

Kapsch TrafficCom



Overcoming challenges.

*Combined Reporting
2019/20.*

*Consolidated Financial Statements
Consolidated Management Report
Consolidated Corporate Governance Report
Consolidated Non-Financial Report*

Selected key data.

2019/20 (financial year 2019/20): April 1, 2019 – March 31, 2020

Unless otherwise stated, all values in EUR million.

Earnings Data	2017/18	2018/19	2019/20	+/-
Revenues	693.3	737.8	731.2	-0.9%
Share of ETC segment	75.2%	75.7%	77.1%	1.4%p
Share of IMS segment	24.8%	24.3%	22.9%	-1.4%p
EBITDA ¹⁾	64.9	71.5	13.6	-80.9%
EBITDA margin	9.4%	9.7%	1.9%	-7.8%p
EBIT ¹⁾	50.1	57.0	-39.2	> -100%
EBIT margin	7.2%	7.7%	-5.4%	-13.1%p
Result before income taxes	44.2	55.1	-63.4	> -100%
Result for the period	28.0	46.6	-55.7	> -100%
Result for the period attributable to equity holders	28.7	47.8	-48.1	> -100%
Earnings per share in EUR	2.21	3.68	-3.70	> -100%
Business segments	2017/18	2018/19	2019/20	+/-
Electronic Toll Collection (ETC)				
Revenues	521.6	558.4	563.5	0.9%
EBIT	53.5	64.9	1.5	-97.7%
EBIT margin	10.3%	11.6%	0.3%	-11.4%p
Intelligent Mobility Solutions (IMS)				
Revenues	171.6	179.4	167.7	-6.5%
EBIT	-3.4	-7.9	-40.7	-413.5%
EBIT margin	-2.0%	-4.4%	-24.2%	-19.8%p
Revenues by region	2017/18	2018/19	2019/20	+/-
EMEA	63.7%	58.4%	55.2%	-3.2%p
Americas	30.2%	34.3%	40.2%	5.9%p
APAC	6.1%	7.2%	4.6%	-2.5%p
Balance sheet data	March 31, 2018	March 31, 2019	March 31, 2020	+/-
Total assets ²⁾	621.1	676.6	727.2	7.5%
Total equity ³⁾	229.9	257.5	182.5	-29.1%
Equity ratio ³⁾	37.0%	38.1%	25.1%	-13.0%p
Net cash (+)/debt (-) ⁴⁾	16.2	-73.5	-175.7	-139.1%
Gearing ⁵⁾	—	28.5%	96.3%	67.7%p
Net working capital ⁶⁾	117.0	193.3	168.3	-12.9%
Cash flow	2017/18	2018/19	2019/20	+/-
Net CAPEX ⁷⁾	8.8	11.7	11.4	-2.4%
Free cash flow ⁸⁾	21.8	-57.5	2.4	> 100%
Other information	2017/18	2018/19	2019/20	+/-
Employees, end of period	5,259	4,981	5,104	2.5%
On-board units, in million units	12.65	13.46	13.19	-2.0%

¹⁾ In 2019/20 including EUR 13.8 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect of EUR 0.8 million

²⁾ As of March 31, 2020 including EUR 63.6 million lease liabilities from the initial application of IFRS 16 (increase in lease liabilities and right-of-use assets in a similar amount) and adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.

³⁾ Including non-controlling interests as well as adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.

⁴⁾ Cash and cash equivalents + other current financial assets – financial liabilities – lease liabilities

⁵⁾ Net debt/equity

⁶⁾ Inventories + trade receivables and other current assets + current contract assets + current tax receivables – trade payables – current contract liabilities – current tax liabilities – current provisions – current other liabilities and deferred income

⁷⁾ Capital expenditure and proceeds from the disposal of property, plant and equipment and intangible assets

⁸⁾ Cash flow from operating activities + cash flow from investing activities

Kapsch TrafficCom.

Modern toll and mobility solutions address future trends:

- > **Development and financing of transport networks.** Necessary investments in the maintenance and development of transport networks must be financed.
- > **Urbanization.** More and more people live in cities.
- > **Mobility.** Traffic increases with rising prosperity.
- > **Environmental protection.** Road transport is a major source of air pollution. This contributes to climate change and has a negative impact on human health, ecosystems, materials and buildings.

Integrated all-in-one provider.

Customized solutions for customers – proven track record.

More than 125 years in the technology industry.

Deep and comprehensive domain know-how.

Customer focus.

Worldwide exchange of knowledge and experience as well as risk diversification through global positioning.

Size and financial stability.

Listed (transparency, access to capital).

Shareholder interests sustainably secured on the Executive Board by CEO Georg Kapsch.

The financial year 2019/20.

HEADLINES 2019/20.

EARNINGS DATA:

- > REVENUES: EUR 731 MILLION
- > EBIT: EUR -39 MILLION, BUT POSITIVE EXCLUDING ONE-OFF EFFECTS.

HEAVY IMPACT OF IFRS 16 AND ONE-OFF EFFECTS ON ANNUAL ACCOUNTS 2019/20.

DIVIDEND PROPOSED TO THE AGM:
EUR 0.25 PER SHARE.

VICTORY IN A LONG-STANDING PATENT DISPUTE WITH A COMPETITOR IN THE US.

DISAPPOINTING BUSINESS PROSPECTS IN ZAMBIA. IMPAIRMENTS REGARDING THE INVOLVEMENT IN THIS COUNTRY.

ON-STREET PARKING SOLUTIONS: CURRENTLY NO SUSTAINABLE AND PROFITABLE BUSINESS MODEL; STREETLINE ACTIVITIES SHUT DOWN.

HEADLINES 2019/20.

MAJOR PROJECTS FOR GERMAN INFRASTRUCTURE
CHARGE TERMINATED BY CUSTOMER.

PERSONNEL SHORTAGE IN THE US HAS LED TO
HIGHER COSTS AND UNREALIZED BUSINESS
POTENTIAL.

BEST BIDDER FOR A MAJOR PROJECT IN SOUTH
AFRICA, BUT TENDERING DISCONTINUED BEFORE
AWARDED.

LARGEST CUSTOMER PROJECT EXPIRED AT THE
END OF NOVEMBER (NATION-WIDE TOLL SYSTEM
IN THE CZECH REPUBLIC).

CONSIDERABLE ADDITIONAL EXPENSES WHEN
IMPLEMENTING NEW SOFTWARE LED TO
SIGNIFICANT COST OVER-RUNS.

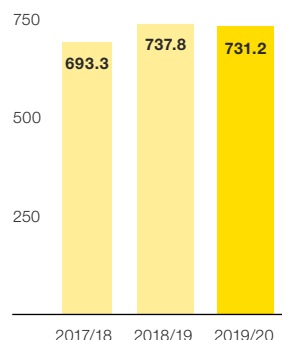
ALFREDO ESCRIBA NEW CHIEF TECHNOLOGY
OFFICER (CTO).

Selected key financial data.

2019/20 (financial year 2019/20): April 1, 2019 – March 31, 2020

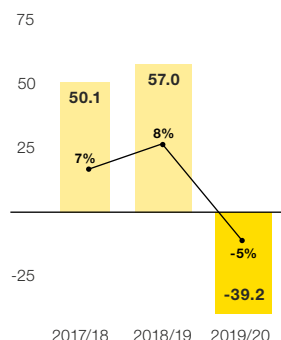
Unless otherwise stated, all values are in EUR million.

Revenues



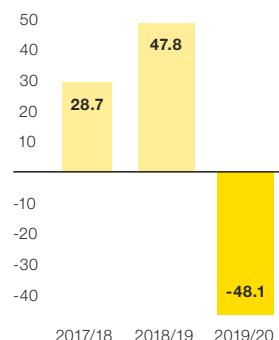
Despite the loss of two major projects (nation-wide toll system in the Czech Republic and infrastructure charge in Germany), revenues were just slightly below the previous year's level.

EBIT and EBIT margin



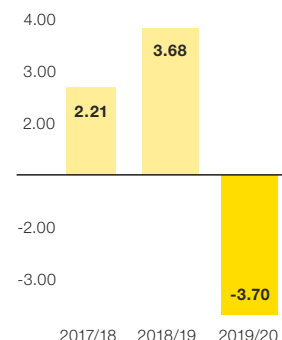
Significant one-time effects and operative challenges that resulted in huge costs led to a negative EBIT.

Result for the period, attributable to equity holders of the company



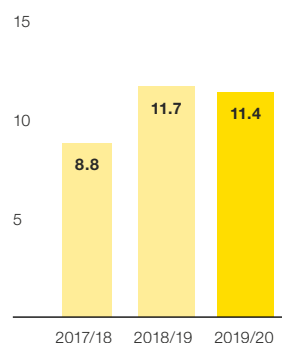
The negative EBIT combined with a financial result that was heavily impaired by valuation and exchange rate effects led to a decline in earnings for the period to EUR -48.1 million.

Earnings per share (in EUR)



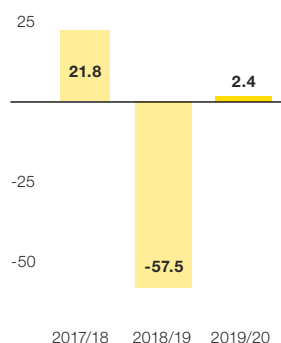
As a consequence of the negative result for the period, earnings per share also decreased to EUR -3.70.

Net CAPEX



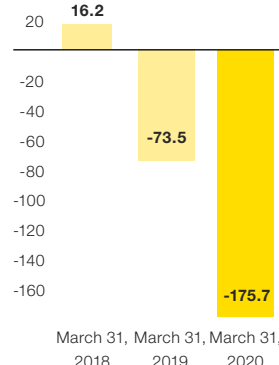
Net CAPEX were slightly below the level of the previous year (-2.4%).

Free cash flow



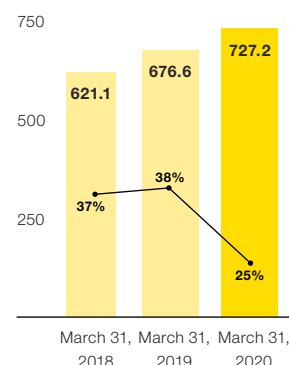
The free cash flow was again positive after being substantially negative in the previous year. This development reflects the decline in net working capital. IFRS 16 had a positive impact of EUR 13.6 million.

Net cash (+)/net debt (-)



The slightly positive free cash flow, the dividend payment (EUR 19.5 million), and the initial application of IFRS 16 resulted in net debt of EUR 175.7 million, corresponding to a gearing ratio of 96.3%.

Total assets and equity ratio



The balance sheet total increased, mainly due to the initial application of IFRS 16. In contrast, the negative result for the period and the dividend payment (EUR 19.5 million) reduced the equity capital. The equity ratio therefore fell to 25.1% (excluding the IFRS 16 effect: 27.6%).

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Letter from the CEO.

Dear Shareholders,

2019/20 was a cursed year. We encountered more challenges than in previous years, and some of these challenges were rather unusual. That is what led to the topic of this report: “Overcoming challenges.” Thanks to measures already taken by us in the past, we managed to come out of the financial year with no more than a black eye. The globalization of the company, the diversified service portfolio, a strong balance sheet and liquidity position, and a great and reliable team have helped immensely to stabilize the Group and increase its resilience.

Looking back at the 2019/20 financial year.

The financial year was very positive in the beginning. We managed to fill the vacated position of Chief Technology Officer in-house with Alfredo Escribá. The financial figures announced in the first quarter for the previous financial year were very good. However, right when we were presenting record revenues and a pleasing EBIT development for 2018/19, the European Court of Justice (ECJ) published a surprising decision with far-reaching consequences: The infrastructure charge (passenger vehicle toll) in its planned form, where in Germany accredited vehicles receive a tax relief simultaneously, violates the principles of the European Union. On the following day, the customer terminated the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019. Taken together, the projects associated with the passenger vehicle toll would have been among the largest in the company history of Kapsch TrafficCom.

In Zambia, we were unable to develop the business as originally planned. We finally had to admit that it will be impossible to overcome regulatory hurdles in the foreseeable future. As a result, the anticipated business prospects in this country are also disappointing. It is for this reason that we have made impairments regarding our involvement in Zambia.

