacturing services increased by EUR 40.3 million to EUR 242.1 million (previous year: EUR 201.9 million) as a result of the sales performance. The ratio of material and other procured manufacturing services to revenues decreased slightly from 38.4% to 37.3%. This development is also linked to the change in the segment mix

Personnel expenses rose by EUR 71.0 million to EUR 224.2 million, mainly due to the 36% increase in the average number of employees (+1,260 persons to 4,774 persons) (previous year: EUR 153.2 million). The personnel ratio (personnel expenses in relation to revenues) rose from 29.1% to 34.6% compared to the previous year

Scheduled depreciation and amortization expenses rose by EUR 3.2 million to EUR 17.7 million (previous year: EUR 14.5 million). There were no extraordinary write-downs or impairments during the fiscal year.

Other operating expenses also rose sharply by EUR 34.7 million to EUR 134.4 million (previous year: EUR 99.6 million) as a result of the sales performance and the acquisitions. The ratio of other operating expenses to revenues increased from 18.9% to 20.7% compared to the previous year. Special increases were recorded in legal and consulting expenses, travel expenses, other charges and taxes, communication costs and office expenses, while operating foreign exchange losses and IT expenses declined.

The financial result improved somewhat in the current fiscal year, increasing from EUR -7.6 million to EUR 0.4 million, the primary reason for this development being a decline of EUR -9.3 million in the expenses incurred by foreign exchange rate losses. At EUR 13.5 million, the finance revenue was slightly above the figure for the equivalent period of the previous year (2015/16: EUR 12.9 million).

The financial result also improved significantly compared to the previous year.

The result from joint ventures and associated companies increased to EUR 0.1 million (previous year: EUR 0.0 million) and was attributable to the investment in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

Earnings before taxes increased by EUR 5.8 million or 10.6% to EUR 60.6 million (previous year: EUR 54.8 million) as a result of these developments.

Earnings per share rose to EUR 3.35.

The profit for the period increased by 17.1% to EUR 42.7 million compared to the equivalent period of the previous year. As a result of the acquisition of the remaining, non-controlling 48% interest in the Czech company Kapsch Telematic Services spol. s r.o., the profit for the period attributable to equity holders showed a clear increase of +40.3% to EUR 43.6 million (2015/16: EUR 31.1 million), which corresponds to a profit per share in the amount of EUR 3.35 (2015/16: EUR 2.39).

2.3 Financial situation.

As at March 31, 2017, **the balance sheet total** of Kapsch TrafficCom rose by EUR 135.1 million to EUR 648.8 million (previous year: EUR 513.7 million).

Under “Non-current assets”, “Tangible assets” rose by EUR 2.3 million to EUR 23.1 million (previous year: EUR 20.9 million) and “Intangible assets” by EUR 7.1 million to EUR 72.0 million (previous year: EUR 64.9 million), largely due to the Telvent acquisition. This was offset by a significant reduction in “Other non-current assets”, by EUR 18.3 million to EUR 0.6 million (previous year: EUR 18.9 million). This is mainly due to the contractually agreed repayments from the Belarusian construction project as well as the associated reclassification to “Current trade receivables”. “Non-current assets” showed an overall decrease of EUR 8.9 million to EUR 128.2 million (previous year: EUR 137.1 million).

As a result of this acquisition, “Inventories” also increased by EUR 3.5 million to EUR 39.3 million (previous year: EUR 35.8 million).

Since March 31, 2016, “Trade receivables and other current assets” increased by EUR 65.8 million to EUR 261.9 million (previous year: EUR 196.2 million). The main reason for this was the receivables taken over with the acquisition of KTT. As of April 1, 2016, this amounted to EUR 60.8 million. By contrast, receivables from the project in Belarus fell by EUR 11.9 million.

The biggest change in the asset items on the balance sheet was positively reflected in the item “Cash and cash equivalents”, which increased significantly by EUR 70.5 million to EUR 211.3 million (previous year: EUR 140.8 million). This was largely as a result of the issuance of a promissory note bond. The company used the market interest rates to secure refinancing of the corporate bond at an early stage.

The balance sheet reflects the repayment of significant amounts of project financing.

On the liabilities side of the balance sheet, financial liabilities underwent the most significant change: due to the fact that the residual term of the corporate bond was less than one year (ending in November 2017), this was reallocated from “Non-current financial liabilities” to “Current financial liabilities”, with particularly as a result of this increasing by EUR 76.6 million to EUR 97.9 million (previous year: EUR 21.3 million). The item “Non-current financial liabilities” amounts to EUR 97.5 million. This represents an increase of EUR 11.7 million and comprises in addition to reclassification of the repayable corporate bond, primarily the promissory note bond in the amount of EUR 75.6 million placed in the first quarter of the current fiscal year.

As of March 31, 2017, project financing for construction of the toll system in Belarus was completely repaid.

“Other non-current provisions” rose by EUR 8.6 million to EUR 10.0 million, mainly due to the integration of KTT. At EUR 10.5 million, “Other non-current liabilities” were higher by EUR 7.2 million than in the previous year. The main reason for this was the variable, still open purchase price for the acquired remaining 48% of the Czech Kapsch Telematic Services spol. s r.o.

“Trade payables” amounted to EUR 55.9 million (previous year: EUR 52.0 million) and thus rose by EUR 3.9 million. “Other liabilities and deferrals” rose by EUR 24.1 million to EUR 103.5 million (previous year: EUR 79.3 million). This is primarily due to the KTT acquisition (EUR 26.0 million). “Current provisions” also rose significantly to EUR 17.6 million (previous year: EUR 8.9 million), which is also due to the KTT acquisition and is furthermore linked to legal disputes in the U.S.A.

At EUR 227.3 million, **equity** was EUR 3.4 million lower than the figure at the end of the previous fiscal year. The equity ratio also dropped from 44.9% to 35.0% during this period. This was primarily attributable, on the one hand, to a reduction in shareholders' equity as a result of

- disbursement of the dividend in the amount of EUR 19.5 million (EUR 1.50 per share)
- the acquisition of the remaining 48% of the shares in Kapsch Telematic Services spol. s r.o., Czech Republic. The purchase price in the amount of up to EUR 21.8 million comprises a fixed component in the amount of EUR 14.0 million (already paid), and a variable, results-based component in the amount of EUR 7.8 million, to be paid in installments by 2020,

and an increase in balance sheet total as a result of the issuance of a promissory note bond in the amount of EUR 62.0 million and USD 14.5 million for purposes of refinancing the bond falling due in November 2017. On the one hand, the issuance of the promissory note bond has resulted in an increase in "Cash and cash equivalents" on the assets side of the balance sheet and, on the other hand, the "Non-current financial liabilities" increased on the liabilities side of the balance sheet.

Despite the acquisitions and dividend payments, equity was just below the previous year's figure.

Despite the dividend payment and various acquisitions, the balance sheet showed a net cash in the amount of EUR 19.6 million.

The net working capital rose from EUR 183.7 million as of March 31, 2016 to EUR 249.7 million as of March 31, 2017.

2.4 Financial situation.

Net cash flow from operating activities amounted to EUR 55.0 million in the reporting period (previous year: EUR 97.9 million). At EUR 94.9 million, earnings before changes in net working capital remained stable compared to the previous year, but the increase in "Trade receivables and other current assets" by EUR 6.2 million (previous year: a decrease of EUR 11.9 million) and the reduction in "Trade payables and other current liabilities" by EUR 14.0 million (previous year: an increase of EUR 12.9 million) led to this reduced net cash flow. The effects on interest income, interest payments and income tax payments remained at the same level as the previous year.

Net cash flow from investment activities amounted to EUR -37.9 million in the 2016/17 fiscal year, of which EUR -21.9 million (net, after deduction of "Cash and cash equivalents" of the acquired companies) pertained to the acquisition of KTT – see note 31. In addition, EUR -2.5 million was attributable to the investment in ParkJockey Global, Inc., U.S.A., EUR -0.3 million (net) to the acquisition of a 65% interest in tolltickets GmbH, Germany, and EUR -0.6 million (net) to the acquisition of a 75.5% interest in Fluidtime Data Services GmbH, Austria. Net cash flow from investment activities in the equivalent period of the previous year had been a positive amount of EUR 2.8 million, primarily due to the sale of securities and an inflow of "Cash and cash equivalents" from the acquisition of the shares in Streetline, Inc., U.S.A. At EUR -15.1 million, net investments in tangible and intangible assets was higher than the previous year's EUR -10.0 million, this being due to the acquisition and integration of KTT.

The free cash flow (net cash flow from operating activities minus net investments) was again positive at EUR 42.6 million, but was nevertheless well below the previous year's figure of EUR 90.7 million, mainly due to the development of receivables and inventories and the higher increase in liabilities. The above-mentioned investments also placed a strain on free cash flow.

Free cash flow fell to EUR 42.6 million.

The net cash flow from financing activities amounted to EUR 49.6 million (previous year: EUR -49.6 million). The item "Increase in non-current financial liabilities", which rose by EUR 100.4 million mainly as a result of the promissory note bond that was raised, had a significant influence on this increase. This was countered by the repayment of "Current financial liabilities" (EUR -19.8 million), the dividend payment (EUR -19.5 million) and an already paid purchase price component for the remaining shares in the Czech company Kapsch Telematic Services (EUR -14.0 million).

As at March 31, 2017, "**Cash and cash equivalents**" reached a record level of EUR 211.3 million (March 31, 2016: EUR 140.8 million). This high cash level is due partly to the good result, partly to the issuance of the promissory note bond and partly to the OeKB-assisted acquisition financing, and will be used for the planned repayment of the corporate bond in the autumn of 2017.

Despite the intensive investment activities (in particular the acquisition of the KTT division), the acquisition of a significant minority interest and the payment of a dividend, net cash stood at a total of EUR 19.6 million (March 31, 2016: EUR 33.8 million net cash).

3 Miscellaneous company information.

3.1 Research and development.

With the acquisition of the transportation division of Schneider Electric, Kapsch TrafficCom extended the network of research and development institutes. The most important centers are in Austria, Sweden, Argentina, North America and Spain. Additional resources can be found inter alia in Italy, South Africa and Chile. Against the background of the now broader service portfolio and with the aim of dealing even better with the demands and requirements of the market, so-called "Solution Centers" have been set up alongside the "Research and Development" division. They are responsible for product and solution management, solution design and development as well as to support the sales team and customers within the individual market segments. The Research and Development division supports the Solution Centers, bundles engineering skills and is responsible for the harmonization and standardization of the different solutions. In addition, this division defined the different processes and communication structures for all those involved in the Innovation division.

Focused patent strategy.

In the fiscal year 2016/17, Kapsch TrafficCom evaluated the extensive portfolio of 200 patent families with more than 2,000 individual patents. With the aim of focusing on any areas which have strategic significance for the Group, 955 individual patents were submitted and six new patent families registered. In addition, a team of internal and external experts analyzed the legal landscape — in particular in the new business segments in the IMS segment. A global patent monitoring system should provide early information about applications by third parties in connection with relevant technologies.

As of March 31, 2017, the Group employed about 640 engineers (previous year: 430) with innovation agenda. The development costs of Kapsch TrafficCom in fiscal year 2016/17 amounted to about EUR 85.4 million (previous year: approx. EUR 56.6 million), which is about 13% (previous year: about 11%) of total sales. The development costs are distributed as follows: Costs for customer-specific developments amounted to EUR 44.2 million (previous year: EUR 32.4 million), the costs for product management, IPR management, development support and generic developments amounted to a total of EUR 41.1 million (previous year: EUR 24.2 million).

3.2 Non-financial performance indicators.

Sustainability management.
Kapsch TrafficCom feels particularly obligated to the central aspects of sustainability, not least because of the object of the company. With our products and solutions, we make an active contribution to environmentally and resource friendly organization of traffic systems and therefore to a sustainable development of our society. Moreover, we also work strictly in our own sphere of action to minimize our consumption of resources and possible effects on the environment.

Systematic sustainability focus.
Kapsch TrafficCom understands sustainability as a continuous process. In past years the process of systematizing all agenda concerning this matter has been started. The fifth sustainability report was published in 2017; it is available on the company's website (www.kapschtraffic.com) under the heading "Investor Relations".

The sustainability report satisfies the requirements for writing sustainability reports of the Global Reporting Initiative (GRI) pursuant to GRI 3.1 Application Level C and represents our progress report for the United Nations Global Compact (UNGC).

The report provides detailed information about the central areas of activity:

> Sustainable safeguarding of the company's success
> Products with added value for the environment and society
> Protection of the environment and resources
> Competent team
> Social responsibility

Indicators to measure success and goals for the following periods were defined for each area of activity. All agenda concerning this matter are coordinated by a sustainability officer, who reports directly to the Board of Directors. In the following, selected areas of activity will be described in more detail.

Innovative products with added value for the environment and society.
The products and solutions for Intelligent Transportation Systems from Kapsch TrafficCom make an active contribution to climate change. They allow those in traffic to reach their destination quickly, efficiently and by saving resources. In order that these demands can also be met in the best possible way in the future as well, Kapsch TrafficCom is investing heavily in research and development — in the fiscal year 2016/17 about 13% (previous year: about 11%) of total sales were expended for this.

A comprehensive guide should guarantee that environmental, economic, social, health and safety aspects are taken into consideration in the best possible and structured way in the development and design of the products. The contents of the guide are to be incorporated into the technical specifications or project tenders.

The standards for development and design of the products also include sustainability aspects.

Quality.
The high standards for quality, safety and processes are of great important in all company units of Kapsch TrafficCom. Kapsch TrafficCom defines its processes in an integrated HSSEQ management system (Health-Safety-Security-Environment-Quality). The basis for this is the certifications pursuant to ISO 9001: Quality management (since 2002) as well as according to OHSAS 18001: Occupational safety management and ISO 14001: Environmental management (since 2005).

Kapsch TrafficCom has anchored the necessary measures to safeguard the standards related to this in internal processes and constantly checks these. The certificate pursuant to ISO 27001 defines the necessary information security management. The ISO 20000 for IT Service Management ensures a high quality of service in the field of technical operation.

The HSSEQ Circle set up meets once a quarter to discuss the status of the objectives and measures from the areas of Health & Safety, Quality, Environment and Information Security with the divisions, as well as to implement measures to guarantee further improvements.

Protection of the environment and resources.
The consumption of raw materials and the emission of climate-relevant emissions are connected with the company's commercial activity. Kapsch TrafficCom is constantly working intensively to minimize these effects. The majority of these effects result from the business activity of the subsidiary company Kapsch Components, which is responsible for production as well as the vehicle fleet of the entire group of companies.

Through measures to increase energy efficiency, but also due to low production volumes, power consumption by Kapsch Components dropped in fiscal year 2015/16 compared to the previous year from 754 MWh to 732 MWh or by 2.9%. The waste fraction per ton of products produced grew by 28.8% to 243 kg (previous year: 173 kg). Absolute consumption of nitrogen used per ton of product was 3.8% lower than in the previous year.

More attractive and responsible employer.
Dedicated team. In the fiscal year 2016/17, Kapsch TrafficCom employed an average of 4,774 employees (2015/16: 3,514 persons). On March 31, 2017 there were 4,823 employees (4,066 salaried employees and 757 workers) employed, whereby the increase is largely attributable to the acquisition of KTT (employees as at March 31, 2017 from KTT companies: 858 persons).

Kapsch TrafficCom is attractively positioned as an employer internationally.

Training and further training. A lot is devoted to personnel and organizational development at Kapsch TrafficCom because the qualifications and commitment of the employees are seen as decisive requirements for the company's success. In the fiscal year 2016/17 each employee had an average of 3 training and further training days. Besides specialist training and further training, social skills were also conveyed in the training programs from Kapsch TrafficCom. Moreover, a job rotation program, a customized offer for junior managers as well as annual performance reviews are offered.

Pension fund. Kapsch TrafficCom pays contributions for the employees of the companies in the Group in Austria into an external pension fund pursuant to an established contributions scheme. The amount of these contributions depends on income and on the company's return on sales.

Employee participation in the success of the company. Kapsch TrafficCom is aware of the contribution of employees to the success of the company and therefore provides a profit-sharing bonus to a maximum total of 5% of the profit before tax of Kapsch TrafficCom. Country-specific upper limits should ensure that allocation is based on purchasing power parity. Allocation is per head and independent of income, and is limited to EUR 1,500 per employee.

Equal opportunities for women as well as their advancement are important issues for Kapsch TrafficCom.

Women@Kapsch. Thanks in particular to a flexible work time model, women are provided with support at Kapsch TrafficCom to reconcile career and family. There are also co-operative programs with schools, universities and universities of applied sciences which aim to increase the proportion of women at Kapsch TrafficCom, among other thing. Kapsch TrafficCom also takes part in programs for the advancement of women in engineering, for example "FIT Frauen in die Technik" or "FemTech". In order to generally ensure that women are granted the same opportunities, a committee for equal treatment has also been set up.

Responsibility to society.

Social responsibility also includes ethical, moral and legally correct behavior.

The framework for action. Besides the legal requirements and internal guidelines, the code of conduct of Kapsch Group defines binding principles for ethical, moral and legally correct behavior for all company units, and therefore also for the employees of Kapsch TrafficCom. The code of conduct can be found at www.kapsch.net.

Moreover, within the framework of internal risk management, all business units on which Kapsch TrafficCom has a significant influence will be investigated with regard to their corruption risks. A system of internal guidelines provides a framework for action which should prevent corruption risks.

In accordance with the company values, Kapsch TrafficCom assumes social responsibility which goes well beyond its operative sphere of action and is predominantly organized via Kapsch Group. The focus of this commitment to society is made up of the promotion of health and development as well as support for educational, art and cultural institutions. A selection of supported projects and initiatives will be presented below.

Promotion of educational institutions and social projects.

Synergy of business, education and research. Kapsch Group has been committed for a long time to building bridges between business and research or educational institutions. For example, we promote the "Universitäre Gründerservice Wien" and the "INiTS Award". This award is given to final theses and dissertations which can be implemented into company practice. In order to also be able to cover the demand for highly qualified employees in the future, we primarily promote engineering and science-based institutions and projects. Among other things, this includes the Institute for Electrical Engineering and Information Technology at the TU Vienna, the FH Technikum Vienna, the FH Campus Vienna and the FH Vienna with the masters course "Director Management". With the "Kapsch Karrierelounge" range of events for several years, students have been invited to address technical issues within the framework of project work or special presentations.

Promotion of social projects. Kapsch values and promotes work by charitable institutions like the Institute for Cooperation in Development Projects (ICEP). This independent private initiative — based in Austria — makes a significant contribution to the global fight against poverty. The ICEP supports education-based projects which permanently improve the living conditions of people in developing countries.

For years Kapsch Group has also supported the activities of "Doctors Without Borders", an internationally recognized and globally acting organization which helps people who lack sufficient medical care. Since 2013 there has also been a grant agreement between the St. Anna Children's Cancer Research and Kapsch Group: Research work is supported within the scope of the project "Next Generation Sequencing". The aim of this project is to gain information about human genetic material and thereby to obtain knowledge about the genetic changes which are connected with the course of disease and therapy. Kapsch supports this complex project with the conviction that in doing so the chances of children recovering from cancer can be increased significantly.

Promotion of art and culture. Kapsch Group actively observes its social responsibility and promotes selected local, regional and global cultural and social projects and institutions. In doing so, Kapsch is well aware of the importance of the sustainability and durability of this support. For example, since 1992 there has been a general partnership with the Vienna Concert Hall, which is constantly tapping into new layers of the public with unconventional programs, without losing long-term friends of the Hall. The "Wien modern" festival – one of the world's most famous contemporary music festivals — has been promoted by Kapsch since 1989.

In 2016, with the establishment of the Kapsch Contemporary Art Prize in cooperation with the mumok in Vienna, another initiative to promote young artists was started, which allows up-and-coming talent a first appearance in front of the international public.

3.3 Risk 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.

Risk Management entails the identification and analysis of risk 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, 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.

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

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

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

In the past, the revenues of Kapsch TrafficCom have been heavily influenced by whether the given fiscal year had any implementation projects in the ETC segment. High revenue figures were recorded for example in the 2010/11 fiscal year (installation of an electronic toll system in the South African province Gauteng) as well as 2011/12 (installation of the nationwide electronic truck toll system in Poland). In fiscal years 2012/13, 2013/14 and 2014/15, significant revenue came from the installation of the nationwide electronic toll system in Belarus, which also made a major contribution to revenue from installation projects in the 2015/16 fiscal year. In addition, installation projects in Texas, U.S.A., (installation of a managed lane system) and in Sydney, Australia (installation of a toll system on specific route sections), contributed significantly to the increased revenue in the ETC segment.

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 should be achieved through increasing geographic diversification through further broadening of the customer and product portfolios and through a continuous increase in the share of revenue from operation and maintenance of offered systems. The technical and commercial operation of systems is generally associated with the awarding of the order for installation of the system, but after the installation is complete, the operation represents a longer term and more reliable source of revenue. In previous fiscal years, it has also been possible to continuously increase the revenue from installation projects of smaller scope. Valuable contributions came here from the segment of Intelligent Mobility Solutions (IMS) and from the geographic regions of the U.S.A. and Australia.

Technical challenges and tight schedules produce typical project risks.

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

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

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

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

Strategic risks.