Over the course of the financial year, our struggles with the consequences of insufficient personnel levels in the US intensified. For quite some time now, the company has been unable to recruit enough adequately qualified personnel at reasonable conditions. We were already looking for 150 people at the beginning of the financial year (with a total workforce of nearly 650). Thanks to a changed recruiting strategy, we were finally able to increase the workforce in the US (excluding Streetline) by 145 people for a total of 790. However, this did not come close to filling all of the open positions, since the need for new employees continued to rise due to the good intake of orders and the positive business outlook.

In November, we were able to announce great success: Kapsch TrafficCom was the best bidder in the invitation to tender for a major toll project. The tendering was for the Gauteng Province in South Africa. The overall project volume over the course of six years totaled more than EUR 400 million. As can be expected in a cursed year, the sobering twist came shortly thereafter. Kapsch TrafficCom was notified in March 2020 that the tendering had been discontinued. It is currently unknown whether and when a new invitation to tender will be issued. At any rate, the toll contract in force until December 2, 2019 was extended by one year.

At the end of November 2019, our contract to operate the nation-wide toll system in the Czech Republic expired. In addition, our attempt to implement and operate the new toll system failed due to what we regard as an extremely questionable awarding of the contract. Despite some legal successes along the way, we were ultimately unable to assert our interests. Nonetheless, we cannot accept how we were treated and will continue to take legal action. The fact is, however, that a project with annual revenues of more than EUR 70 million has come to an end.

On the other hand, we received truly positive news concerning a patent dispute. For many years, Kapsch TrafficCom has been litigating against a competitor in the US that was accusing us of infringing upon its patents. The accusations of the competitor have now been dismissed by the court of last instance. This court decision paved the way for the nation-wide interoperability

of electronic toll systems in the US: organizations and individuals are now able to work with, market, and implement different toll technology specifications.

The departure of the United Kingdom from the EU (Brexit), which has now actually taken place, has not had any significant impact on results for Kapsch TrafficCom, as our current local revenues there are in the single-digit million range.

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

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

Darn in: the implementation of new software in existing customer projects is more demanding than expected.

The end of the financial year was dominated by global measures to curb the COVID-19 pandemic. Fortunately, the effects on our results have been limited. What has changed immensely, however, is how we work together within the company for one thing and how customer relationships are managed for another. Our outstanding IT equipment (software and hardware) enabled us to quickly change over many of our employees to home office work. Digital cooperation and communication platforms have provided us with valuable services.

Darn it: in the end, a virus plunges the market into uncertainty.

The results of the 2019/20 financial year.

Before I get to the figures, I want to briefly highlight a few special effects: 1) changes due to the initial application of IFRS 16 and 2) one-time effects.

IFRS 16.

One major innovation starting in financial year 2019/20 is the application of the IFRS 16 "Leases" standard. It addresses the recognition, valuation, and reporting along with the disclosure requirements relating to leases in the financial statements. In short: Rights of use arising from leasing agreements are capitalized (tangible assets), and leasing liabilities are shown separately on the liabilities side of the balance sheet. This changed reporting of leases significantly increases the balance sheet total and net debt as of April 1, 2019, lowering the equity ratio.

IFRS 16 has considerable influence on:
> Net debt
> Balance sheet total

Leasing expenses (other operating expenses) recorded previously are replaced by the depreciation of the right-of-use assets and an interest component (which flows into the financial result). This causes the EBITDA to go up (by the amount of the depreciation of the right-of-use assets) and has a slightly positive effect on the EBIT (in the amount of the interest component, which is reported in the financial result).

One-time effects.

These include:

- > value adjustments and impairments in connection with updated estimates for the IMS segment (around EUR -27 million), particularly concerning the further course of business in Zambia,
- > depreciations and compensation for non-acceptance of loans as well as increased legal and consulting fees due to the premature termination of the German passenger vehicle toll projects (around EUR -9 million),
- > expenses in connection with ending the activities of the Group company Streetline (around EUR -3 million), and the end of the toll project in the Czech Republic (around EUR -2 million).

Financial results.

The Group revenues went down by about one percent to EUR 731 million; the Electronic Toll Collection (ETC) segment accounted for around 77% of total revenues. Here, we managed to more than make up for declines in revenues in the EMEA (Europe, Middle East, Africa) and APAC (Asia-Pacific) regions through strong growth in the implementation business in the Americas (North, Central, and South America) region (a total of +1%). In contrast, revenues in the Intelligent Mobility Solutions (IMS) segment went down by around 7%.

Disappointing financial results:
> Revenues: EUR 731 million
> EBIT: EUR -39 million

The operating result (EBIT) was EUR -39 million (previous year: EUR 57 million). This is a great disappointment for me. On the one hand, we had to put up with one-time effects, without which we would have actually achieved a slightly positive EBIT. On the other hand, the profitability of the Group was burdened by operational issues, mainly the following two developments:

EBIT excluding one-time effects would have been positive.

- The significant need for personnel in North America meant that sufficient capacities were not available for realizing projects normally. It should not be forgotten that the many new employees often need to first be trained by experienced colleagues. This means that productivity will fall along with a simultaneous increase in costs until it is possible to achieve the full potential of the expanded team. This must be partly compensated by outsourcing. It is therefore understandable that profitability of the Group will suffer temporarily.
- Considerable additional expenses for the demanding implementation of new software in existing customer systems led to significant cost over-runs.

The outbreak of the COVID-19 pandemic and the extensive measures of governments around the world to curb the spread of the SARS-CoV-2 virus led to massive upheavals on the capital markets. We have also been affected—not only with regard to Kapsch TrafficCom shares but also with our financial result: The negative share price development of a financial asset (15.4% share in Q-Free ASA, Norway) had an impact of around EUR -6 million. In addition, exchange rate turbulence near the end of the financial year led to (almost exclusively unrealized) exchange rate losses of around EUR -9 million. The result for the period attributable to equity holders amounted to EUR -48 million in financial year 2019/20. This corresponds to earnings per share of EUR -3.70.

The free cash flow in the 2019/20 financial year was again positive at EUR 2 million (previous year: EUR -58 million). This development reflects the decline in net working capital. To be fair, I would like to mention that the reclassifications on account of the first-time application of IFRS 16 had a positive impact on the free cash flow: Payments for leases were included in the cash flow from operating activities up to the previous year. Since April 1, 2019, however, they have been reported in the cash flow from financing activities and are therefore not a component of the free cash flow. The net debt rose to EUR 176 million in light of the leasing payments (EUR 14 million) and on account of the dividend payment (EUR 20 million), the relevant impacts of the first-time application of IFRS 16 (EUR 64 million), and changes in exchange rates (EUR 6 million). This corresponds to a debt ratio of 96%.

Free cash flow turned positive.

Despite the negative earnings for the period, the balance sheet total went up by 8% to EUR 727 million. The crucial factor for this was the capitalization of leasing liabilities due to the initial application of IFRS 16. For this reason and due to the negative earnings contribution, the equity ratio fell to 25%.

Dividend.

The decision concerning a dividend payment was not easy for us: On the one hand, there was the negative result for the period and the greatly increased net debt. We did not feel it was appropriate to continue distributing a high dividend in a loss-making year. On the other hand, we want to be true to our promise to be dividend-paying stock even in bad times. For this reason, we decided, if legally permissible in the context of COVID-19, to propose a reduced dividend (compared to previous years) of EUR 0.25 per share at the general meeting. Paying out EUR 3.25 million does not excessively burden our liquidity, nor does it limit our room to maneuver. The proposed payout amount is naturally covered by the company's dividend policy.

Status of the German passenger vehicle toll.

As already mentioned above, the customer terminated the contract on September 30, 2019. The operating parties of the terminated contract for the "Toll collection" project are Kapsch TrafficCom, CTS EVENTIM, and a 50/50 joint venture of both companies. In December 2019, they jointly asserted claims in the amount of EUR 560 million against the Federal Republic of Germany. The responsible minister is disputing this claim, however. This matter will therefore need to be resolved before an arbitration tribunal. Such proceedings can last several years.

The contractor parties in the terminated contract for the economically smaller "Automatic control of the toll" project (Kapsch TrafficCom and a project company solely owned by it) are also asserting claims against the Federal Republic of Germany.

Since we are still bound by strict confidentiality provisions, I am unfortunately unable to make any further comments on this matter at present.

Outlook.

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

In the US, we are currently rolling out a new mobility service that provides motorists with the opportunity to pay tolls using a cell phone. Development costs were already incurred for this in the last few years. I expect that we will continue to invest in developing this service in the 2020/21 and 2021/22 financial years as well. In return, we expect that this will contribute noticeably to revenues and results in the years to come.

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

Naturally, our horizon does not end on March 31, 2021. We are currently working hard on a new strategy (Strategy 2027). A radical change of strategy will not be necessary, as we have already scrutinized it regularly in the past and adapted it as needed. Society and global relations change; new business models are brought to the market and partially replace old ones; technological development continues to move ahead rapidly and opens up completely new application areas. For this reason, it is healthy and important to carefully check the following at certain intervals: What are the megatrends relevant for us, and how can we respond? What role can the company assume in the future? How do we have to develop, and what solutions, services, technologies, and business models will gain or lose importance? Kapsch TrafficCom would like to play a shaping role and make a positive contribution to society. Only in this way can we be successful over the long term.

In addition to the strategy process, we have also launched a program to reinvent ourselves as an organization. We want to sustainably improve the profitability of the Group, reduce the complexity of the organization, strengthen the responsibilities of the employees, and generally increase efficiency and effectiveness. Strict cost management is naturally included in this.

Dear shareholders, 2019/20 was a difficult financial year, which demanded a lot from us. Nevertheless, I have faith in this wonderful company. For this reason, I am looking forward to extending my CEO mandate for another five years. After a truly cursed 2019/20 financial year and in the midst of a challenging time for the society and economy (SARS-CoV-2), I continue to be excited about Kapsch TrafficCom. I can quickly list several reasons for this:

- > I believe in the business potential and the contribution we can make for the general public.
- > I enjoy working together with colleagues in the company.
- > I look forward to providing innovative and expedient solutions for our customers.
- > I value the professional collaboration with our business partners.
- > I also value the opinions, feedback, and suggestions from investors and analysts, who naturally view our company from a different perspective.
- > I appreciate the members of the Supervisory Board as valuable and inspiring sparring partners who diligently perform their duties.

In closing, I want to thank these people for placing their confidence in the company.

Sincerely,



Georg Kapsch
Chief Executive Officer





Maintaining a secure position. Stability.

A global presence, a diversified portfolio, and the necessary size and capital resources impart a high degree of stability to Kapsch TrafficCom's business. This way, even larger hurdles will be unable to throw the company off balance.

Kapsch TrafficCom today and tomorrow.

Stocktaking and a look to the future.

Roads are part of a country's basic infrastructure. However, both construction and maintenance are extremely costly. According to a study by McKinsey Global Institute, around USD 900 billion must be invested annually in road infrastructure worldwide to keep pace with expected economic growth.

Megatrends:

- > Expansion of transportation networks
- > Mobility
- > Urbanization
- > Environment protection

In addition to financing sources for the required investments, decision-makers are also looking for ways to use existing infrastructure more efficiently. It is often not possible to build additional roads, especially in urban areas.

Global economic growth is leading to an increase in the transportation of goods. This may change due to measures for combating the COVID-19 pandemic, but these changes will only be temporary. In addition, the increasing mobility of people and progressive urbanization pose challenges to transportation networks. At the same time, protecting people and the environment from the impact of road traffic is becoming more relevant.

In this context, Kapsch TrafficCom offers hardware, software and services that make road traffic more efficient, safer, more reliable, more efficient and more convenient, while reducing environmental impact. The company's products and solutions – from traffic management to the use of tolling fees and charges as a mechanism to finance and manage traffic demand and congestion – help to handle traffic flows more efficiently.

Kapsch TrafficCom – an overview.

Today, Kapsch TrafficCom is a globally active corporation with branches in more than 30 countries. The company is known for its toll solutions. These are combined in the "Electronic Toll Collection" (ETC) segment. ETC is responsible for around three quarters of Group revenues. The "Intelligent Mobility Solutions" (IMS) segment combines established offerings in the area of traffic management with the new business areas such as connected mobility.

In financial year 2019/20, the Group generated about 55% of its revenues in the EMEA region (Europe, Middle East, Africa), about 40% in the Americas region (North, Central and South America) and about 5% in the APAC region (Asia-Pacific).

In recent years, the company has succeeded in acquiring a considerable portfolio of small- and medium-volume projects in addition to major projects (mostly nation-wide toll systems). At the same time, this has reduced dependence on individual customers and thus the (bulk) risk. By now, no single customer contributes more than 10% of the Group revenues.