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

Ability to innovate. The strong market position of Kapsch TrafficCom is based to a large extent on its ability to develop state-of-the-art, 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.

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

Acquisition and integration of companies as part of the Group's growth. One of the strategic objectives of Kapsch TrafficCom is to expand internationally both through organic growth and via selected acquisitions and joint ventures. In implementing this strategy, Kapsch TrafficCom acquires suitable companies around the world and integrates them into the Group. In the course of these acquisitions, it is necessary to overcome a number of challenges in order to achieve the desired goals and synergies and to realize the expected opportunities from the acquisition of new technologies and market know-how.

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

Financial risks.

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

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

Interest rate risk. Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (Euribor, etc.). This exposes the Group to interest rate risks. Kapsch TrafficCom utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

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 favor of third parties. The availability of financing and bank guarantees depends not only on market conditions but in particular on the net assets, financial position and earnings situation of Kapsch TrafficCom. A lack of liquid assets (even if the Group is otherwise essentially solvent), of financing or of bank guarantees could in turn have an extremely adverse impact on the net assets, financial position and earnings situation of Kapsch TrafficCom.

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

Credit risk. Kapsch TrafficCom is exposed to the risk of non-payment by customers. The main customers of Kapsch TrafficCom are to a large extent state agencies, especially in connection with the installation or operation of 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 the 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 the Management to raise current concerns, worries and wishes as well as the general mood situation.

Legal risk.

In connection with participating in tenders of public agencies for the installation and operation of toll and traffic management systems, a number of regulations and statutory requirements must be observed. Assessing and adhering to legal regulations and requirements can result in considerable administrative and technical expense. If applicable regulations or official requirements cannot be met or fulfilled, this can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

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

IT risks.
As a technology company, Kapsch TrafficCom is exposed to common IT risks in terms of the security, confidentiality and availability of data. To this end, Kapsch TrafficCom AG has introduced an IT risk management system based on CRISAM, the Corporate Risk and IT Security Application Method, and is also certified according to ISO/IEC 27001 (Information Security Management). Additionally, the toll 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 early identification of opportunities opens up new potential.

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

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

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

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

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

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

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

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

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

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was improved again in the 2016/17 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. This manual sets forth the main accounting and reporting requirements for the entire group based on the International Financial Reporting Standards (IFRS) group guidelines, working instructions and defined procedures constitute another important cornerstone of ICS.

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.

The internal control system is implemented locally in each company and monitored centrally.

Local management is responsible for implementing and monitoring the internal control system in accordance with the local requirements. The managing directors of the individual subsidiaries are ultimately responsible for establishing and designing internal control and risk management processes that meet the needs of the given company in view of accounting procedures as well as for ensuring compliance with the group-wide rules and guidelines. In order to provide better support to the management teams of the subsidiaries, an ICS officer was established within the Finance department of Kapsch TrafficCom AG. This person is responsible for centrally standardizing the ICS within the entire Kapsch TrafficCom, 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 one 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, 2017. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. On March 31, 2017, 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 a termination of the agreement, relate to financing arrangements, in particular the promissory note bond (“Schuldscheindarlehen”) issued in the past financial year, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.6 Corporate Governance Report.

According to C-rule 61 of the Austrian Corporate Governance Code, it is pointed out that the corporate governance report can be accessed on the internet at www.kapschtraffic.com in the section “Investor Relations/ Corporate Governance/Corporate Governance Declaration & Report”.

4 Outlook and objectives.

Kapsch TrafficCom should also continue to grow in fiscal year 2017/18. The pipeline of new businesses in the ETC segment seems to be especially strong in the U.S.A. The company is also expecting more dynamism from the APAC region. In Europe there is a focus on nation-wide toll collection systems: For example in

- Poland (the existing contract expires in 2018), the tendering process has begun.
- Bulgaria, in the last business year there were numerous delays in the tendering process; the management of Kapsch TrafficCom is hoping to make progress here this fiscal year, however.
- the Czech Republic (the existing contract has already been extended to 2019), the start of the tendering process is expected.

In the IMS segment, the integration of KTT is now largely completed, so that here more focus can now be placed on sales. Kapsch TrafficCom's new matrix arrangement should significantly improve cooperation between Sales and Development (Solution Center) as well as the exchange of information with customers. The CHARM project (comprehensive modernization and consolidation of traffic management on the highways in England and the Netherlands) is to be successfully driven forward. Because of its size and complexity, this project demands Kapsch TrafficCom's greatest attention.

Despite an increase in sales, stable results are to be assumed with regard to the EBIT for fiscal year 2017/18. Price effects resulting from the extension of the toll collection projects in the Czech Republic and Austria will come into effect and additional, seasonally manageable cost burdens from the US business – for the development of the Smart Parking market and to safeguard our legal IP position – will also be incurred. In the IMS segment the company is also working to achieve a positive EBIT for 2017/18. The repayment of the 4.25% corporate bond in November 2017 will positively influence both Kapsch TrafficCom's financial results and its equity ratio.

Vienna, June 07, 2017

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

Auditor's Report.

Report on the consolidated financial statements.

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, 2017, the consolidated statement of cash flows and the consolidated statement of changes in equity 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, 2017, 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 Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

1. Impairment test of goodwill
2. Estimates and assumptions regarding the recognition of revenue from construction contracts
3. Acquisition of Kapsch TrafficCom Transportation

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

1 Impairment test of goodwill.

Descriptions of the individual key audit matter.
The consolidated financial statements contain goodwill in the amount of TEUR 47,555 under the item intangible assets, of which TEUR 11,723 is allocated to the CGU ETC-Americas and TEUR 21,316 to the CGU ETC-EMEA. The Group carries out an impairment test at least once a year and additionally, if a triggering event occurs (impairment test in accordance with IAS 36).

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

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

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

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

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

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

Descriptions of the individual key audit matter.
The major part of the Group's revenue and earnings contribution reported during the fiscal year comes from the project business. Receivables from construction contracts as of March 31, 2017 amount to TEUR 77,205 and liabilities to TEUR 29,097. In the fiscal year 2016/17 revenue from constructions contracts was generated in the amount of TEUR 308,189.

The Group uses the percentage-of-completion method according to IAS 11 in accounting for its construction contracts, whereby the degree of completion is determined from the ratio of the costs already incurred to the estimated total costs for the respective contract. This requires an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts, which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the contract margin.

Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Group usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks. Due to the material impact of the major projects, in particular during the construction phase, on the Group's financial position and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the project revenue, the Group result and the project-related balance sheet items contain a material misstatement.

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

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

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

3 Acquisition of Kapsch TrafficCom Transportation.

Description of the individual key audit matter.
On December 14, 2015, the Group entered into an agreement regarding the acquisition of the Global Transportation division (Telvent Tráfico y Transporte, now Kapsch TrafficCom Transportation) from Schneider Electric S.E. The closing of the transaction and the initial consolidation and purchase price allocation in accordance with IFRS 3 took place on April 1, 2016. In the course of the purchase price allocation, at a purchase price of TEUR 31,096 a negative goodwill amounting to TEUR 2,982 arose, which was recognized in income.

Within the framework of a business combination, significant assumptions are made regarding the existence and measurement of the acquired assets (primarily intangible assets), liabilities and contingent liabilities. The main risk is the determination of the fair values and the measurement of the assets, the non-identification of intangible assets as well as the estimation of future cash flows and of the discount rate.

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

Our audit activities included in particular:
- Inspection of the contract documentation on the purchase
- Analysis of the results of the purchase price allocation prepared externally by a consultant and discussion of the assumptions with management and the external consultant
- Verification of the identification of intangible assets and the methodology applied (involving valuation experts), plausibility checks performed regarding the assumptions, calculations and discount rates
- Audit of the opening balance sheets as of April 1, 2016 of the main subsidiaries Kapsch TrafficCom Transportation S.A.U, Madrid, Spain, and KapschTrafficCom Transportation NA, Inc., Rockville, USA, by PwC Madrid and PwC Canada
- Examination of the first-time consolidation of Kapsch TrafficCom Transportation as of April 1, 2016 based on the purchase price allocation and of the related notes disclosures.

Reference to related disclosures.
The notes on the acquisition of Kapsch TrafficCom Transportation can be found in note 31 "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 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 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.

Responsible engagement partner.

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

Vienna, June 7, 2017

PwC Wirtschaftsprüfung GmbH

gez:

Mag. Peter Pessenlehner
Austrian Certified Public Accountant

Statement of all Members of the Executive Board.

Pursuant to Section 82 Para 4 No. 3 BörseG.

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 07, 2017

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

Financial Statements.

Kapsch TrafficCom AG as of 31 March 2017.

Kapsch TrafficCom AG, Vienna

Balance sheet as at March 31, 2017
(Translation)

Assets

	March 31, 2017		March 31, 2016	
	EUR	EUR	EUR '000	EUR '000
A. Fixed assets				
I. Intangible assets				
Industrial property and similar rights and assets, and licenses in such rights and assets		7,309,815.57		9,367
II. Tangible assets				
1. Investments in leasehold buildings		1,461,982.11		1,781
2. Technical equipment and machinery		157,549.50		290
3. Other equipment, factory and office equipment		1,419,969.93		1,571
		3,039,501.54		3,642
III. Financial assets				
1. Shares in affiliated companies		149,146,008.93		84,129
2. Loans to affiliated companies		53,488,456.05		45,436
thereof with a remaining maturity of more than one year	*40,160,501.00*		*38,257*	
3. Participating interests		11,683,307.45		17,650
4. Securities		4,375.00		4
		214,322,147.43		147,219
		224,671,464.54		160,228
B. Current assets				
I. Inventories				
1. Merchandise		5,362,108.90		4,978
2. Services not yet invoiced		1,200,896.67		3,037
3. Prepayments made		5,831,235.15		68
		12,394,240.72		8,083
II. Receivables and other assets				
1. Trade receivables		4,859,180.41		7,843
thereof with a remaining maturity of more than one year	*0.00*		*0*	
2. Receivables from affiliated companies		139,543,032.09		135,234
thereof with a remaining maturity of more than one year	*6,533,341.36*		*24,340*	
3. Receivables from companies in which the Company has a participating interest		139,478.15		0
thereof with a remaining maturity of more than one year	*139,478.15*		*0*	
4. Other receivables and assets		5,818,253.19		6,043
thereof with a remaining maturity of more than one year	*0.00*		*0*	
		150,359,943.84		149,120
III. Cash on hand, cash at banks		102,554,590.45		58,368
		265,308,775.01		215,571
C. Prepaid expenses and deferred charges		1,262,309.71		1,759
D. Deferred tax assets		2,578,676.90		0
		493,821,226.16		377,558

Kapsch TrafficCom AG, Vienna

Balance sheet as at March 31, 2017
(Translation)