Overview: Relevant major nation-wide projects.

Country	Segment	Scope	Awarded	Current term until
Belarus	ETC	Truck and car tolling	2012	2032
Austria	ETC	Truck tolling	2004/2016	2028 (can be extended by up to 5 years)
Poland	ETC	Truck tolling	2010/2018	2021
			1999/2001/	End of 2020
Switzerland	ETC	Truck tolling	2018	(can be extended by up to 4 years)
South Africa	ETC	One region, truck and car tolling	2009/2019	2020

Business model.

With end-to-end solutions, Kapsch TrafficCom covers the customers' entire value chain as a one-stop-shop: from components, to design, build and implementation of systems, to operation.

Components. Kapsch TrafficCom develops and produces components itself. They can also be purchased from renowned manufacturers if necessary. The assortment includes:

- > In-vehicle components: on-board units and transponders
- > Road-side components: transceivers and readers as well as cameras and sensors
- > Traffic controllers

Implementation. This includes projects for the planning, design and installation of various systems and applications (toll systems and subsystems, traffic management solutions). As a system integrator, Kapsch TrafficCom deploys its own core technology while also using the services of subcontractors and partners as required.

Furthermore, the company is responsible for project and supplier management. In general, systems and applications are transferred to the customer upon completion of installation. Implementation projects therefore do not lead to an increase in CAPEX, but do lead to a temporary increase in net working capital.

One-stop shop:

From individual components to the operation of entire systems

Operation. This includes consulting customers as well as providing the technical and commercial operation of systems. Consulting concerns the development of overall concepts which comprise both the technical as well as the commercial aspects. To do this, Kapsch TrafficCom analyses the local conditions as well as the traffic policy and legal framework conditions. Moreover, the company offers to optimize existing operation organizations. Technical system operation encompasses the monitoring, maintenance and constant improvement of the system. The commercial system operation focuses on the end consumer and, depending on the solution, includes the planning and realization of points of sale, setting up and operating call center services, the design of specific web portals as well as implementing payment systems including full accounting and dunning processes. In general, Kapsch TrafficCom receives ongoing compensation for operation regardless of traffic volume.

Services. Kapsch TrafficCom is increasingly providing services in both segments. The European Electronic Toll Service (EETS) deserves special mention in the area of Tolling as a Service (TaaS). In the area of Mobility as a Service (MaaS), the company offers IT solutions that integrate and standardize various transportation services and make them accessible to users.

Kapsch TrafficCom in the coming years.

Management is committed to further growth, both organically and through acquisitions and joint ventures. As in the past, Kapsch TrafficCom will continue to acquire companies and parts of companies in order to strengthen its own portfolio, break into new geographical markets, secure technology for itself, or increase market share.

The aim is to achieve a top position in all major regional markets. At the same time, management is scrutinizing existing investments, products and solutions with regard to the corporation's strategic objectives. If these are not (or no longer) fulfilled, the company is prepared to sell shares and companies at a favorable opportunity.

Organic growth and M&A.

With expected double-digit growth rates, North America will be the corporation's most important growth market in the coming years. In addition, management also anticipates interesting business potential from Europe and South America. The Asian region offers growth opportunities in the medium term once modern electronic toll and mobility solutions are being used with greater frequency.

Revenues are expected to increase in both segments. In the coming years, however, the strongest impetus for growth will continue to come from the toll segment. Investments in new business areas should pay off in the medium to long term. Intelligent mobility solutions will be necessary to deal with increases in traffic. Existing solutions will also play a role, as will new applications. This also allows additional customer groups such as service providers or end users to be addressed more intensively.

Kapsch TrafficCom is currently developing a new strategy entitled "Strategy 2027", which will be presented in the course of the 2020/21 financial year.

Stability through a diversified portfolio.

Electronic toll collection (ETC).

- Pioneer and technology leader in electronic toll collection.
- Unique experience in nation-wide tolling systems.

Electronic toll collection.

Technology:

- > Microwave (DSRC)
- > Satellite (GNSS)
- > Video
- > Mobile tolling
- > eVignette

Applications:

- > Multi-lane free-flow (MLFF)
- > City tolling
- > Managed lanes (tolled)

Standards:

- > CEN
- > WAVE

Plaza tolling.

Tolling as a Service (TaaS).

ETC revenues by region.

EMEA	Americas	APAC	Total
EUR 315 million (56%)	EUR 221 million (39%)	EUR 27 million (5%)	EUR 563 million

Intelligent Mobility Solutions (IMS).

- Broad set of solutions and services addressing different aspects of traffic and mobility.
- Established solutions and investments in future growth.

Traffic management.

- > Urban
- > Highway
- > Tunnels and bridges
- > Managed lanes
- > Reversible roadways
- > Traffic law enforcement

Connected mobility.

- > V2X communication technology
- > Connected mobility platform

Mobility as a Service (MaaS).

IMS revenues by region.

EMEA	Americas	APAC	Total
EUR 89 million (53%)	EUR 72 million (43%)	EUR 7 million (4%)	EUR 168 million

Offer to customers: Tolling.



In 1886, Carl Benz was awarded the patent for an automobile with a combustion engine. Since then, the automotive industry has developed significantly. Today, cars are a popular tool to overcome short to medium distances. Trucks are indispensable for the national and international exchange of goods.

More than one billion vehicles worldwide.

The increasing traffic requires an adequate road infrastructure. Building and maintaining a modern road network is extremely expensive and weighs heavily on public budgets. Moreover, the escalating congestion and pollution raise doubts about the sustainability of road transport.

Gasoline tax is an efficient and consumption-based source of income, but it has significant limitations:

- > **Limited steering effects.** It is neither possible to differentiate between types of vehicles (e.g. trucks, buses and cars), the usage of different types of roads (to influence the choices of road users) and road occupancy levels nor can low-emission vehicles or multiple-occupant vehicles be fostered.
- > **Steering effects can (partly) be bypassed.** Desired steering effects cannot, or not fully, be achieved if a vehicle is refueled before entering the country.
- > **Only feeds public budgets.** This tax is not suitable to generate income for private road concessionaires.
- > **Dealing with e-mobility.** The rapid emergence of electrically powered vehicles leads to a revenue decline of the fuel tax, and changing tax regimes is a quite long a politically delicate process.

Tolls or more generally speaking demand management by tariffing of transportation means do not have these shortcomings – they are income to the road operator (be it a public agency or a private concessioner) and can be combined with advanced traffic management. This offers real-time tariffing of infrastructures to optimize demand and capacity management.

Kapsch TrafficCom's offer.

Electronic Toll Collection (ETC). With first activities in the mid-90s, Kapsch TrafficCom is a pioneer in ETC solutions. The company's solutions are able to integrate a wide variety of fee models aimed at reducing congestion. The back office calculates

Kapsch TrafficCom, a pioneer in ETC.

the toll depending on the distance travelled, time of day, vehicle class (weight, vehicle drive type, emission class, power mode), number of passengers, the traffic situation, or any combination of these parameters. Kapsch TrafficCom acts as a one-stop shop providing everything from components (e.g. on-board units,

transceivers, classification devices), the design and build of turnkey end-to-end toll collection systems to the operation of such systems.

Multi-Lane Free-Flow (MLFF). This automatic toll collection system does not interrupt the flow of traffic, even if multiple lanes are to be tolled. Kapsch TrafficCom implemented the world's first system of this kind applying industry standards in

World's first standardized MLFF system by Kapsch TrafficCom.

Australia more than 15 years ago. Since then, many countries worldwide have begun using MLFF toll collection systems, and there is a growing trend for migrating from plaza tolling to MLFF. They can be used for all types of roads (highways, expressways, bridges tunnels, etc.) and for all vehicles. MLFF is

based on Dedicated Short-Range Communications (DSRC, microwave technology), RFID, and/or Automatic Number Plate Recognition (ANPR), and KTC offers all these technologies.

In case of DSRC technology, the on-board units or transponders in the vehicles communicate with corresponding transceivers (usually mounted on gantries) via the DSRC radio standard. RFID works on similar principles, but with a reduced functional

flexibility. In case of ANPR technology, the vehicle number plate is read remotely using camera technology to determine whether the vehicle is required to pay the toll and to calculate the amount.

Satellite tolling. In regions with large, open expanses or an especially extensive network of toll roads, using GNSS (Global Navigation Satellite Systems), satellite positioning makes both technical and commercial sense.

As opposed to toll collection systems based on DSRC, satellite positioning is used to determine the location of the on-board units in the vehicles. The data relevant for toll collection is sent to a back office. As soon as a vehicle enters a toll zone, it is automatically recorded by the system and the payment process is triggered.

Satellite-based toll collection can be used for all types of roads. The system allows additional routes to be integrated without any great difficulty, since it does not require the installation of any new roadside infrastructure.

Mobile tolling. Work, communication, information – mobile communication devices have become closely integrated into most areas of our daily lives. Therefore, Kapsch TrafficCom offers toll collection solutions which include the use of smartphones in ANPR-based MLFF toll collection systems. Road users can pay tolls as well as interact with toll authorities and concessionaires using their mobile phone.

Every time a vehicle passes through a toll collection point, two processes are initiated: Video cameras record an image of the license plate and send it to the back-office system. Meanwhile, the smartphone app detects that the driver has entered a tolled zone and likewise transmits the passage to the back-office system, where the two transactions are reconciled. This process reduces operational costs for the toll agency while at the same time increasing convenience and transparency to drivers.

City tolling. Municipalities around the world have to manage traffic congestion growth in urban areas. Charging urban road users is a very effective answer to this problem. Besides having a fixed toll it is also possible to charge for different criteria such as time spent within an area, distances travelled, current congestion levels, vehicle category or emission class/power mode.

In the future, city tolling will not only complement urban mobility management but become an integral part of holistic concepts. Through dynamic tolling, end users' behavior can be incentivized/penalized, and thus managed, to maximize in real time the capacity and quality of service of the various means of transport.



Kapsch TrafficCom uses ANPR, DSRC/Rfid, and GNSS as technologies for city tolling, depending on tariff schemes, legal constraints and the policy of the relevant authorities.

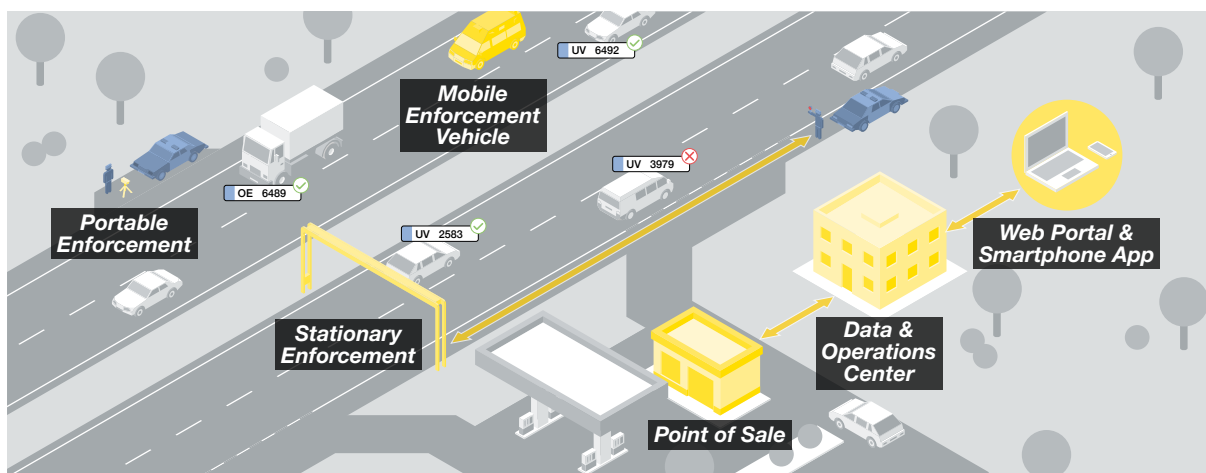
Plaza tolling. Regardless of the trend towards automated, electronic toll collection, conventional toll systems are still widespread. This applies in particular to regions in which the legal and commercial circumstances are not sufficiently developed to completely do without toll barriers. But even there, increasingly more efficient payment methods are being used. Lanes with electronic toll collection, sometimes even MLFF, are increasingly being combined with conventional toll systems.

Wide experience in plaza tolling:

- > more than 25 years in this business
- > more than 1,500 lanes installed or upgraded

Kapsch TrafficCom develops and implements various plaza tolling solutions. The offer ranges from manual toll collection by means of cash or card payments to combined installations with electronic toll collection systems.

eVignette. This is a time-based digital vignette which is used instead or as an alternative to a paper vignette. A vehicle just has to be registered online. By using ANPR the status (registered or not) can be verified. The main reasons for the increased popularity of the eVignette are efficient enforcement, lower costs (avoid costs for the production and distribution of the physical paper vignette) and improved convenience for drivers.



Tolling services. The various European countries have different tolling systems in place – for passenger cars as well as for trucks. The Group company tolltickets (Germany) has been certified as provider of the European Electronic Toll Service (EETS). So far, in the various EU member states, road users pay tolls to the respective local toll chargers. This obliges an internationally operating truck to equip and register with an OBU in each country it enters. With the EETS service from tolltickets, users (e.g. hauliers) can pay toll across Europe based on one contract and a single OBU.

Kapsch TrafficCom already markets EETS-OBUs and tolltickets has been registered as an EETS provider.

In addition, tolltickets offers drivers of passenger vehicles a one-stop shop for meeting their toll obligations when travelling across several countries.

In North America, Kapsch TrafficCom is about to launch a new tolling service. It is based on mobile tolling and addresses directly the road users. With this interoperable solution, they can pay tolls across different toll domains.

Selected references.

Multi-Lane Free-Flow (MLFF):

- > Nation-wide toll systems in Austria, Belarus, Czech Republic, Poland, Switzerland
- > Bridges: Sydney Harbour (Australia), Golden Gate (USA), Øresund (Sweden/Denmark)

Satellite tolling: Bulgaria

eVignette: Bulgaria

City tolling: Bologna (Italy), Singapore

Plaza tolling (implementation and technical operation): in Argentina, Brazil, Chile, Mexico, Paraguay, Spain

Components: Supplier to E-ZPass® (USA)

Tolling services: EETS: OMV Smart Toll Europe (using OMV fuel cards)

Offer to customers: Traffic management.



Cities and metropolitan areas.

By the year 2050, it is expected that two thirds of the still growing world population will live in cities. In the years to come, a significant increase in individual trips of more than 30% is projected. It is critical that today transportation professionals prepare tomorrow's mobility solutions for a sustainable future, solving growing issues such as traffic congestion, pollution and safety. The limited capacity of transport infrastructure needs to be maximized.

***As urbanization progresses,
increasing urban traffic
needs to be managed.***

Driving and commuting experience in metropolitan areas should be a seamless experience for citizens. However, such agglomerations are complex because many different transportation authorities operate side by side. As an example, in most of the metropolitan areas the authority managing the highways accessing a city is different to the authority managing the down town streets and its traffic lights. Connecting and coordinating various agencies, dealing with incidents as well as knowing and responding to traffic patterns and road capacity demand are some of the big challenges of most metropolitan areas in the world.

Innovative technologies such as machine learning or edge computing as well as the connected vehicle technology and ecosystem are bringing new opportunities to alleviate congestion, ease citizens' daily commute and improve air quality.

Highways.

Safety is especially important on roads built for high-speed traffic. The more detailed the information that can be provided to drivers on roadside electronic message signs or on in-vehicle displays thanks to connected vehicles, the safer motorists and passengers are while driving. Road operators also benefit from the ability to efficiently respond to changes in traffic conditions and manage incidents quickly and effectively, all from a central location.

Bridges and tunnels.

Bridges and tunnels constitute the most vulnerable points of any roadway system. They require special regulations and safety guidelines to ensure structural integrity of the infrastructure and driver safety while using these facilities. When a tunnel or bridge becomes impassable, traffic management operators must use extra precautionary measures to prevent a critical situation from becoming a catastrophic one.

Traffic law enforcement.

Despite the constant growth in traffic volumes, the number of traffic deaths is falling in many countries. The reason for this is an entire bundle of measures such as stricter legal regulations or improved vehicle safety. Most recently, these have been added to by technical solutions off and on the roads, which serve both to recognize hazards in good time and to support the enforcement of traffic laws.

Kapsch TrafficCom's offer.

Cities and metropolitan areas.

Kapsch TrafficCom has more than 30 years of experience in the area of traffic management. The company offers a unique and complete portfolio. It covers the entire spectrum from a single intersection up to the whole metropolitan area where multiple modes of transportation and agencies operate. Kapsch TrafficCom helps these agencies solve multi-agency collaboration and coordination as well as boost multi-modal mobility and public transport. The company provides the tools and solutions to connect transportation authorities and help them resolve multi-agency management of incidents as well as day-to-day operations.

An operator friendly and efficient operations console, powerful data connectivity and fusion engine as well as a prediction and decision support system are key components of Kapsch TrafficCom's solutions.

By integrating all different subsystems into one single and easy to use operations console, operators are able to visualize and anticipate incidents and congestion so that they can implement mitigation plans proactively. Public transport priority solutions, as well as traffic prediction and decision support systems have become powerful tools. They use machine learning and real-time traffic information

Kapsch TrafficCom's solutions in the area of urban traffic control are adaptable to the different customer needs as well to various degrees of complexity: from fixed-time traffic control to sophisticated adaptive traffic control based on real-time traffic data and current traffic conditions.

Mobility as a Service (MaaS). The Austrian subsidiary Fluidtime is a renowned provider of MaaS platforms. This means IT solutions for integrating, standardizing and managing shared transportation offerings. The Fluidtime MaaS platform allows users to access mobility services using mobile end devices in order to plan, book and pay for trips within cities and regions using all kinds of transport modes in an integrated way, (e.g. public transport, car sharing, bike sharing, taxi). The platform supports both single trips (pay-as-you-go) and subscription models.

In doing so, the Fluidtime platform accesses and aggregates real-time data from these transport providers (e.g. schedule data, real-time availability data from car sharing providers, tariff information), generates intermodal route options and also offers the possibility to optimize these trips in multiple dimensions (e.g. by time, cost, walking distance. etc.) by means of personalized user profiles. The Fluidtime MaaS platform matches the needs of travelers with the available mobility offers

Managed lanes. In many urban transportation systems, public means of transportation often have their own driving lanes. The principle of giving priority to vehicles with multiple passengers and thus preventing traffic jams and reducing CO₂ emissions can also be applied to cars. They can use so-called HOV lanes (High Occupancy Vehicles). Sometimes these lanes are also opened to other vehicles on the road in return for payment. In these HOT lanes (High Occupancy Toll), the toll usually depends on the current traffic situation.

Reversible Roadways. Traffic in and out of major metropolitan areas varies significantly depending upon time of day. Many agencies adopt an approach to increase motorway capacity during rush hour. This can be accomplished by reversing the travel direction of designated lanes depending on demand. This means that, for example, in the morning, an additional lane is opened into the metropolitan area; in the evening the direction of traffic is reversed. Road safety is extremely important when there are changes on the roadway.

Access management. Kapsch TrafficCom has many years of experience in planning, implementing, and operating the following systems:

➤ **Limited Access Zones.** Using Automatic Number Plate Recognition (ANPR), details of vehicles belonging to local residents and businesses can be registered and their movements can continue either wholly or partially unrestricted. Other vehicles can be wholly or partially excluded.

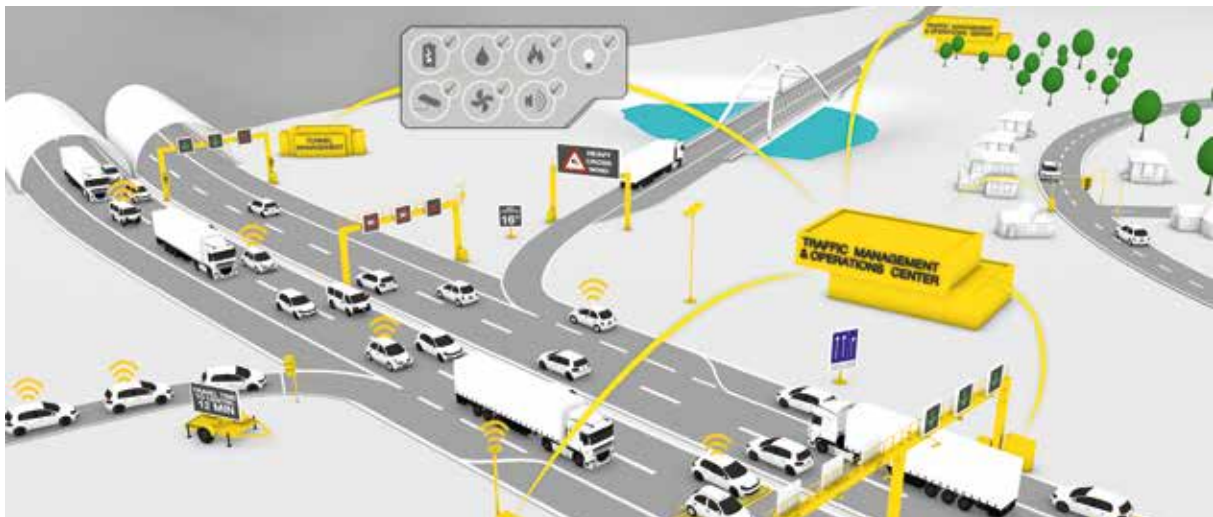
- **Low emission zones.** This is a complementing strategy to restrict access to certain zones. Only lesser polluting vehicles or those below a certain weight may be permitted to enter certain geographically defined areas free of charge. Should others attempt to access, they can be charged. ANPR is used as well for this service.

Highways.

Kapsch TrafficCom's highway solutions can scale from a local single highway to a whole region or country-wide highway network. The highway traffic management system collects real-time data and delivers it to the traffic management control centers, allowing operators to detect and respond to congestion, incidents, emergency situations, and other conditions. Information such as travel times, accidents, roadway and weather conditions can be quickly disseminated to the public, allowing motorists to make informed travel decisions.

The "Incident Response" module unifies traffic operations and simplifies system use by combining control of incidents, alarms, and other situations along with response plans into a single interface. This allows operators to provide rapid and appropriate responses with less stress.

Through the "Active Traffic Management" module, speed limits and directions to drivers can be automatically adjusted based on current and predicted traffic conditions, improving the traffic flow and reducing the risk of accidents and impact of incidents.



Bridges and tunnels.

Kapsch TrafficCom has a vast experience in the management of traffic on bridges and tunnels as well as reversible lanes. The company's solutions can be used to manage both the flow of traffic and critical infrastructure elements, all from a single user interface. This enables problematic situations to be identified before they can turn into a safety hazard for road, tunnel, and bridge users. Kapsch TrafficCom's software solution offers real-time incident detection and decision-making assistance, making it possible to quickly select the best method of proceeding in the event of accidents and rapidly deploy emergency personnel to the incident location. The dedicated "Tunnel Incident Management" program provides seamless management of traffic and emergency operations when responding to incidents or emergencies in tunnels.

Traffic law enforcement.

Commercial vehicle enforcement. Video and sensor technologies installed along the roadway allow the identification of commercial vehicles not compliant with laws/regulations. This information enables road traffic authorities and road users to derive necessary action. Kapsch TrafficCom offers solutions in the following areas:

- Access authorization to specific road facilities (e.g. tunnels): Authorized vehicles are identified automatically.
- Electronic vehicle screening: Vehicle speed, vehicle class, and vehicle weight are automatically recorded via laser, video, and / or in-pavement sensors.
- Vehicle inspections: Additional data on the vehicle and its position is transmitted to the back office via radio technology.

Electronic vehicle registration. This solution combines automated vehicle recognition (ANPR, RFID, DSRC) with a central management of registration and compliance data. Kapsch TrafficCom expects demand for this solution above all from countries where many vehicles are not or are not sufficiently registered or insured, or the rates of theft are high. There, such systems provide great support for the police and road traffic authorities.

Traffic monitoring. In some countries, Kapsch TrafficCom supports the local authorities with technologies to monitor traffic. The service package includes:

- > Automated bus lane monitoring
- > Traffic surveillance (at specific points or along an entire route)
- > Traffic signal monitoring
- > Vehicle speed monitoring
- > Automated identification of vehicle occupancy
- > Weight enforcement of vehicles at full speed (weigh-in-motion)
- > Integration with a comprehensive back office solution

Selected references.