Shareholder's equity and liabilities

	March 31, 2017		March 31, 2016	
	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		136,489,805.92		112,465
thereof prior period unappropriated retained earnings brought forward	*92,965,414.32*		*84,213*	
		266,889,805.92		242,865
B. Investment grants		134,453.79		211
C. Accruals and provisions				
1. Accruals for severance payments		5,245,538.00		4,660
2. Other accruals and provisions		15,479,277.08		17,960
		20,724,815.08		22,620
D. Accounts payable				
thereof with a remaining maturity of less than one year	*108,801,206.65*		*41,044*	
thereof with a remaining maturity of more than one year	*97,270,944.72*		*70,818*	
1. Bonds		146,450,944.72		70,818
thereof convertible	*0.00*		*0*	
thereof with a remaining maturity of less than one year	*70,818,000.00*		*0*	
thereof with a remaining maturity of more than one year	*75,632,944.72*		*70,818*	
2. Bank loans and overdrafts		26,425,462.56		15,925
thereof with a remaining maturity of less than one year	*4,997,462.56*		*15,925*	
thereof with a remaining maturity of more than one year	*21,428,000.00*		*0*	
3. Prepayments received		81,298.00		155
thereof with a remaining maturity of less than one year	*81,298.00*		*155*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
4. Trade payables		2,409,175.44		2,015
thereof with a remaining maturity of less than one year	*2,409,175.44*		*2,015*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
5. Payables to affiliated companies		25,875,584.28		19,006
thereof with a remaining maturity of less than one year	*25,875,584.28*		*19,006*	
thereof with a remaining maturity of more than one year	*0.00*		*0*	
6. Other liabilities		4,829,686.37		3,943
thereof taxes	*59,830.25*		*383*	
thereof social security payables	*672,182.28*		*665*	
thereof with a remaining maturity of less than one year	*4,619,686.37*		*3,943*	
thereof with a remaining maturity of more than one year	*210,000.00*		*0*	
		206,072,151.37		111,862
		493,821,226.16		377,558

Kapsch TrafficCom AG, Vienna

Income statement for the fiscal year 2016/17
(Translation)

	2016/17		2015/16	
	EUR	EUR	EUR '000	EUR '000
1. Net sales		160,967,410.90		145,314
2. Change in services not yet invoiced		-1,836,245.75		2,195
3. Other operating income				
a) Income from the retirement and write-up of fixed assets excluding financial assets		1,500.00		4
b) Income from the reversal of accruals and provisions		4,690,051.14		579
c) Other		9,534,262.86		4,978
		14,225,814.00		5,561
4. Cost of materials and other purchased services				
a) Cost of materials		-14,949,256.74		-12,501
b) Cost of purchased services		-50,308,572.73		-41,948
		-65,257,829.47		-54,449
5. Personnel expenses				
a) Wages		-284,409.92		-257
b) Salaries		-26,839,562.30		-28,633
c) Social benefits		-8,715,906.10		-9,027
thereof expenses for pensions	*-157,500.00*		*-74*	
thereof expenses for severance payments and contributions to staff provision funds	*-1,287,299.29*		*-1,292*	
thereof expenses for statutory social security, payroll-related taxes and mandatory contributions	*-7,078,567.46*		*-7,399*	
		-35,839,878.32		-37,917
6. Depreciation and amortization of fixed tangible and intangible assets		-3,656,715.89		-2,258
7. Other operating expenses		-38,050,384.80		-37,142
thereof taxes not included in line 16	*-275,970.70*		*-475*	
8. Subtotal of lines 1 to 7		30,552,170.67		21,304
9. Income from participating interests		23,316,261.15		11,046
thereof from affiliated companies	*23,316,261.15*		*11,046*	
10. Other interest and similar income		4,726,531.96		4,946
thereof from affiliated companies	*4,562,586.42*		*4,804*	
11. Income from the disposal and write-up of fixed financial assets		2,241,083.75		335
12. Expenses on fixed financial assets		-5,966,645.33		-247
thereof write-offs	*-5,966,645.33*		*0*	
13. Interest and similar expenses		-4,118,414.82		-3,520
thereof relating to affiliated companies	*0.00*		*-35*	
14. Subtotal of lines 9 to 13		20,198,816.71		12,560
15. Profit before taxation (subtotal of lines 8 and 14)		50,750,987.38		33,864
16. Taxes on income		-7,226,595.78		-5,612
thereof recharged to group parent	*-9,737,404.96*		*-5,339*	
thereof deferred taxes	*2,578,676.90*		*0*	
17. Profit after taxation		43,524,391.60		28,252
18. Net income for the year		43,524,391.60		28,252
19. Prior period unappropriated retained earnings brought forward		92,965,414.32		84,213
20. Unappropriated retained earnings		136,489,805.92		112,465

Notes to the financial statements for fiscal year 2016/17
(Translation)

A. General principles

The financial statements as at March 31, 2017 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code (UGB) as amended.

Due to the Austrian Act on Changes in Accounting Practices 2014 (RÄG 2014) and pursuant to the transitional provisions of Section 906 (36) UGB, the classification of items in the balance sheet and income statement was adjusted to the new provisions and, if required by law, the prior-year figures were adjusted.

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, with the exception of the reclassifications in the amount of EUR 13.3 million (prior year: EUR 5.3 million) of other operating income to net sales as well as the first-time recognition of deferred tax assets, 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.

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. 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, the asset affected is written off or provisions are set up.

2.2. Receivables and other assets

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

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

2.3. Cash on hand, cash at banks

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

3. Prepaid expenses and deferred charges

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

4. Deferred tax assets

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

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

5. Accruals and provisions

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

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

A discount rate of 1.35% (prior year: 1.75%) was used for the calculation of entitlements, and a percentage of 2.5% (prior year: 2.5%) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables Pagler & Pagler AVÖ 2008-P (prior year: AVÖ 2008-P). Staff turnover rates were determined based on the period of service.

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

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

6. Accounts payable

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

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

D. Comments on items in the balance sheet

A s s e t s

Fixed assets

Movements in fixed assets:

	Acquisition cost			
	Balance March 1, 2016	Additions	Disposals	Balance March 31,2017
	EUR	EUR	EUR	EUR
I. Intangible assets				
Industrial property and similar rights and assets, and licenses in such rights and assets	18,920,425.40	545,424.23	122,810.61	19,343,039.02
II. Tangible assets				
1. Investments in leasehold buildings	5,058,838.56	137,900.25	0.00	5,196,738.81
2. Technical equipment and machinery	2,305,265.30	16,954.07	3,696.71	2,318,522.66
3. Other equipment, factory and office equipment	6,094,771.70	301,290.17	50,994.75	6,345,067.12
	13,458,875.56	456,144.49	54,691.46	13,860,328.59
III. Financial assets				
1. Shares in affiliated companies	92,037,494.13	62,776,183.33	0.00	154,813,677.46
2. Loans to affiliated companies	45,436,149.07	15,231,288.80	7,178,981.82	53,488,456.05
3. Participating interests	17,649,952.78	0.00	0.00	17,649,952.78
4. Securities	4,375.00	0.00	0.00	4,375.00
	155,127,970.98	78,007,472.13	7,178,981.82	225,956,461.29
	187,507,271.94	79,009,040.85	7,356,483.89	259,159,828.90

	Accumulated amortization/depreciation					Net book value	
	Balance March 1, 2016	Additions	Disposals	Write-ups	Balance March 31, 2017	Balance March 31, 2017	Balance March 31, 2016
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets							
Industrial property and similar rights and assets, and licenses in such rights and assets	9,553,827.05	2,602,105.83	122,709.43	0.00	12,033,223.45	7,309,815.57	9,366,598.35
II. Tangible assets							
1. Investments in leasehold buildings	3,278,105.82	456,650.88	0.00	0.00	3,734,756.70	1,461,982.11	1,780,732.74
2. Technical equipment and machinery	2,015,551.12	149,118.75	3,696.71	0.00	2,160,973.16	157,549.50	289,714.18
3. Other equipment, factory and office equipment	4,523,132.90	448,840.43	46,876.14	0.00	4,925,097.19	1,419,969.93	1,571,638.80
	9,816,789.84	1,054,610.06	50,572.85	0.00	10,820,827.05	3,039,501.54	3,642,085.72
III. Financial assets							
1. Shares in affiliated companies	7,908,752.28	0.00	0.00	2,241,083.75	5,667,668.53	149,146,008.93	84,128,741.85
2. Loans to affiliated companies	0.00	0.00	0.00	0.00	0.00	53,488,456.05	45,436,149.07
3. Participating interests	0.00	5,966,645.33	0.00	0.00	5,966,645.33	11,683,307.45	17,649,952.78
4. Securities	0.00	0.00	0.00	0.00	0.00	4,375.00	4,375.00
	7,908,752.28	5,966,645.33	0.00	2,241,083.75	11,634,313.86	214,322,147.43	147,219,218.70
	27,279,369.17	9,623,361.22	173,282.28	2,241,083.75	34,488,364.36	224,671,464.54	160,227,902.77

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	6,546,024.03	6,395	19,711,501.76	19,452

Financial assets

Loans

Loans amounting to EUR 13,327,955.05 (prior year: EUR 7,199k) 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, 2017	Share	Shareholders' equity	Result of fiscal yeasr	FN
	%	EUR '000	EUR '000	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100.00	26,608	7,227	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95.00	3,915	624	1)
Kapsch Components GmbH & Co KG, Vienna	100.00	3,277	5,108	2)
Kapsch Components GmbH, Vienna	100.00	97	6	2)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100.00	103,709	-152	1)
Kapsch Telematic Services GmbH, Vienna	93.00	26,282	26,152	2)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czechia	99.00	1,278	697	1)
KTC Italy S.r.l., Bologna, Italy	100.00	253	-171	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia,	100.00	128	11	3)
Kapsch TrafficCom Ltd., Manchester, Great Britain	100.00	969	330	1)
Artibrain Software Entwicklungsgesellschaft mbH, Vienna	100.00	39	-4	2)
Kapsch TrafficCom Russia o.o.o., Moscow, Russia	100.00	794	70	1)
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia (in liquidation)	100.00	57	6	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	208	31	1)
ETC (Pty) Ltd., Cape Town, South Africa	25.00	-18,284	5,731	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100.00	10,560	157	1)
Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan	100.00	79	14	1)
KTS Beteiligungs GmbH, Vienna	100.00	1,406	1,245	2)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates	49.00	63	-8	1)
Kapsch Telematic Services IOOO, Minsk, Belarus	99.00	9,277	6,365	3)
Kapsch TrafficCom Lietuva, Lithuania	51.00	24	-1	1)
Kapsch TrafficCom KGZ, Kyrgyzstan	100.00	8	-3	1)
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	100.00	9,877	-2,061	1)
tolltickets GmbH, Rosenheim, Germany	65.00	-352	-580	1)
FLUIDTIME Data Services GmbH, Vienna, Austria	75.50	-391	-149	1)
b) Participating interests				
Q-Free ASA, Trondheim, Norway	15.41	46,563	-9,122	3)

1) Figures as at March 31, 2017 (IFRS)
2) Figures as at March 31, 2017 (UGB)
3) Figures as at December 31, 2016

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

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

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

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

In the fiscal year 2016/17, a write-up in the amount of EUR 2,241,083.75 was made on the share in Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, based on a test for write-downs as at March 31, 2017.