Highways:

- > New Zealand: The state highway network
- > England/Netherlands: Next-generation national traffic management centers
- > USA: Georgia Department of Transportation Statewide traffic management system

Reversible roadways:

- > New Zealand: Auckland Harbour Bridge
- > USA: Tampa Hillsborough Expressway, I-95

Bridges and tunnels:

- > USA: Boston Central Artery/Tunnel, Port Authority of New York & New Jersey agency-wide TMS, Governor Mario M. Cuomo Bridge, Devil's Slide Tunnel
- > AU: Northconnex Tunnel, Domain Tunnel, Burnley Tunnel
- > New Zealand: Johnstone's Hill Tunnels, Lyttelton Tunnel, Mount Victoria Tunnel, Terrace Motorway Tunnel, Victoria Park Tunnel

Managed lanes (tolled):

- > USA: Lyndon B. Johnson Freeway, North Tarrant Express Highway, Capital Beltway, I-95

Cities:

- > Spain: Madrid, Bilbao, Castellón, Huelva, La Coruña, Málaga, San Sebastián, Valladolid, Vitoria
- > Saudi-Arabia: Cities of Jeddah, Makkah & Madinah
- > Latin America: Buenos Aires, Lima, Panama City, Quito
- > USA: Chesapeake, Chicago, Dallas area, Miami-Dade Expressway, NITTEC (NY), San Francisco, US 75 Corridor

Access management:

- > Italy: Bologna, Bolzano, Naples, Piacenza, Rome, Torino
- > Great Britain: Ultra Low Emission Zone (ULEZ) in central London

MaaS:

- > Sweden: UbiGo MaaS platform for Stockholm
- > Spain: MaaS solution embedded in Traffic Management for Bilbao
- > Denmark: MaaS integration platform for the city of Aarhus and MaaS app for the project partner FDM (Federation of Danish Motorists)
- > Germany: MaaS platform for the city of Mainz in cooperation with insertEFFECT, Nuremberg
- > Austria: Maas platform for Goldbeck Vienna to operate mobility services in urban development areas
- > Austria: qando app – Route planning for public transport, real-time information and disruption information (Vienna, Klagenfurt, Graz, Salzburg, Linz)

Traffic law enforcement:

- > Weigh-in-Motion: in Austria, Czech Republic, Russia, Switzerland and the USA
- > Traffic surveillance: Joint project with the Johannesburg Metropolitan Police Department and Implementation in more than 20 cities in South Africa
- > Traffic signal monitoring in Italy: Porcia, Bollate and Bologna

Offer to customers:

Connected mobility.



V2X communication is one of the most promising technologies for road traffic. V2X communication means that vehicles exchange information with each other ("Vehicle-to-Vehicle") as well as with road-side traffic infrastructure ("Vehicle-to-Infrastructure") at high frequency. V2X technology has entered serial production as the new Volkswagen Golf 8 ran off the belt in Europe in 2019. The need for V2X-equipped infrastructure is currently on the rise.

The EU Commission supports the European-wide equipping of traffic routes with road-side V2X infrastructure under the "C-Roads" project. Similarly, the US Department of Transportation supports the outfitting of numerous projects with V2X technology in the urban and highway sectors. In 2019, discussions regarding the prevailing communication technology for V2X in Europe intensified. Some stakeholders favored cellular technology (LTE-V2X) while others were in favor of the WiFi-based ETSI ITS G5 standard. This uncertainty caused delays in some projects. Since ETSI ITS G5 is already standardized, tested, and available, an increasing number of projects are expected to enter the deployment stage in the upcoming years. In any event, Kapsch TrafficCom has a technology-agnostic approach.

***Connected mobility supports
road safety and driving comfort.***

Kapsch TrafficCom's offer.

A pioneer in the V2X market, Kapsch TrafficCom has extensive domain know-how in this field. Hence, the company can offer customers complete end-to-end solutions, as well as the consulting services necessary for a successful project. Kapsch TrafficCom sees itself as a provider of the complete V2X communication technology solution for smart roads. On the one hand the company develops and produces hardware components both for road-side infrastructure (so-called roadside units, RSUs) and for the outfitting of existing vehicles (specific after-market on-board units, OBUs). The associated software stack (communication software) allows products to be customized for specific applications and markets. Furthermore, Kapsch offers a central system for gathering vehicle data, monitoring roadside units and sending messages. All of Kapsch TrafficCom's V2X solution components can be integrated into the company's traffic management systems.

Application examples.

- **Vehicle data.** Vehicles collect information on the traffic situation, road conditions, etc. This information feeds substantial data into the traffic infrastructure via the unique Connected Mobility Control Center (CMCC). In doing so, traffic situations can be steered more effectively and traffic jams avoided, while emissions are controlled and reduced.
- **Vulnerable road users.** Especially in inner-city areas, incidents with more fragile road users such as pedestrians or cyclists occur again and again. For example, intersections and crossing areas are problematic. The goal must be to identify imminent hazards early on and to avert accidents. To this end, sensors in the road-side infrastructure and in vehicles exchange information with the traffic management system.
- **Optimized Intersection Management.** By using road-side traffic infrastructure, signal systems inform approaching vehicles about the traffic status of the next intersection. This data enables the vehicles to calculate the optimum speed in order to pass through the intersection as smoothly as possible and to minimize resource consumption. In addition, public transport and emergency vehicles can be prioritized.

Selected references.

- North America: Pilot projects in the USA (Smart Columbus, FDOT Pinellas, UDOT Utah) and Canada (Calgary)
- Great Britain: Outfitting of a CAV (Connected and Automated Vehicles) corridor with a central software platform providing simulation services to the test site, as well as with ITS G5 RSUs to equip the corridor
- Spain: RSUs, OBUs and traffic management system are utilized to realize C-ITS in urban and highway environment.

Constantly pushing forward. Endurance.

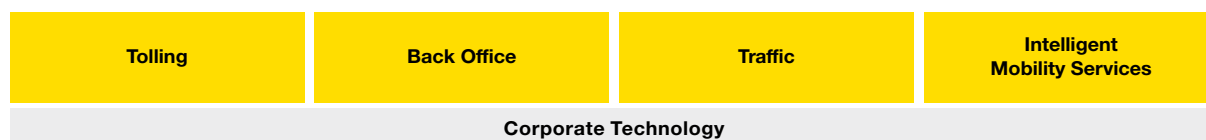
Headwind or tailwind, uphill or downhill, no matter what challenges need to be overcome – for Kapsch TrafficCom there's only one direction: forwards. Of course there may be setbacks, but the journey to the goal is not a sprint: it requires endurance.





Research and development.

Kapsch TrafficCom is embracing innovation with a market driven approach. Deep understanding of robust market trends and desirability stands at the forefront of the Group's approach to bringing superior innovations to the market and our customers. The established structure with Solution Centers and a Corporate Technology function ensures a tight alignment along the innovation process.



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

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

Kapsch TrafficCom has major development sites in Austria, Sweden, Argentina, USA, Canada and Spain. Further development resources are located in countries such as Italy, South Africa and Chile. These sites all around the globe may also support the

Expenses for developments correspond to 18% of revenues.

research and development initiatives at the headquarters concerning programming, engineering assistance and various other related support services. On March 31, 2020, Kapsch TrafficCom employed 942 engineers (previous year: 860) for its research and development activities. The investments in develop-

ments rose by 17% to EUR 131 million in financial year 2019/20. This corresponds to about 18% of the total Group revenues (previous year: about 15%). The breakdown of development expenses was as follows:

- > Customer-specific developments: EUR 70 million (+36%);
- > Project management, development support and generic development: EUR 61 million (+2%).

Selected highlights in 2019/20.

Software development. Kapsch TrafficCom is continuing to progress toward modernizing software development. Already more than 2,600 projects make use of the shared development environment with around 5,000 automated build pipeline runs per week. The goal is to strive for DevOps, continuous integration, and fully automated delivery with consistently high quality. Additionally, Cloud use has increased to provide more flexibility and automatism in development.

Satellite tolling. The existing solution was upgraded with the geolocation platform (GLP) that tracks a vehicle's route, which makes it possible to determine the distance-based toll. Further enhancements of the satellite tolling solution are planned. GLP will be an essential element for the convergence of traffic management and tolling, as it can be applied to all satellite toll systems in Europe.

Data-based solutions. Kapsch TrafficCom has invested intensively in this area and decided to make this a cornerstone within the strategic roadmap. In order to utilize synergies for the development of data analytics applications standardized architectural frameworks, software modules and best practices are provided centrally.

Connected Mobility Platform. The amount of traffic data generated by customers will explode as more and more connected vehicles populate the roads. The Connected Mobility Platform will be able to aggregate, fuse, and smooth data from disparate sources. Such data will then be processed, applying artificial intelligence and machine learning, to provide actionable intelligence to customers in real time. This platform will also include API connections to other Kapsch TrafficCom products and solutions to supplement existing and new traffic management systems, for instance.

Advanced Traffic Management System (ATMS). Kapsch TrafficCom has built a common user interface for DYNAC® and EcoTrafIX™. Following this first milestone to merge the two systems (common look and feel), the company is now developing a data bus capable of collecting data from both systems.

Connected vehicles. The connected vehicles team has successfully developed a dual-mode roadside unit capable of simultaneously utilizing both micro-wave and 5G cellular technology. This new unit has also received both OmniAir and European Radio Equipment Directive (“RED”) certification.

Back office. Mid-2019, KTC launched a new back-office solution, a modular and flexibly extensible platform that automates and streamlines workflows. The back office’s finance system can be tailored to a customer’s specifications, and it provides insights through real-time data analytics and deep-audit capabilities.

Deep learning. Kapsch TrafficCom applies deep learning for video analytics and has invested more in this field. About 40 people currently work in the company’s deep learning eco-system and the target markets have been expanded to traffic management and safety (V2X) applications. Further investments in digital twins were made to simulate and optimize traffic management and tolling.

About 40 people work in the deep learning eco-system.

Patents.

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

Focused patent strategy:

- > Patent Monitoring*
- > Freedom to operate*
- > Improved market knowledge*

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

R&D cooperation.

A focus of the R&D cooperations was on “connected roads” and “autonomous driving”. Kapsch TrafficCom works with infrastructure operators, automotive industry players, telecommunication companies, and research institutes, among others. Some noteworthy projects are:

- > Nordic Way 2:* This is a multi-year cooperation project funded by the EU. The aim of the project is to demonstrate different C-ITS services (Cooperative-Intelligent Transportation System) for hazardous location warnings, adverse weather warnings, and roadworks warnings.
- > CONCORDA:* This is also a multi-year cooperation project funded by the EU. The project’s goal is to test the hybrid and interoperable V2X communication between the ITS-G5 standard and the future mobile radio standard 5G.
- > C-Roads Spain:* The C-Roads Platform is a joint initiative of European Union Member States and road operators. C-ITS services are tested regarding cross-border harmonization and interoperability.
- > Digibus®:* This is a multi-year Austrian framework project for automated driving. Kapsch TrafficCom aims to develop an enhanced V2X positioning functionality. The group company Fluidtime also takes part in this project and works on a service app for passengers.
- > SHOW:* This is a multi-year cooperation framework project for automated driving in Europe funded by the EU. Kapsch TrafficCom provides advanced V2X connectivity and collaborative traffic management services for connected automated vehicles (CAV).

In the field of Artificial Intelligence (AI), Kapsch TrafficCom established a new research cooperation with the Software Competence Center Hagenberg, Austria. The goal of this cooperation is to enhance the company’s video and vehicle classification solution portfolio for tolling, traffic management and access control.

Together with the FH JOANNEUM University of Applied Sciences Kapsch TrafficCom made a study for a new tolling gantry design and Point-of-Sales station. With the new design construction and maintenance costs should be reduced. Within the area of advanced research, Kapsch TrafficCom cooperated with the University of Applied Sciences Vienna (Josef Ressel Centre). The tasks were to develop and enhance field-programmable gate array (FPGA) architecture as well as to optimize the hardware-software co-design of Kapsch products.

Capital markets.

ISIN: AT000KAPSCH9

Ticker symbol: KTCG

Reuters: KTCG.VI

Bloomberg: KTCG AV

Kapsch TrafficCom sees the task of its investor relations as informing market players promptly, correctly, simultaneously and transparently, as well as clarifying complicated circumstances and backgrounds. Besides regular reporting and publishing mandatory information, this includes direct communication with investors within the framework of roadshows, conferences and events or directly via telephone or email. The company has also concluded contracts with financial institutions for capital market support. The aim is to support the tradability of the stocks through broader access to investors and a larger number of liquidity providers on the stock exchange (Market Maker).

Shares and shareholder structure.

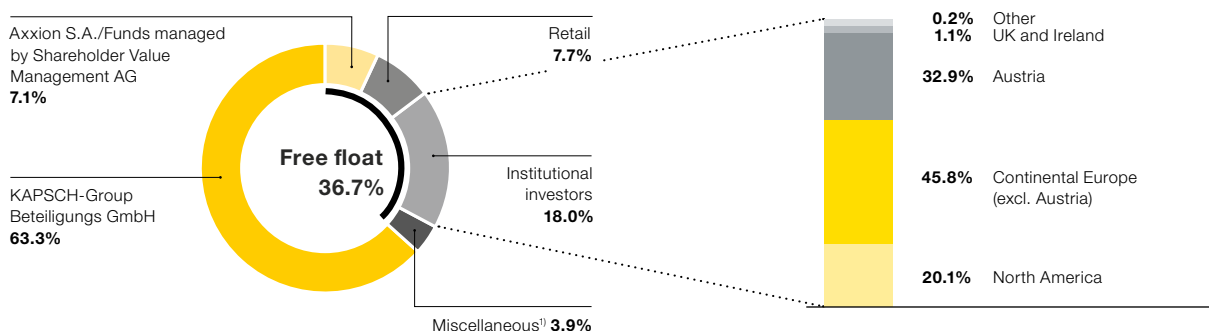
Basic share information.

The shares of Kapsch TrafficCom have been listed in the prime market segment of the Vienna Stock Exchange since the company's initial public offering on June 26, 2007. In addition, the share is included in the ATX Global Players and in the Austrian sustainability index VÖNIX.

Shareholder structure.

In March 2018, 63.3% of the shares in the company were owned by the core shareholder, KAPSCH-Group Beteiligungs GmbH. Free float amounted to 36.7%. The weighted average number of shares is consistently at 13 million.

Shareholder structure.



¹⁾ Trading positions and unidentified shareholders.

Core shareholder. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. Each of these private trusts is managed by a separate executive board and no person serves on the executive board of more than one of the three private trusts. The beneficiaries of these private trusts are Georg Kapsch and members of his family (Traditio-Privatstiftung), Kari Kapsch and members of his family (ALUK-Privatstiftung) and Elisabeth Kapsch and members of her family (Children of Elisabeth-Privatstiftung).

Free float. The free float of 36.7% is made up of larger holdings by funds as well of shares owned by institutional investors (18.0%), retail investors (7.7%) and others (3.9%).

Axxion S.A. (Luxembourg) is the management company of the funds "Frankfurter Aktienfonds für Stiftungen", which holds a share package of 7.1%. Shareholder Value Management AG (Germany) acts as investment advisor for the funds.

78.6% of the shares in the hands of institutional investors were held by investors located in continental Europe (32.9% in Austria). Shareholders from North America accounted for 20.1%, those from UK and Ireland 1.1% and investors from other countries 0.2%.

Share price development.

2019/20 price development.

The closing prices of the stock in financial year 2019/20 ranged between EUR 14.00 and EUR 36.00.

The stock opened at EUR 29.60 on April 1, 2019 and reached an intraday high during the period of EUR 36.50 on May 24. Until September 17 (closing price: EUR 33.20), the stock price moved mostly sideways. In the following phase of weakness, the closing price fell below EUR 30.00 on October 7 and the opening price at the beginning of the financial year. On October 22, the stock closed the trading session at EUR 26.90. It remained at roughly this price level until February 11, 2020 (closing price: EUR 26.60).

Market capitalization end of 2019/20:
EUR 222.3 million

On February 12, Kapsch TrafficCom announced a weak EBIT for Q1-Q3 2019/20 and revised its EBIT outlook for the financial year. As a consequence, the stock price fell in the following days. When it appeared that the price of the Kapsch TrafficCom stock largely reflected the bad news, worries about a COVID-19 epidemic negatively impacted sentiment on capital markets.

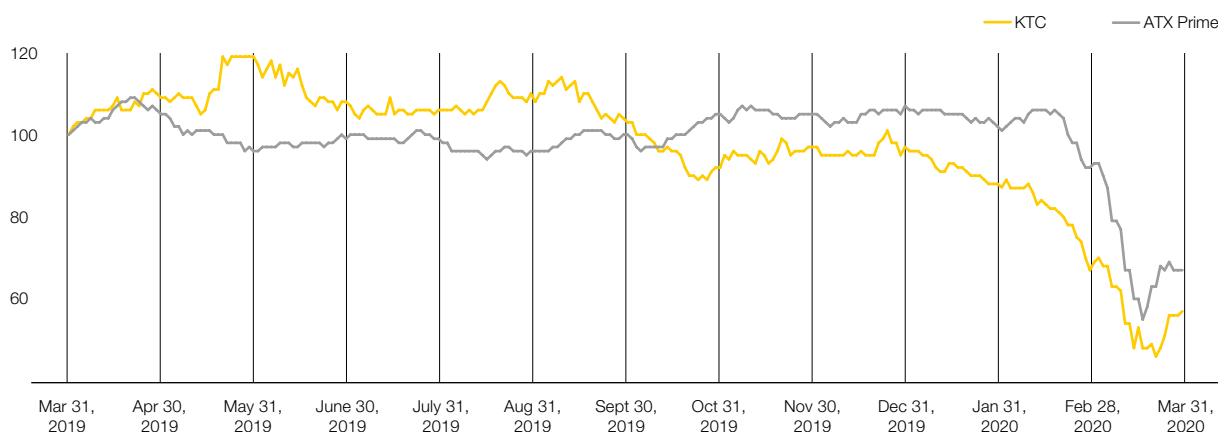
Share price in financial year 2019/20:
-43.3%

The increasing international spread of the SARS-CoV-2 virus and COVID-19 illness then led to turbulence on the market. On March 9, the Kapsch TrafficCom stock fell below EUR 20.00 for the first time, hitting EUR 18.95. On March 11, 2020, the World Health Organization officially declared the epidemic a pandemic. Many countries implemented rigid measures to prevent further spread of the illness and significantly restricted public life. The collapse of capital markets also affected Kapsch TrafficCom: On March 20, the stock fell to EUR 13.50, the intraday low for the reporting period. Thanks to a recovery in the last few trading days of the financial year, the stock closed at EUR 17.10 on March 31, 2020.

**Benchmark "ATX Prime" performed
10.4 percentage points better.**

Kapsch TrafficCom shares lost 43.3% in 2019/20. Therefore, the benchmark "ATX Prime" performed 10.4 percentage points better than the share.

Development of Kapsch TrafficCom shares and ATX Prime.



Stock data.

In EUR, unless otherwise stated	2018/19	2019/20
Earnings per share	3.68	-3.70
Dividend per share	1.50	0.25 ¹⁾
High (intraday)	41.60	36.50
Low (intraday)	26.80	13.50
Closing price on March 31	30.15	17.10
Share performance	-24.2%	-43.3%
Ø trading volume (shares, double counting)	14,285	16,794

¹⁾ Proposal to the Annual General Meeting

Analysts and liquidity providers.

Analysts.

In the last financial year, four analysts published reports on the stock. Erste Group Bank and ODDO SEYDLER BANK/Frankfurt Main Research (FMR) are paid by Kapsch TrafficCom for their analysis work. The latest reports can be downloaded (possibly with a slight delay) from the website of Kapsch TrafficCom (Investor Relations/Stock Information/Analysts section). Kepler Cheuvreux and Raiffeisen Centrobank provide the analyses free of charge.

Liquidity providers.

Following this year's tender by the Vienna Stock Exchange, Raiffeisen Centrobank continues to act as a "specialist" for the Kapsch TrafficCom stock. The following institutions act as market makers (as of June 11, 2020): Erste Group Bank, HRTEU Limited, Kepler Cheuvreux, ODDO SEYDLER BANK.

Investor relations activities in financial year 2019/20.

Engagement with capital market participants.

In the past financial year, Kapsch TrafficCom again engaged with capital market participants at several opportunities:

- Investor conferences and roadshows: Bucharest, Frankfurt (2), Luxemburg, Lyon, Madrid, Munich, New York, Paris (2), Warsaw, Vienna (2), Zagreb, Zurich, Züri
- Numerous directly arranged meetings, telephone conversations and e-mails

The company discussed developments on a smaller scale with about 130 capital market participants. In addition, presentations were also made to large groups at some investor conferences. The Annual General Meeting and the conference calls with investors and analysts on the occasion of the results for the financial year and the half-year provided further opportunities for an exchange of information and opinions.

New format for reporting the results for both the first quarter and the first three quarters.

The Vienna Stock Exchange changed the prime market rules on February 20, 2019. Kapsch TrafficCom has been listed on the prime market since its initial public offering in 2007. Due to the change in the rules, it is no longer mandatory for issuers to publish interim reports for the first and third quarters. The publishing of annual and half-yearly financial reports is still required.

The management of Kapsch TrafficCom prefers to review and analyze the results over a longer period of time than each quarter. The main reason for this are the short-term fluctuations in revenues and earnings due to the project business. The fluctuation margins are reduced over a longer time frame, allowing the actual development of the company to be better represented.

However, the management is well aware that it is especially important for smaller companies on the stock exchange to be transparent. After careful consideration and discussions with capital market representatives on what information could be important for investors on a quarterly basis, Kapsch TrafficCom changed the reporting: Instead of a quarterly report, the company now publishes an announcement of the highlights of the first quarter and of the first three quarters, respectively.

Dividend policy.

Kapsch TrafficCom will continue the practice to in any case pay out at least on third of the Group's profit for the period. Should this value be less than EUR 1.00 per share, however, the company shall consider a higher payout rate so that an annual base dividend amounting to EUR 1.00 can be presumed.

Dividend policy: At least

- base level dividend of EUR 1.00/share
- one third of the profit for the period

Depending on economic development, the market conditions and capital requirements for upcoming projects, this value can be exceeded or fallen short of. In doing so the company strives over a time period of three years to at least have an average annual payout of the base dividend mentioned (EUR 1.00).

Kapsch TrafficCom is therefore pursuing a sustainable dividend policy which grants the company enough flexibility to react to market developments.

Dividend payments in previous years.

Year of payment	Dividend per share	Earnings per share (reference year)	Payout ratio
2017	EUR 1.50	EUR 3.35	44.7%
2018	EUR 1.50	EUR 2.21	68.0%
2019	EUR 1.50	EUR 3.68	40.8%

Due to the weak result for the period and as far as legally permissible, the Executive Board intends to propose a reduced dividend of EUR 0.25 per share to the Annual General Meeting. This corresponds to a total dividend payment of EUR 3.25 million).

Dividend proposal to the AGM:

EUR 0.25 per share

Annual General Meeting.

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

- > Payout of a dividend of EUR 1.50 per share. This equates to a total distribution of EUR 19.5 million.
Ex-dividend date was September 13, 2019, the dividend payment date was September 18, 2019.
Shares present for the vote: 77.8%
Approved by: > 99% (votes against: 0, abstentions: 500 votes)
- > Formal approval of the actions of the members of the Executive Board for the financial year 2018/19.
Shares present for the vote: 77.8%
Approved by: > 99% (votes against: 707, abstentions: 3,883 votes)
- > Formal approval of the actions of the members of the Supervisory Board for the financial year 2018/19.
Shares present for the vote: 77.8%
Approved by: > 99% (votes against: 707, abstentions: 3,483 votes)
- > Appointment of PwC Wirtschaftsprüfung GmbH, Vienna, as the auditor and Group auditor for the financial year 2019/20.
Shares present for the vote: 77.8%
Approved by: > 99% (votes against: 13,505, abstentions: 0 votes)
- > Election of Dr. Franz Semmerneegg, Dr. Kari Kapsch and Dr. Harald Sommerer to the Supervisory Board. The term of office will end at the end of the Annual General Meeting deciding on the formal approval for the financial year 2022/23.
Shares present for the vote: 77.8%
Dr. Franz Semmerneegg approved by: > 96% (votes against: 369,250, abstentions: 110 votes)
Dr. Kari Kapsch approved by: > 99% (votes against: 25,730, abstentions: 110 votes)
Dr. Harald Sommerer approved by: > 99% (votes against: 10,453, abstentions: 0 votes)
- > Authorization of the Management Board
 - a. to purchase own shares both on the stock exchange and over-the-counter up to a total of 10% of the share capital, also by excluding the shareholders' pro rata disposal rights,
 - b. to determine a method of selling or using shares in a manner other than via the stock exchange or a public offer and also to exclude the shareholders' pro rata subscription rights (exclusion of subscription rights),
 - c. to decrease the share capital of the Company by redeeming own shares without further resolution by the Annual General Meeting.
Shares present for the vote: 77.8%
Approved by: > 99% (votes against: 1,140, abstentions: 1,116 votes)

Contact details for investors.