With regard to the participating interest in Q-free ASA, Trondheim, Norway, the existence of a permanent diminution in value was established in the fiscal year 2016/17 due to the continuing negative development of the share price, resulting in a write-down in the amount of EUR 5.966,645.33 on the share price at the balance sheet date.

Current assets

Inventories

Prepayments in the amount of EUR 5,384,109.49 (prior year: EUR 0k) relate to prepayments made to affiliated companies.

Valuation allowances in the amount of EUR 8,608,346.78 (prior year: EUR 8,894k) were set up for inventories.

Receivables

Receivables from affiliated companies pertain to trade receivables in the amount of EUR 97,520,954.68 (prior year: EUR 92,358k), loan receivables in the amount of EUR 36,092,423.10 (prior year: EUR 36,848k) and dividend receivables in the amount of EUR 5,929,654.31 (prior year: EUR 6,028k).

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

Other receivables include income in the amount of EUR 5,391,086.11 (prior year: EUR 5,911k) 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 and accruals for pensions, 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 2,453,616.75 (prior year: EUR 1,770k).

Shareholder's equity and liabilities

Shareholder's equity

Disclosures on share capital

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

Authorized capital

The authorized capital amounts to EUR 0 as of March 31, 2017 (prior year: EUR 0k).

Proposed appropriation of retained earnings

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

Amount subject to a prohibition of profit distribution

According to Section 235 UGB, the amount of deferred tax assets (EUR 2,578,676.90; prior year: EUR 0k) in unappropriated retained earnings is not available for distribution.

Investment grants

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

	Balance April 1, 2016	Utilization	Balance March 31, 2017
	EUR	EUR	EUR
Leasehold improvements	211,134.46	76,680.67	134,453.79

Accruals and provisions

Other accruals and provisions include the following items:

	March 31, 2017 EUR	March 31, 2016 EUR '000
Outstanding project costs and risks	10,062,462.15	12,324
Invoices not yet received (excl. projects)	198,593.03	165
Personnel accruals (including vacation accruals of EUR 1,645,825.48; prior year: EUR 1,795k)	3,571,744.24	4,773
Warranties and liabilities for construction flaws, as well as production and system defects	302,261.40	329
Other accruals and provisions	1,344,216.26	369
	15,479,277.08	17,960

Accounts payable

Of the payables, bonds in the amount of EUR 31,500,000.00 (prior year: EUR 0k) and bank loans and overdrafts in the amount of EUR 7,140,000.00 (prior year: EUR 0k) have a remaining maturity of more than 5 years. In November 2010, Kapsch TrafficCom AG issued a corporate bond with a volume of EUR 75,000,000.00, a maturity of 7 years and a fixed coupon of 4.25% per annum. In May 2015, the bond was repaid early in a nominal value of EUR 4,182,000.00.

In June 2016, five promissory note bonds in the following amounts were issued:

EUR 26,000,000.-- 5 years with a fixed interest rate of 1.22%
EUR 4,500,000.-- 5 years with a variable interest rate
EUR 23,000,000.-- 7 years with a variable interest rate
EUR 8,500,000.-- 10 years with a fixed interest rate of 2.26%, as well as
USD 14,500,000.-- 5 years with a variable interest rate

Payables to affiliated companies pertain to trade payables with the exception of tax compensation in the amount of EUR 9,464,127.58 (prior year: EUR 5,339k).

Other liabilities include expenses in the amount of EUR 3,720,663.54 (prior year: EUR 3,201k) that will affect cash flow only after the balance sheet date.

Collateral securities

The export promotion loan recognized in the amount of EUR 1,425,462.56 as well as the equity financing in the amount of EUR 25,000,000 are secured by bill of exchange.

Contingent liabilities

	March 31, 2017 EUR	March 31, 2016 EUR
Assumption of liabilities on behalf of subsidiaries	54,014,437.11	65,149,671.49
Bank guarantees for the performance of contracts relating to major projects	76,725,420.04	41,221,782.53
Payment guarantees	407,826.30	449,011.00
Performance bonds	292,554,275.80	109,056,040.73
Other guarantees (security deposits, bid bonds and sureties)	812,050.61	529,242.64
	424,514,009.86	216,405,748.39

In addition, Kapsch TrafficCom AG, Vienna, provided performance bonds for export transactions and projects of Kapsch TrafficCom AB, Jönköping, Sweden, in a contract value of EUR 42.1 million (prior year: EUR 43.5 million).

A letter of subordination exists vis-à-vis Electronic Toll Collection (PTY) Ltd., Centurion, South Africa, in the amount of EUR 12,685,383.22.

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	5,380,000 USD	2	198,351.62		n/a	n/a
Currency forward contracts	3,640,000 GBP	3		9,840.66	9.840,66	other accruals and provisions

In the prior year, no derivative financial instruments were used. The fair value corresponds to the market value.

E. Comments on income statement items

Breakdown of net sales

By field of activity:	2016/17 EUR	2015/16 EUR '000
Electronic Toll Collection (ETC)	146,473.082.90	133,740
Intelligent Mobility Solutions (IMS)	14,494,328.00	11,574
	160,967,410.90	145,314

By region:	2016/17 EUR	2015/16 EUR '000
Domestic	30,434,740.35	26,156
European Union	89,275,769.56	67,167
Foreign	41,256,900.99	51,991
	160,967,410.90	145,314

The item **salaries** includes income from changes in provisions for anniversary bonuses in the amount of EUR 75,601.24 (prior year: expenses in the amount of EUR 11k).

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

	2016/17 EUR	2015/16 EUR '000
Expenses for severance payments	950,316.82	954
Contributions to staff provision funds	336,980.47	338
	1,287,297.29	1,292

Expenses for the auditor

Expenses for the auditor amount to EUR 234,444 (prior year: EUR 193k) and are broken down as follows:

	2016/17 EUR	2015/16 EUR '000
Audit of the financial statements	53,767	53
Other assurance services	138,268	83
Other services	42,409	57
	234,444	193

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 9,464,127.58 (prior year: EUR 5,339k), with the tax rate applicable to deferred taxes being 25%.

F. Other disclosures

Disclosures on board members and staff

The average number of staff during fiscal year 2016/17 was 425, including 408 salaried employees and 17 waged workers (prior year: 429 salaried employees, 26 waged workers).

In fiscal year 2016/17, total remuneration of the management board amounted to EUR 2,174,723.23 (prior year: EUR 1,276k), expenses for severance payments and pensions for managing directors amounted to EUR 124,553.58 (prior year: EUR 32k).

With regard to supervisory board members, remuneration (including travel expenses) in the amount of EUR 121,789.69 (prior year: EUR 122k) was recognized as expenses.

The following persons served on the management and supervisory board:

Management Board

Georg Kapsch (Chairman)
André Laux
Alexander Lewald

Supervisory Board

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

delegated by the Works Council:

Christian Windisch
Martin Gartler

Subsequent events

There are no material events after the balance sheet date.

Vienna, June 7, 2017

The Management Board:

signed:	signed:	signed:
Georg Kapsch	André Laux	Alexander Lewald

Management Report
(Translation)

Kapsch TrafficCom AG, Vienna
as at March 31, 2017

1. General economic situation

Global economy

In 2016 the global economy lost some momentum. Compared to the year before, aggregate GDP growth decreased from 3.2% to 3.1%. One of the main reasons for this is the lower level of business activity in advanced economies like the US. Emerging and developing countries, however, did not gather pace either, resulting in subdued global trade. Having expanded by 2.7% in 2015, the overall volume of goods and services exchanged worldwide increased by only 1.7% in the year under review. From a longer-term perspective, this constitutes the weakest growth rate since the onset of the economic and financial crisis in 2008.

For 2017 economists predict a turnaround, though. While global GDP is expected to go up by 3.4% according to the latest IMF report, worldwide trading volumes could reach an expansion rate of up to 3.1% based on current WTO estimates.

U.S.A.

In the *United States* GDP growth slipped below the 2% threshold in 2016. This is, among other things, due to the strong US dollar which made exports more expensive overseas. Looking at 2017, there is still a high level of uncertainty over the future economic course under the new US Presidency. If the announced plans for tax cuts as well as infrastructure investments are implemented accordingly, analysists consider GDP growth of up to 3% possible. Mounting protectionist tendencies, on the other hand, pose a major long-term threat.

Emerging Markets and Developing Economies

While overall growth in the *emerging and developing economies* remained at the previous year's level of 4.1%, substantial regional differences could be observed in 2016. In China the gradual slow-down in economic expansion continued in the context of the ongoing transformation process towards a stronger service-orientation. GDP growth decelerated from 6.9% to 6.7% in the year under review. The outlook for 2017 is generally positive, albeit clouded by the risk of new US tariffs on Chinese imports. As far as the ASEAN-5 (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) are concerned, the economy continued to expand by 4.8% in 2016. India, in contrast, witnessed less dynamic growth than before following an abrupt currency reform aimed at fighting corruption (+6.6%).

2016 marked a year of stabilization for the *Commonwealth of Independent States (CIS),* driven primarily by a gradual economic recovery in Russia. After two years of recession, Russia looks set to return to a growth path in 2017 (+1.1%). Among the contributing factors is an upward trend in oil prices following the agreement among OPEC members as well as some major non-OPEC producers in December 2016 to trim overall production. In general, global commodity prices began to recover in 2016, which should also benefit the countries in Latin America down the line. In 2016 the region was still characterized by a downturn, not least due to a severe recession in the largest economy, Brazil (3.5%). Argentina also registered a drop in GDP, whereas Peru and Mexico showed relatively solid expansion rates.

The economic situation in *Sub-Saharan Africa* and the *MENAP region* (Middle East and North Africa, Afghanistan and Pakistan) proved challenging in 2016. The oil-exporting countries, in particular, were forced to adapt their economic structures to lower price levels and subdued demand from developed nations. Aggregate GDP growth stood at 1.6% in the countries south of the Sahara and at 3.8% in the MENAP region.

Europe

The combined GDP of the EU-28 rose by 1.9% compared to the year before, fuelled first and foremost by strong private consumption. Growing political uncertainty, in contrast, partly slowed economic recovery. Investment on the part of companies, for instance, fell short of expectations owing to an increase in risk factors. Germany was again the EU's growth engine (+1.9%), but also formerly crisis-ridden economies like Ireland (+4.3%) and Spain (+3.2%) performed favourably. Besides, the situation on the European labour market eased further. In the course of 2016, the EU unemployment rate slipped below the 8% threshold, thus reaching the lowest level since early 2009.