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

*Never losing sight of the goal. **Focused.***

Changing market conditions, new technologies and fields of application, opportunities and risks left and right. Kapsch TrafficCom carefully observes and analyses what is happening around it. In doing so, it's key to not lose focus on what's important. Only then will we be able to overcome any challenges that may arise, and recognize and take advantage of opportunities.



***Consolidated
Corporate Governance Report.***
Kapsch TrafficCom.



Consolidated Corporate Governance Report.

Principles.

Austrian Code of Corporate Governance (ACCG).

The ACCG was presented to the public on October 1, 2002 and has been amended several times since then. The publisher is the Austrian Working Group for Corporate Governance, and the current version of the ACCG is accessible at its website (www.corporate-governance.at).

Kapsch TrafficCom declares its voluntary commitment to the current (2018) version of the ACCG.

The rules of the ACCG are divided into three categories:

- > L-rule: Rule which is based on mandatory legal requirements
- > C-rule: Rule for when a deviation is to be explained and justified (comply or explain)
- > R-rule: Rule with the character of a recommendation, non-compliance requires neither disclosure nor explanation

Bodies of a stock company (Aktiengesellschaft).

Kapsch TrafficCom has the legal form of an “Aktiengesellschaft” (AG) under Austrian law. Its organization is based on three organs: the Executive Board, the Supervisory Board, and the Annual General Meeting (AGM). These are set up according to the principle of the separation of powers.

Under its own responsibility, the Executive Board manages the company as the well-being of the company requires, taking into consideration the interests of the stock holders and the employees, as well as the public interest. Members of the Executive Board shall be appointed by the Supervisory Board.

The Supervisory Board is to monitor the management of the company. For certain business transactions determined in the Austrian “Aktengesetz” (Austrian Stock Corporations Act, AktG), in the articles of association and the by-laws, the Executive Board is to obtain the approval of the Supervisory Board. The members of the Supervisory Board shall be chosen by the Annual General Meeting. Moreover, the worker representation is entitled to delegate a member from their own ranks for every two members of the Supervisory Board chosen by the Annual General Meeting.

The Annual General Meeting serves to form the general will of the shareholders primarily in those matters of the company which are assigned to it for decision in accordance with the law and the articles, or which are submitted by the Executive Board and/or Supervisory Board for decision.

Kapsch TrafficCom in the Kapsch Group.

63.3% of the shares of Kapsch TrafficCom AG are held by KAPSCH-Group Beteiligungs GmbH. As of March 31, 2020, the following main companies of the Group were also direct subsidiaries: Kapsch Aktiengesellschaft (100%), Kapsch BusinessCom AG (94.9%).

Statement of compliance.

In financial year 2019/20 which ended on March 31, 2020, Kapsch TrafficCom satisfied all of the conditions of the January 2018 version of the ACCG in terms of content with the following statements:

- > **C-rule 27.** The Executive Board contracts that were concluded before 2020 do not contain a separate provision for reclaiming variable remuneration components. Due to the prevailing Austrian legal situation, the corporation may reclaim variable compensation components if it was paid on the basis of manifestly incorrect data. The Executive Board contract of Georg Kapsch valid as of April 1, 2020, is already in compliance with C-rule 27.
- > **C-rule 27a.** In the past, restrictions on severance payments could not be enforced on the relevant labor market. As a result, they were not regarded as expedient and are not found in the contracts of Executive Board members Laux and Escribá. The situation was reassessed for the preparation of the new remuneration policy for the Executive Board and Supervisory Board members. The Executive Board contract of Georg Kapsch valid as of April 1, 2020, is already in compliance with C-rule 27a.

The decision regarding these deviations was made by the Supervisory Board of Kapsch TrafficCom AG.

Executive Board.

Name and function	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch Chairman, Chief Executive Officer	Finance, corporate development, new ventures, legal, human relations, marketing & PR, international subsidiaries & management systems, IT, sales region North America as well as the Solution Center Intelligent Mobility Services	1959	2002	2025
André Laux Member, Chief Operating Officer	Sales regions: Europe-Middle East-Africa, South and Central America, Asia-Pacific as well as supply chain management, production & logistics	1962	2010	2024
Alfredo Escribá (from May 1, 2019) Member, Chief Technology Officer	Corporate Technology and the Solution Centers: Tolling, Traffic, Back Office,	1969	2019	2024
Alexander Lewald (until April 30, 2019) Member, Chief Technology Officer	Corporate Technology and the Solution Centers: Tolling, Back Office, Connected Road (later Traffic)/Kapsch Automotive, Highway & Tunnel Traffic Management (later Traffic)	1964	2015	2019

Mag. Georg Kapsch is employed by Kapsch Aktiengesellschaft as of March 31, 2020. He shall be delegated by this company to various management positions within the Kapsch Group. Mr. Kapsch is since:

- > July 1989: Member of the Executive Board of Kapsch Aktiengesellschaft, and elected CEO in October 2001
- > October 2000: CEO of KAPSCH-Group Beteiligungs GmbH (core shareholder of Kapsch TrafficCom AG)
- > November 2000: Managing director of DATAX HandelsgmbH (sole parent company of KAPSCH-Group Beteiligungs GmbH)
- > December 2002: CEO of Kapsch TrafficCom AG where he has a separate Executive Board contract since April 1, 2020

Mr. Kapsch studied business administration at the Vienna University of Economics and Business and graduated in 1981. In the following year he joined Kapsch Aktiengesellschaft, where he was active in the various areas of the company. In stock companies outside of Kapsch TrafficCom Group, he exercises the following Supervisory Board positions:

- > Deputy Chairman of the Supervisory Board of Kapsch BusinessCom AG
- > Member of the Supervisory Board of Teufelberger Holding AG

Georg Kapsch is also a member of the Executive Board of the Private Foundation Wunderer, the Mitterbauer Private Foundation (until March 2020) and the Tabor Private Foundation, and has been President of the Federation of Austrian Industries since June 2012.

Dipl.-Betriebsw. André Laux has been working for Kapsch TrafficCom Group since December 2007 and has been a member of the Executive Board of Kapsch TrafficCom AG since April 1, 2010. In November 2014 he was appointed COO.

Mr. Laux began his professional career following his studies in business management in Germany and England in various sales and management positions (1988–1997) both at home and abroad. In 1997 he was Managing Director of the German chip card manufacturer ODS Landis & Gyr in Munich. In 2000 André Laux moved within the group of companies to Salzburg as Chairman of the Executive Board at Skidata AG. In 2004 he took over the position of Chairman of the Executive Board of Winter AG in Munich. Outside of Kapsch TrafficCom Group, André Laux is member of the Supervisory Board of Kapsch BusinessCom AG.

Alfredo Escribá Gallego, MSc, MBA, has been working for Kapsch TrafficCom Group since its acquisition of Schneider Electric's transportation business in April 2016. Since May 1, 2019 he is member of the Executive Board and CTO of Kapsch TrafficCom AG.

“In meetings of the Executive Board there are open discussions between the members of the Executive Board.”

After finishing his studies and gaining first professional experience, Mr. Escribá joined Sainco Tráfico in Spain in 1995. Starting as an engineer, he moved to Brazil and climbed the career ladder: Mr. Escribá became a project manager in Argentina and later area manager in Latin America for South Cone and Brazil. In 2002, he returned to Spain as part of Telvent Transportation. Acting out of Spain and, later, the USA, he held various senior management positions. At Kapsch TrafficCom, Mr. Escribá was Executive Vice President responsible for the Solution Center “Urban Traffic & Mobility Management” until being appointed CTO. Outside of Kapsch TrafficCom Group, Mr. Escribá is member of the Board of Directors at Traffic Technology Services, USA.

Georg Kapsch
André Laux
Alfredo Escribá Gallego

Dr. Alexander Lewald was a member of the Executive Board and CTO of Kapsch TrafficCom AG from November 2015 until April 2019. In the reporting period, he did not have any appointment to Supervisory Boards outside of Kapsch TrafficCom Group.

Supervisory Board.

In financial year 2019/20, besides the constituting meeting the Supervisory Board held another four meetings. The Executive Board also took part in the latter. No member of the Supervisory Board took part in less than half of the meetings.

Composition.

In accordance with the articles of association, the Supervisory Board is made up of three to six members elected by the Annual General Meeting, as well as representatives delegated by the works council in accordance with the Austrian "Arbeitsverfassungsgesetz" (Labor Constitutional Act). As of March 31, 2020, the members of the Supervisory Board were:

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2023
Kari Kapsch	Deputy Chairman	1964	2002	2023
Sabine Kauper	Member	1968	2011	2022
Harald Sommerer	Member	1967	2013	2023
Christian Windisch	Member ¹⁾	1963	2002	–
Claudia Rudolf-Misch	Member ¹⁾	1967	2018	–

¹⁾ Delegated by the works council which may recall a member it has delegated at any time.

Dr. Franz Semmernegg has been a member since June 2002 and has been Chairman of the Supervisory Board since 2005. He has occupied the following positions within the Kapsch Group since:

- > October 2001: CFO of Kapsch Aktiengesellschaft
- > March 2003: CFO of Kapsch BusinessCom AG, since April 2010 also CEO
- > April 2005: CFO of KAPSCH-Group Beteiligungs GmbH

In addition, Franz Semmernegg exercises other functions in direct and indirect shareholdings of Kapsch BusinessCom AG and Kapsch Aktiengesellschaft. In 1992 Franz Semmernegg concluded his studies in business administration at the Karl-Franzens University in Graz, where he also wrote his doctoral thesis in 1997. From 1993 to 1996 Mr. Semmernegg worked in a firm of chartered accountants and tax consultants and in 1996 moved to Schrack Seconet AG, where he rose to become the Manager and Authorized Representative for Finance and Controlling after a stopover at Ericsson Austria. Together with a partner, in January 1999 Franz Semmernegg executed a management buy-out and founded Schrack BusinessCom AG. At the start of 2001, Kapsch Aktiengesellschaft acquired a majority share in the company, which was renamed Kapsch BusinessCom AG in 2002.

Dr. Kari Kapsch, brother of Georg Kapsch (CEO), has been a member of the Supervisory Board since June 2002 and has been its Deputy Chairman since June 2005. He has occupied the following positions within the Kapsch Group since:

- > March 2001: COO of Kapsch Aktiengesellschaft
- > December 2005: COO of KAPSCH-Group Beteiligungs GmbH
- > June 2010: Chairman of the Supervisory Board of Kapsch BusinessCom AG
- > October 2016: Managing Director of Kapsch PublicTransportCom GmbH

In addition, Kari Kapsch exercises other functions in direct and indirect shareholdings of Kapsch BusinessCom AG and Kapsch Aktiengesellschaft as well as outside of the Kapsch Group. He completed his studies in physics at the University of Vienna (1988), where he also wrote his thesis in 1992. In terms of his career, following his experiences at Kapsch he had a stay abroad at ANT, a member of the Bosch Group. In 1990, Mr. Kapsch returned as Head of the Road Telematics Solutions division and developed the road tolling business segment. During the following then years, Kari Kapsch managed several business units within the Kapsch Group.

Dipl.-Betriebsw. Sabine Kauper is a financial expert for organizations in challenging phases from growth to restructuring and supports companies in various industries as a consultant. She spent around eight years on the Executive Boards of globally active stock corporations listed in Germany. After studying business administration in Munich with a focus on taxes and auditing, Ms. Kauper worked for an auditing company for four years. Since 2009, she has held Supervisory Board mandates and completed training as a qualified Supervisory Board member with certification by Deutsche Börse AG. She is a member of the Advisory Board at Cidron Ollopa Investment B.V.

Dr. Harald Sommerer has been self-employed since December 2013 and is working on establishing an investment portfolio. Before that he was CEO and Chairman of the Executive Board of Zumtobel AG from May 2010 to September 2013. From 1997 to 2010, Harald Sommerer was a member of the Executive Board of AT & S Austria Technologie & Systemtechnik AG, CFO between 1998 and 2005 and CEO from 2005 to January 2010. He is a doctor of social and economic sciences from the Vienna University for Economics and Business and Master of Management from the J. L. Kellogg Graduate School of Management, Northwestern University.