Growth in the *Eurozone* was again less dynamic in 2016 than in the EU as a whole, with aggregate GDP going up by 1.7%. Economists predict a similar expansion rate for 2017, even though the actual impact of Britain's upcoming exit from the EU is difficult to assess. As for the development of consumer prices in Eurozone, the inflation rate remained well below the European Central Bank's medium-term target of 2%. Against this background, the ECB held on to its expansionary monetary policy. For one thing, the prime interest rate as well as the deposit rate for commercial banks were kept at a historic low. For another thing, the bond-purchase programme aimed at stimulating the economy was extended until at least December 2017.

Business activity in *Central and Eastern Europe (CEE)* gathered pace in 2016, particularly in Romania (+4.8%), Bulgaria (+3.4%) and Slovakia (+3.3%).

Austria

In *Austria,* economic recovery in 2016 markedly accelerated with a 1.5% increase in gross domestic product (GDP). For 2017 economic researchers expect a GDP increase of 2%. The average inflation rate in 2016 was just below 1%. An increase to 1.7% is expected for 2017. The unemployment rate according to the Eurostat definition climbed to 6% in 2016. The budget deficit (1.4% of GDP in 2016) was also on the rise, as the tax reform could not be fully financed.

1.1 Development of the market for intelligent transportation systems

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

Customer segments

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

Operator/authority-related ITS encompass both ETC and ATMS (Advanced Traffic Management Systems) as well as applications for urban access and parking space management. The addressees are governments and their authorities, road and toll operators as well as concessionaires that develop transportation policies using ITS to ensure the availability and quality of the infrastructure in a way that improves safety, performance, security and environmental protection.

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

User-related ITS are focused mainly on convenience and efficiency for travellers. 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 (AVIS) include transmitting traffic-related vehicle information to travellers 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 (PVTMS, Public Vehicle Transportation Management Systems). Example applications include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the addressees are insurance companies, who see pay-as-you-drive car insurance as a promising way to attract new customers by offering fair insurance rates and ITS-based value-added mobility services.

Market positioning

The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related segment of the ITS market. With the implementation of the 2020 strategy and the acquisition of Schneider's transport business, vehicle and user-oriented ITS are becoming increasingly important. Kapsch TrafficCom also continuously observes the other developments in industry-related ITS.

Market trends and drivers

Kapsch TrafficCom believes that the following factors are the main trends and drivers of the market which it currently addresses:

Mobility. With increasing affluence, the desire for mobility and the associated demands on transportation systems also increase. Mobility is increasingly viewed as a basic need or a necessity. The transportation systems that have been developed to meet this need vary considerably around the world. The number of cars per 1,000 residents therefore serves as an indicator to assess the development level and untapped potential in many countries. While the U.S.A. has an average of 800 cars per 1,000 residents, the ratio in South American countries falls to just 100 cars, and the figure is even significantly lower in some African countries. If the emerging countries like China and Brazil continue the process of catching up to more developed nations economically, it can be assumed that individual transportation will experience strong growth as well. The developments with regard to new car registrations confirm this picture. In China alone, over 18 million new cars were registered in 2014, roughly one-third more than in the entire EU. There are now over 30 cities in China with more than one million cars.

Urbanization. The share of people living in cities is rising. While this applied to only 2% of the world's population in the year 1800, the year 2007 marked the first time when over half of all people on the planet resided in cities. Forecasts predict that the share of the urban population will rise to 60% by 2030 and reach 70% by 2050. Already by 2025, there will then be 40 mega-cities with over 10 million residents. This growth dynamic also places fundamental challenges on the urban transportation infrastructure and promotes investments in intelligent, sustainably designed transportation systems.

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

Expansion and financing of transportation networks. The basic need for mobility, the increasing urbanization and ever higher volumes of goods traffic in global economic trade reveal the limits of the current transportation systems. Highways that were built decades ago no longer live up to the demands placed on them today. Despite intensive efforts to make rail transport more attractive, the volume of freight traffic on Europe's roads has remained at the same level for years.

The willingness of governments to invest in the expansion of transportation networks depends on reliable financing opportunities, among other factors. While investments in the highway network increased over the past decade in Austria, stagnation has been observed in other countries such as Germany, Japan and Great Britain.

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

The Trans-European Road Network (TEN-V) made up roughly one-fourth of the entire primary road network in the European Union in 2015 with a total length of 84,700 km but carried only 40% of the goods transported by road. By 2020, an average expansion of 4,800 km per year is expected, of which 3,500 km will involve existing roads. The new EU Member States in particular as well as the corridors to these countries are expected to require higher levels of investment. In "Whitepaper: European transport policy for 2010", the European Commission indicated that investment costs up to 2020 will amount to EUR 600 billion. The increase in traffic volumes can therefore be expected to continue over the long term. In addition to the construction of new infrastructure, it is also important to finance the maintenance and repair of existing roads.

In the U.S.A., roughly USD 55 billion are invested every year in the road network. Experts estimate, however, that at least a doubling of investments to over 100 billion U.S. dollars will be necessary in the coming years in order to maintain the functionality of the road network. This pronounced need for financing inspires changing business models and increases willingness to adopt private concession models.

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

Technology
The ITS market and associated factors are characterized by new technologies and short technology cycles. These changes open up new perspectives for Kapsch TrafficCom. It is necessary to intelligently resolve the apparent conflict between transportation developments on one side and the opportunities presented by mobility on the other. Through the use of technological and organizational measures, the demand for transportation must be met in ways that do not negatively impact the environment or economic development. Kapsch TrafficCom will continue to make important contributions toward this goal.

Intelligent mobility solutions

The future will belong to intelligent, holistic mobility solutions
A process of convergence has been under way in the ITS market during recent years as the individual market segments increasingly merge. In expectation of this convergence, even if not at the same pace, Kapsch TrafficCom is developing from a pure provider of electronic toll collection (ETC) systems to a provider of selected ITS applications. Kapsch TrafficCom expects that the future will belong to intelligent, holistic mobility solutions and strives to play a leading role in this future. This goal is anchored in Strategy 2020 with the establishment of an Intelligent Mobility Solutions (IMS) business. In pursuit of this goal, end customers will be addressed more heavily in the future and the portfolio will be expanded from the highway into the city. A key step in this direction was achieved with the acquisition of Kapsch TrafficCom Transportation (KTT).

2 Economic situation of Kapsch TrafficCom AG

2.1 General situation

In fiscal year 2016/17, Kapsch TrafficCom AG generated net sales in the amount of EUR 161.0 million, meaning an increase of 10.8% year on year. The Electronic Toll Collection (ETC) segment contributed 91.0% to the generated net sales, representing the core business with tolls collected. The Intelligent Mobility Solutions (IMS) segment contributed 9.0% in the reporting period.

In Austria, about 2,200 km of motorways and expressways are equipped with fully electronic toll systems for trucks above a maximum authorized vehicle weight of 3.5 tons, with Kapsch TrafficCom AG delivering the complete central and roadside infrastructure for almost 490 toll stations and now about 1 million on-board units (GO boxes) since 2004. As in the previous year, the average toll transaction rate generated in Austria remained at the high prior-year percentage of 99.8%. On 27 September 2011, the Company reached a basic agreement with ASFINAG Maut Service GmbH to renew the current operation and maintenance agreement for the nationwide electronic truck toll collection system in Austria until the end of 2018, with the renewal until June 2017 having already been ultimately confirmed by ASFINAG Maut Service GmbH.

On November 29, 2016, ASFINAG (motorway and expressway financing company) in Austria awarded Kapsch TrafficCom the contract for construction and technical operation of the "GO Maut 2.0 Toll Technology" (Austria-wide toll system for vehicles over 3.5 ton). The contract also includes technical operation for ten years with the option of five times an extension of one year each. The road infrastructure is modernized and the headquarters (RSE proxy) updated to the latest technological state of the art. Modern technological standards are used as the benchmark. In the future, a control bridge will be sufficient for roadside checks; in addition to radio beacons and cameras for license plate evaluation, this will also include an optical vehicle classification system. With this system, it is possible to determine the vehicle class and axle number of vehicles subject to tolls with even greater accuracy during moving traffic. Implementation is geared toward maximizing domestic value creation.

Kapsch TrafficCom was awarded the contract for supplying the Advanced Traffic Management System DYNAC for the cross-border programme "CHARM" by Rijkswaterstaat (the Dutch authority for infrastructure construction and management) on 18 August 2015 and by Highways England (the English authority for infrastructure construction and management) on 7 October 2015. CHARM is a joint programme of the English and Dutch authorities, aiming to comprehensively modernize and consolidate traffic management on the highways within 26 months. The order volume amounts to approx. EUR 60 million and also includes services for a period of up to 13 years after successful implementation of the system.

On August 29, 2016, the existing contract with the Czech Ministry of Transport for operation of the countrywide truck toll system was extended for up to three years, as was as the technical implementation of the EETS (European Electronic Toll Service) service.

The contract for the South African project GORT (Gauteng-Open Road Tolling) has also been extended. Kapsch TrafficCom has agreed with the client, SANRAL, that commercial operation will be extended by another year and the entire technical and commercial operation can thus be extended for up to two years.

The following significant events and changes under corporate law took place during the 2016/17 fiscal year:

On December 14, 2015, Kapsch TrafficCom concluded an agreement with Schneider Electric S.E. regarding the acquisition of the global transportation business. The transportation division, previously operating under the Telvent Tráfico y Transporte brand, is a provider of real-time IT solutions and intelligent traffic systems for use in cities, on highways and in tunnels. Its product offering also comprises toll collection and transit solutions. The acquisition enables Kapsch TrafficCom to offer integrated intelligent traffic solutions covering highways and cities to its existing and future customers all over the world. The acquisition was completed as per April 1, 2016. The Spanish company Kapsch TrafficCom Transportation S.A.U., including its subsidiaries as well as the "Ecotrafix" brand, was acquired by Kapsch TrafficCom AG.

On July 1, 2016, Kapsch TrafficCom acquired 65% of the shares in tolltickets GmbH, Germany, a provider of toll collection services for passenger cars to end customers.

On December 20, 2016, Kapsch TrafficCom AG, Vienna, acquired 75.5% of the shares in FLUIDTIME Data Services GmbH, Vienna. Fluidtime develops and operates software solutions and user-friendly mobile services for intermodal travel in urban areas.

2.2 Earnings situation

Net sales of Kapsch TrafficCom AG reached EUR 161.0 million in the fiscal year 2016/17 – thus up by 10.8% on the previous year (EUR 145.3 million). The Intelligent Mobility Solutions (IMS) segment exhibited a growth in net sales from EUR 11.6 million in the previous year to EUR 14.5 million. The Electronic Toll Collection (ETC) segment generated net sales in the amount of EUR 146.5 million (previous year EUR 133.7 million).

In comparison with the previous year, personnel expenses fell by EUR 2.1 million from EUR 37.9 million to EUR 35.8 million. The average number of staff fell from 455 to 425 in the fiscal year under review.

Other operating expenses were up by EUR 1.0 million from EUR 37.1 million to EUR 38.1 million.

The operating result (EBIT) of Kapsch TrafficCom AG rose to EUR 30.6 million in the reporting year compared to EUR 21.3 million in the previous year.

The financial result of EUR 20.2 million (previous year: EUR 12.6 million) was mainly attributable to the income from investments.

2.3 Assets and liabilities

The balance sheet total of EUR 493.8 million at the balance sheet date March 31, 2017 rose by EUR 116.3 million compared to the end of the fiscal year 2015/16 (March 31, 2016: EUR 377.6 million).

At EUR 266.9 million, equity exceeded the amount of EUR 242.9 million as at March 31, 2016. As a result of the increase in the balance sheet total, Kapsch TrafficCom AG's equity ratio decreased from 64.3% as at March 31, 2016 to 54.0% as at March 31, 2017.

On the assets side, inventories increased from EUR 8.1 million to EUR 12.4 million.

The group receivables (incl. borrowings) rose from EUR 180.7 million in the previous year to EUR 193.0 million in the reporting year 2016/17.

Liquid funds increased from EUR 58.4 million to EUR 102.6 million, resulting – among other things – from the issuance of a promissory note bond in June 2016.

On the liabilities side of the balance sheet, long-term liabilities rose from EUR 76.1 million in the previous year to EUR 103.1 million as at the balance sheet date March 31, 2017.

Short-term bank loans and overdrafts decreased from EUR 15.9 million in the previous year to EUR 5.0 million as at the balance sheet date March 31, 2017. Group liabilities as at March 31, 2017 increased by EUR 6.9 million as compared to the previous year (EUR 19.0 million). Other liabilities rose from EUR 4.1 million in the previous year to EUR 75.5 million as at the balance sheet date March 31, 2017.

2.4 Financial position

The net cash flow from operating activities amounted to EUR 48.4 million after EUR 47.9 million in the comparative prior-year period.

The net cash flow from investing activities in the amount of EUR -70.8 million (previous year: EUR 14.5 million) mainly results from capital increases of a subsidiary as well as from business acquisitions.

The net cash flow from financing activities in the amount of EUR 66.6 million (previous year: EUR -34.1 million) resulted from the repayment of financial liabilities, the payment of the dividend as well as the taking out of a promissory note bond. In total, cash and cash equivalents increased from EUR 58.4 million as at March 31, 2016 to EUR 102.6 million as at March 31, 2017.

Project financing lines taken out for the implementation of the toll collection system in Belarus were fully repaid as at March 31, 2017.

3 Miscellaneous company information

3.1 Research and development

With the acquisition of the transportation division of Schneider Electric, Kapsch TrafficCom extended the network of research and development institutes. The most important centres are in Austria, Sweden, Argentina, North America and Spain. Additional resources can be found inter alia in Italy, South Africa and Chile. Against the background of the now broader service portfolio and with the aim of dealing even better with the demands and requirements of the market, so-called "Solution Centres" have been set up alongside the "Research and Development" division. They are responsible for product and solution management, solution design and development as well as to support the sales team and customers within the individual market segments. The Research and Development division supports the Solution Centres, bundles engineering skills and is responsible for the harmonization and standardization of the different solutions. In addition, this division defined the different processes and communication structures for all those involved in the Innovation division.

Focused patent strategy

In the fiscal year 2016/17, Kapsch TrafficCom evaluated the extensive portfolio of 200 patent families with more than 2,000 individual patents. With the aim of focusing on any areas which have strategic significance for the Group, 955 individual patents were submitted and six new patent families registered. In addition, a team of internal and external experts analysed the legal landscape — in particular in the new business segments in the IMS segment. A global patent monitoring system should provide early information about applications by third parties in connection with relevant technologies.

In the fiscal year 2016/17, Kapsch TrafficCom AG invested approximately EUR 37.9 million in research and development (previous year: approx. EUR 27.3 million).

3.2 Non-financial performance indicators

Sustainability management

Kapsch TrafficCom feels particularly obligated to the central aspects of sustainability, not least because of the object of the company. With our products and solutions, we make an active contribution to environmentally and resource friendly organization of traffic systems and therefore to a sustainable development of our society. Moreover, we also work strictly in our own sphere of action to minimize our consumption of resources and possible effects on the environment.

Systematic sustainability focus

Kapsch TrafficCom understands sustainability as a continuous process. In past years the process of systematizing all agenda concerning this matter has been started. The fifth sustainability report was published in 2017; it is available on the company's website (www.kapschtraffic.com) under the heading "Investor Relations".

The sustainability report satisfies the requirements for writing sustainability reports of the Global Reporting Initiative (GRI) pursuant to GRI 3.1 Application Level C and represents our progress report for the United Nations Global Compact (UNGC).

The report provides detailed information about the central areas of activity:

- Sustainable safeguarding of the company's success
- Products with added value for the environment and society
- Protection of the environment and resources
- Competent team
- Social responsibility

Indicators to measure success and goals for the following periods were defined for each area of activity. All agenda concerning this matter are coordinated by a sustainability officer, who reports directly to the Board of Directors. In the following, selected areas of activity will be described in more detail.

Innovative products with added value for the environment and society

The products and solutions for Intelligent Transportation Systems from Kapsch TrafficCom make an active contribution to climate change. They allow those in traffic to reach their destination quickly, efficiently and by saving resources. In order that these demands can also be met in the best possible way in the future as well, Kapsch TrafficCom is investing heavily in research and development.

A comprehensive guide should guarantee that environmental, economic, social, health and safety aspects are taken into consideration in the best possible and structured way in the development and design of the products. The contents of the guide are to be incorporated into the technical specifications or project tenders.

Quality

The high standards for quality, safety and processes are of great important in all company units of Kapsch TrafficCom. Kapsch TrafficCom defines its processes in an integrated HSSEQ management system (Health-Safety-Security-Environment-Quality). The basis for this is the certifications pursuant to ISO 9001: Quality management (since 2002) as well as according to OHSAS 18001: Occupational safety management and ISO 14001: Environmental management (since 2005).
Kapsch TrafficCom has anchored the necessary measures to safeguard the standards related to this in internal processes and constantly checks these. The certificate pursuant to ISO 27001 defines the necessary information security management. The ISO 20000 for IT Service Management ensures a high quality of service in the field of technical operation.
The HSSEQ Circle set up meets once a quarter to discuss the status of the objectives and measures from the areas of Health & Safety, Quality, Environment and Information Security with the divisions, as well as to implement measures to guarantee further improvements.

Protection of the environment and resources

The consumption of raw materials and the emission of climate-relevant emissions are connected with the company's commercial activity. Kapsch TrafficCom is constantly working intensively to minimize these effects. The majority of these effects result from the business activity of the subsidiary company Kapsch Components, which is responsible for production as well as the vehicle fleet of the entire group of companies.

Through measures to increase energy efficiency, but also due to low production volumes, power consumption by Kapsch Components dropped in fiscal year 2015/16 compared to the previous year from 754 MWh to 732 MWh or by 2.9 %. The waste fraction per ton of products produced grew by 28.8% to 243 kg (previous year: 173 kg). Absolute consumption of nitrogen used per ton of product was 3.8% lower than in the previous year.

More attractive and responsible employer

In the fiscal year 2016/17, Kapsch TrafficCom AG employed an average of 425 employees (previous year: 455 persons). On March 31, 2017 there were 420 employees (previous year: 427) employed.

A lot is devoted to personnel and organizational development at Kapsch TrafficCom AG because the qualifications and commitment of the employees are seen as decisive requirements for the company's success. In the fiscal year 2016/17 each employee had an average of 3 training and further training days. Besides specialist training and further training, social skills were also conveyed in the training programs from Kapsch TrafficCom AG. Moreover, a job rotation program, a customized offer for junior managers as well as annual performance reviews are offered.

Kapsch TrafficCom AG pays contributions for the employees of the companies in the Group in Austria into an external pension fund pursuant to an established contributions scheme. The amount of these contributions depends on income and on the company's return on sales.

Kapsch TrafficCom AG is aware of the contribution of employees to the success of the company and therefore provides a profit-sharing bonus to a maximum total of 5% of the profit before tax of Kapsch TrafficCom Group. Country-specific upper limits should ensure that allocation is based on purchasing power parity. Allocation is per head and independent of income, and is limited to EUR 1,500 per employee.

Thanks in particular to a flexible work time model, women are provided with support at Kapsch TrafficCom to reconcile career and family. There are also co-operative programs with schools, universities and universities of applied sciences which aim to increase the proportion of women at Kapsch TrafficCom, among other thing. Kapsch TrafficCom also takes part in programs for the advancement of women in engineering, for example "FIT Frauen in die Technik" or "FemTech". In order to generally ensure that women are granted the same opportunities, a committee for equal treatment has also been set up.

Responsibility to society

Besides the legal requirements and internal guidelines, the code of conduct of Kapsch Group defines binding principles for ethical, moral and legally correct behaviour for all company units, and therefore also for the employees of Kapsch TrafficCom AG. The code of conduct can be found at www.kapsch.net.

Moreover, within the framework of internal risk management, all business units on which Kapsch TrafficCom AG has a significant influence will be investigated with regard to their corruption risks. A system of internal guidelines provides a framework for action which should prevent corruption risks.

In accordance with the company values, Kapsch TrafficCom AG assumes social responsibility which goes well beyond its operative sphere of action and is predominantly organized via Kapsch Group. The focus of this commitment to society is made up of the promotion of health and development as well as support for educational, art and cultural institutions. A selection of supported projects and initiatives will be presented below.

Promotion of educational institutions and social projects

Kapsch Group has been committed for a long time to building bridges between business and research or educational institutions. For example, we promote the "Universitäre Gründerservice Wien" and the "INiTS Award". This award is given to final theses and dissertations which can be implemented into company practice. In order to also be able to cover the demand for highly qualified employees in the future, we primarily promote engineering and science-based institutions and projects. Among other things, this includes the Institute for Electrical Engineering and Information Technology at the TU Vienna, the FH Technikum Vienna, the FH Campus Vienna and the FH Vienna with the masters course "Executive Management". With the "Kapsch Karrierelounge" range of events for several years, students have been invited to address technical issues within the framework of project work or special presentations.

Kapsch TrafficCom values and promotes work by charitable institutions like the Institute for Cooperation in Development Projects (ICEP). This independent private initiative — based in Austria — makes a significant contribution to the global fight against poverty. The ICEP supports education-based projects which permanently improve the living conditions of people in developing countries.

For years Kapsch Group has also supported the activities of "Doctors Without Borders", an internationally recognized and globally acting organization which helps people who lack sufficient medical care. Since 2013 there has also been a grant agreement between the St. Anna Children's Cancer Research and Kapsch Group: Research work is supported within the scope of the project "Next Generation Sequencing". The aim of this project is to gain information about human genetic material and thereby to obtain knowledge about the genetic changes which are connected with the course of disease and therapy. Kapsch supports this complex project with the conviction that in doing so the chances of children recovering from cancer can be increased significantly.

Kapsch Group actively observes its social responsibility and promotes selected local, regional and global cultural and social projects and institutions. In doing so, Kapsch is well aware of the importance of the sustainability and durability of this support. For example, since 1992 there has been a general partnership with the Vienna Concert Hall, which is constantly tapping into new layers of the public with unconventional programs, without losing long-term friends of the Hall. The "Wien modern" festival – one of the world's most famous contemporary music festivals — has been promoted by Kapsch since 1989.

In 2016, with the establishment of the Kapsch Contemporary Art Prize in cooperation with the mumok in Vienna, another initiative to promote young artists was started, which allows up-and-coming talent a first appearance in front of the international public.

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

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

Industry-specific risks

Volatility of new orders

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

Already successful acquisition of a single, nationwide deployment contract in the ETC segment can have a strong impact on Kapsch TrafficCom AG'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 AG is intended not only to increase revenue but also to smooth over revenue spikes in the interest of more stable revenue development. This should be achieved through increasing geographic diversification through further broadening of the customer and product portfolios and through a continuous increase in the share of revenue from operation and maintenance of offered systems. The technical and commercial operation of systems is generally associated with the awarding of the order for installation of the system, but after the installation is complete, the operation represents a longer term and more reliable source of revenue. In previous fiscal years, it has also been possible to continuously increase the revenue from installation projects of smaller scope. Valuable contributions came here from the segment of Intelligent Mobility Solutions (IMS).

Risks of project execution

In connection with the installation of systems, Kapsch TrafficCom AG 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 AG 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 AG 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 AG is based to a large extent on its ability to develop state-of-the-art, efficient and reliable systems, components and products. Kapsch TrafficCom AG is committed to an ongoing and consistent innovation process. In order to maintain its high technological standards, Kapsch TrafficCom AG 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 AG.

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 AG. In addition, any failures in protecting these technologies may negatively impact the competitive position. Kapsch TrafficCom AG 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 objectives of Kapsch TrafficCom AG is to expand internationally both through organic growth and via selected acquisitions and joint ventures. In implementing this strategy, Kapsch TrafficCom AG acquires suitable companies around the world and integrates them into the Group. 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 AG 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 AG or problems with business practices and activities may also arise. Kapsch TrafficCom AG includes these risks in the evaluation of such projects.

Financial risks

Foreign exchange risk

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

Interest rate risk

Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (Euribor, etc.). This exposes the Group to interest rate risks. Kapsch TrafficCom AG utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk

Sufficient financial resources have to be available for Kapsch TrafficCom AG 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 AG 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 AG. 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 AG.

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 AG is exposed to the risk of non-payment by customers. The main customers of Kapsch TrafficCom AG 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 AG 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 AG takes advantage of offers from public institutions, such as OeKB (Oesterreichische Kontrollbank AG), 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 AG 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 AG 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

In connection with participating in tenders of public agencies for the installation and operation of toll and traffic management systems, a number of regulations and statutory requirements must be observed. Assessing and adhering to legal regulations and requirements can result in considerable administrative and technical expense. 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 AG 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 AG is exposed to common IT risks in terms of the security, confidentiality and availability of data. To this end, Kapsch TrafficCom AG has introduced an IT risk management system based on CRISAM, the Corporate Risk and IT Security Application Method, and is also certified according to ISO/IEC 27001 (Information Security Management). Additionally, the toll systems operated by Kapsch TrafficCom AG in the DACH region (Germany, Austria, Switzerland) have been certified according to ISO 20000 "IT Service Management" (similar to ITIL), and CRISAM has been implemented within the Group as an IT risk management tool.

Opportunities

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

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

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

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

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travellers 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.

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

Kapsch TrafficCom AG began many years ago to analyse 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 2016/17 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. This manual sets forth the main accounting and reporting requirements for the entire group based on the International Financial Reporting Standards (IFRS) group guidelines, working instructions and defined procedures constitute another important cornerstone of ICS.

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

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

Disclosures according to Section 267 Commercial Code in connection with Section 243a (1) Commercial Code

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as at March 31, 2017. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. On March 31, 2017, 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 a termination of the agreement, relate to financing arrangements, in particular the promissory note bond ("Schuldscheindarlehen") issued in the past financial year, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

4. Outlook and objectives

Kapsch TrafficCom AG should also continue to grow in fiscal year 2017/18. The pipeline of new businesses in the ETC segment seems to be especially strong. In Europe there is a focus on nation-wide toll collection systems.
In Poland (the existing contract expires in 2018), the tendering process has begun. In Bulgaria, in the last business year there were numerous delays in the tendering process. The management of Kapsch TrafficCom AG is hoping to make progress here this fiscal year, however. In Czechia (the existing contract has already been extended to 2019), the start of the tendering process is expected.

In the IMS segment, the integration of KTT is now largely completed, so that here more focus can now be placed on sales. Kapsch TrafficCom AG's new matrix arrangement should significantly improve cooperation between Sales and Development (Solution Centre) as well as the exchange of information with customers. The CHARM project (comprehensive modernization and consolidation of traffic management on the highways in England and the Netherlands) is to be successfully driven forward. Because of its size and complexity, this project demands Kapsch TrafficCom AG's greatest attention.

Stable results are to be assumed with regard to the EBIT for fiscal year 2017/18. Price effects resulting from the extension of the toll collection projects in Czechia and Austria will come into effect.

The repayment of the 4.25% corporate bond in November 2017 will positively influence both Kapsch TrafficCom's financial results and its equity ratio.

Vienna, June 7, 2017

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

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

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of Kapsch TrafficCom AG, Wien, which comprise the balance sheet as at March 31, 2017, 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, 2017, 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 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:

- Descriptions of individual key audit matters
- Audit approach and findings
- Reference to related disclosures

1. Valuation of participating interests

- *Description of the individual key audit matter*

As a holding company, Kapsch TrafficCom AG, Vienna, holds material shares in affiliated companies (book values in the amount of EUR 149,146k) as at March 31, 2017, and also a participating interest in the amount of EUR 11,685k in Q-Free ASA, Trondheim, Norway, which is listed on the Oslo stock exchange.

Pursuant to Section 204 (2) UGB, participating interests are to be written down in case a diminution in value occurs that is expected to be permanent.
Testing participating interests for write-downs requires management to make significant estimates as to the future market development and the probability of winning individual major contracts during the planning period. Moreover, there is significant area of judgement involved in the valuation, in particular with regard to the discount rate and the long-term growth rate. With regard to the financial statements, there is a risk of an overstatement of participating interests.
Management believes that no permanent diminution in value applies to shares in affiliated companies as at March 31, 2017 and that, consequently, no write-downs are required.

In the fiscal year 2016/17, a write-up in the amount of EUR 2,241k on the shares in Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, was made based on a test for write-downs as at March 31, 2017.

As regards the participating interest in Q-Free ASA, Trondheim, Norway, the existence of a permanent diminution in value resulting from the continuing negative development of the share price was established, resulting in a write-down in the amount of EUR 5,967k on the share price as at the balance sheet date.

- *Audit approach and findings*

In combination with our assessment of the valuation of the participating interests, we checked the corresponding valuation models. In doing so, we checked the valuation methods used by management and assessed the parameters applied (planned cash flows and discount rates). We evaluated whether the models used are in line with accepted valuation principles and whether the assumptions made are reasonable and appropriate.
With regard to the participating interest in Q-Free ASA, Trondheim, Norway, we checked whether a permanent diminution in value resulting from the share price trend of recent months exists and recalculated the market value based on securities account statements and share price data.

- *Reference to related disclosures*

For further information, reference is made to the notes to the financial statements of Kapsch TrafficCom AG, Vienna, page 9.

2. Estimates and assumptions in project accounting

- *Description of the individual key audit matter*

A significant part of net sales in the fiscal year is generated from the project business. Services not yet invoiced as at March 31, 2017 amount to EUR 1,201k, project-related accruals including accruals for impending losses amount to EUR 10,062k. Projects related to the implementation of toll collection systems, in particular, require an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the project margin. Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Group usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.
Due to the material impact of the major projects, in particular during the construction phase, on the Company's financial position and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the project revenue, the result and the project-related balance sheet items contain a material misstatement.

- *Audit approach and findings*

Within the framework of our risk-based audit approach, we have gained an understanding of the processes and internal controls relevant for the accounting of construction contracts and tested the effectiveness of selected internal controls. In the course of our detailed audit procedures, we requested the project valuations for the major construction contracts and reperformed the calculation of the accruals/deferrals based on plan revenue and costs as well as the costs incurred up until the balance sheet date. Based on samples we looked at project requests, customer contracts, Supervisory Board minutes, the project budgeting tool as well as detailed cost estimates for individual significant projects and held discussions with the project managers and the management team regarding the status of the project, project risks and planning assumptions. In assessing the appropriateness of the estimates, a particular focus was on the review of the regular update of plan assumptions, in particular on the planned cost to complete and the project margin. In doing so, we have made use of historical experience regarding the accuracy of estimates of large-scale projects carried out in the past.

- *Reference to related disclosures*

For further information, reference is made to the notes to the financial statements of Kapsch TrafficCom AG, Vienna, page 3 and page 11.

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 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 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.

Responsible Engagement Partner

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

Vienna, June 7, 2017

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

Statement of all Members of the Executive Board.

Pursuant to Section 82 Para. 4 No. 3 BörseG.

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, 7 June 2017

Mag. Georg Kapsch	André Laux	Dr. Alexander Lewald
Chief Executive Officer	Chief Operating Officer	Chief Technology Officer

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.

Impressum.
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Kapsch TrafficCom

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

Kapsch TrafficCom is an internationally renowned provider of intelligent transportation systems thanks to the many projects it has brought to successful fruition in more than 50 countries around the globe. The family-owned company is headquartered in Vienna, Austria and in 2017 celebrated 125 years of successfully developing and implementing new technologies for the benefit of its customers. As part of the Kapsch Group, Kapsch TrafficCom has subsidiaries and branches in more than 30 countries. It has been listed in the Prime Market of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). Kapsch TrafficCom currently has more than 4,800 employees, and generated revenue of EUR 648.5 million in fiscal year 2016/17.

>>> www.kapsch.net

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