Ing. Christian Windisch has been working for the Kapsch Group since September 1984 and is currently employed in the area of quality assurance. He graduated from a polytechnic in Vienna with a degree in telecommunications and electrical engineering.

Claudia Rudolf-Misch, MBA, has been working for Kapsch TrafficCom since June 2004. She started as Quality Manager in Austria and is currently responsible for the global HSSQ management system of Kapsch TrafficCom Group. Ms. Rudolf-Misch holds a Master of Business Administration.

None of the persons mentioned above is a member of the Executive Board of a publicly listed company and simultaneously fulfils more than four appointments to Supervisory Boards in stock companies outside of the Group or occupies a position in one of the bodies of companies which are in competition with Kapsch TrafficCom AG. Harald Sommerer is Deputy Chairman of the Supervisory Board of the publicly listed VARTA AG. No other appointment to a Supervisory Board or comparable position in other publicly listed companies is exercised by one of the persons mentioned above.

Committees of the Supervisory Board.

Audit Committee. It has the duties listed in Section 92 (4) AktG and Regulation (EU) No 537/2014, and is competent to make decisions to this extent. This includes auditing and preparing the approval of the annual Financial Statements and annual

Committees of the Supervisory Board:

- > *Audit Committee*
- > *Committee for Executive Board Matters (Remuneration Committee)*

Consolidated Financial Statements, auditing the consolidated Corporate Governance Report and consolidated Non-Financial Report, handling the report on risk management pursuant to C-rule 83 of the ACCG, the review of the audit (Group audit) process and the independence of the auditor (including the evaluation and approval of non-audit services), the preparation of a proposal for the distribution of profit as well as the preparation of the report to the Annual

General Meeting. Moreover, the Audit Committee prepares the proposal of the Supervisory Board for the selection of the annual auditor (consolidated accounts auditor), reviews the accounting process as well as the effectiveness of the internal control system and the risk management system. A member of the Audit Committee must be a so-called financial expert. Persons who were formerly members of the Executive Board, managing director or annual auditor, as well as persons who certified the annual Financial Statements or annual Consolidated Statements in the last three years, cannot act as financial experts or as chairperson of the Audit Committee.

This committee is made up of Franz Semmernegg (Chairman and financial expert), Harald Sommerer (financial expert) and Christian Windisch. The auditor is to be included in the meetings of the Audit Committee which concern the preparation of the approval of the annual Financial Statements (Consolidated Financial Statements) and their auditing. The Audit Committee held a total of four meetings in financial year 2019/20. The auditor was present at two meetings; there was no need for a joint meeting without the presence of the Executive Board. No member of the Audit Committee took part in less than half of the meetings.

Committee for Executive Board Matters (Remuneration Committee). It deals with the content of the Executive Board members' employment contracts (including remuneration) and is authorized to make decisions to this extent. This excludes the appointment and recall of members of the Executive Board, however (responsibility of the full Supervisory Board). The committee is composed of two members of the Supervisory Board who are selected by the Annual General Meeting, including the Chairman of the Supervisory Board.

This committee is made up of Franz Semmernegg (Chairman) and Harald Sommerer. Both men possess knowledge and experience in the area of remuneration policy. Mr. Semmernegg is CEO and is the director responsible for personnel agenda at Kapsch BusinessCom. Mr. Sommerer was CEO and also the director responsible for personnel agenda at Zumtobel AG, as well as previously at AT & S Austria Technologie & Systemtechnik Aktiengesellschaft. The committee for Executive Board matters (remuneration committee) held two meetings in financial year 2019/20.

Independence of the members of the Supervisory Board.

A member of the Supervisory Board shall be deemed as independent according to C-rule 53 ACCG if said member does not have any business or personal relations with the company or its Executive Board that constitute a material conflict of interests and is therefore suited to influence the behavior of the member.

Kapsch TrafficCom AG is part of the Kapsch Group. All members of the management of the parent company (KAPSCH-Group Beteiligungs GmbH) are equal and exercise various positions in companies of the Kapsch Group. No significant conflict of interests is to be assumed here. DATAX HandelsgmbH acts purely as an investment company and has no influence on the business activity of its 100% subsidiary KAPSCH-Group Beteiligungs GmbH. For these reasons, any Supervisory Boards of Kapsch TrafficCom AG, which are at the same time members of the management of KAPSCH-Group Beteiligungs GmbH (and therefore representatives of shareholders with an entrepreneurial stake) are to be declared independent of Kapsch TrafficCom AG, even if they do not formally satisfy points 1, 5 or 7 of the following catalogue:

1. The Supervisory Board member shall not have served as member of the Executive Board or as a management-level staff of the company or one of its subsidiaries in the past five years.
2. The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not for exercising functions in the bodies of the group.
3. The approval of individual transactions by the Supervisory Board pursuant to L-rule 48 does not automatically mean the person is qualified as not independent.
4. The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
5. The Supervisory Board member shall not be a member of the Executive Board of another company in which a member of the Executive Board of the company is a Supervisory Board member.
6. A Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with an entrepreneurial stake in the company or who represent the interests of such a shareholder.
7. The Supervisory Board member shall not be a closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) of a member of the Executive Board or of persons having one of the aforementioned relations.

Declaration of independence. All members of the Supervisory Board have declared themselves to be independent of Kapsch TrafficCom AG pursuant to C-rule 53 ACCG. Sabine Kauper and Harald Sommerer are also independent pursuant to C-rule 54 ACCG.

All members of the Supervisory Board independent pursuant to C-rule 53 ACCG; Kauper and Sommerer also pursuant to C-rule 54 ACCG.

Transactions which require approval.

Besides those transactions requiring approval listed alongside the "Related parties" in the group notes, in 2019/20 there were no transactions requiring approval pursuant to Section 95 (5) no. 12 AktG.

Operation of the Executive Board and Supervisory Board.

The areas of responsibility of the individual members of the Executive Board, the procedures (such as resolution requirements and procedures) as well as the transactions which require authorization from the Supervisory Board are determined in the articles of association as well as in the rules of procedure for the Executive Board. The Executive Board holds regular meetings with open discussions and mutual exchange of information and passes resolutions in all matters which fall within the responsibility of the full Executive Board.

The Supervisory Board monitors the management of the Executive Board regularly and comprehensively and provides consultation. The Chairman of the Supervisory Board was in regular contact with the Chairman of the Executive Board in order to discuss the company development, strategy and state of implementation of the strategy, as

"In meetings of the Supervisory Board there are open discussions between the members of the Executive Board and the Supervisory Board."

Georg Kapsch
(for the Executive Board)
Franz Semmernegg
(for the Supervisory Board)

well as the risk management of the company. The Supervisory Board has provided itself with rules of procedure, in which, inter alia, the composition and the chairmanship, the terms for being called and votes, the area of activity, duties to provide information, transactions between the company and Executive Board members as well as the committees are governed.

Members of the Executive Board generally take part in meetings of the Supervisory Board. Together, the points on the agenda, in particular the position and the development of the company as well as its strategic orientation are openly discussed. The Executive Board also informs the Supervisory Board about relevant developments between the periodically set meetings.

Remuneration for the Executive Board and the Supervisory Board.

General information.

Kapsch TrafficCom AG does not have a stock option plan. The members of the Executive Board and the Supervisory Board as well as management staff of Kapsch TrafficCom Group are insured against financial losses within the framework of directors and officers liability insurance (D&O insurance). Because a total premium is paid, it is not possible to allocate to individual members of the Executive Board.

The remuneration policy described here is being revised at the present time. It is expected that the new remuneration policy will be adopted by the Supervisory Board in June 2020 and presented to the Annual General Meeting in September 2020.

Executive Board.

Principles of the remuneration policy for members of the Executive Board employed by Kapsch TrafficCom AG.

General information. The remuneration takes into consideration the size, international orientation, the business model and the financial situation of the company, as well as the scope of tasks and qualifications of the individual persons. In doing so, the payment to the directors should offer an incentive on the one hand, and on the other should not promote the taking of excessive risk. External benchmarks shall be drawn upon in order to ensure a payment which corresponds with the level on the market.

Fixed remuneration. The amount of fixed remuneration is agreed individually. In addition to pecuniary benefits, it may also include benefits in kind, for example, for company cars and living arrangements. Since Executive Board salaries are not subject to the provisions of a collective agreement, fixed remuneration can be secured in value.

Variable remuneration I: Profit-dependent. This is determined by earnings before interest and taxes (EBIT). The percentage to be applied for the calculation shall be agreed individually upon conclusion of the contract. The profit-related remuneration must be limited to the amount of the fixed remuneration. As a prerequisite for the payment of such a performance bonus, EBIT must reach at least EUR 20 million in the financial year. If this is not the case, profit-related remuneration for this financial year shall be forfeited without replacement.

Variable remuneration II: Sustainable, non-financial criteria. Satisfied employees are an essential component for the success of Kapsch TrafficCom Group. There is therefore an additional variable compensation component. It is linked to the sustainable achievement of non-financial criteria – specifically to certain results of the employee survey. This survey takes place at intervals that are several years apart. Once the results are available and all defined criteria have been met, an amount of EUR 10,000 per Executive Board member will be paid out for each year since the last such survey. The prerequisite for this is an Executive Board mandate that has been in effect for at least two years.

Retirement fund. Due to the increasing importance of company pension plans in addition to state pension insurance, Kapsch TrafficCom AG makes contributions to an external pension fund for the members of its Executive Board who it employs. The amount of these payments shall be agreed individually upon conclusion of a contract. After termination of the mandate by the passage of time, an Executive Board member has no further pension claims against the company.

Special Bonuses. The Supervisory Board has the right to award these at its own discretion.

Duration of an Executive Board mandate. According to Austrian stock corporation law, Executive Board mandates and Executive Board contracts must be limited to a maximum of five years. The company does not limit this period by a shorter number of years.

Non-competition clause. In the event of resignation from the Executive Board, a non-competition clause applies for a period of one year (except in the event of resignation for good cause).

Remuneration of Georg Kapsch.

Mr. Kapsch was exclusively employed by Kapsch Aktiengesellschaft until March 31, 2020. His services were part of the management and consulting services provided by Kapsch Aktiengesellschaft and invoiced to Kapsch TrafficCom AG. These are disclosed in the notes to the Consolidated Financial Statements under "Related parties". Since April 1, 2020, Mr. Kapsch has had a separate Executive Board contract with Kapsch TrafficCom AG. The new remuneration policy was not available in its final form at the time the contract with Mr. Kapsch was drafted. However, it had already reached a very advanced stage and served as a reference for the Executive Board contract.

Remuneration of the individual members of the Executive Board for their work on the Executive Board.

In EUR thousand	Total 2018/19	Total 2019/20	Fixed 2019/20 (and in % of total remuneration)		Variable 2019/20 (and in % of total remuneration)	
Georg Kapsch	1,021	1,107	766	69%	342	31%
André Laux	571	637	519	81%	117	18%
Alfredo Escribá Gallego ¹⁾ (since 01.05.2019)	n/a	392	392	100%	n/a	0%
Alexander Lewald (until 30.04.2019)	513	386	229	59%	157	41%
Total	2,104	2,522	1,906	76%	616	24%

¹⁾ Mr. Escribá Gallego was already an executive in the group of companies before he accepted the Executive Board mandate.

Georg Kapsch. The remuneration on the level of Kapsch Aktiengesellschaft comprised a fixed and a variable element, which depended on the consolidated earnings before tax of KAPSCH-Group Beteiligungs GmbH. His Executive Board contract also included „variable compensation II“ in order to take into account the sustainable, non-economic objectives of Kapsch TrafficCom. The Executive Board contract with Kapsch TrafficCom AG valid in April 2020 lays out a fixed remuneration of EUR 784 k and variable remuneration in the amount of 0.75% of the EBIT. This is paid out in three annual tranches. In addition to variable remuneration II, Mr. Kapsch receives annual variable remuneration of up to EUR 40 k based on non-financial key performance indicators still to be specified.

André Laux. He receives a profit-based remuneration of 0.45% of the EBIT. Kapsch TrafficCom pays an annual EUR 25 k into an external pension fund. Mr. Laux is entitled to a severance payment after the end of the current Executive Board mandate as follows: 75% of an annual income (average over the last 12 months or – if better – 36 months) less account balance according to the pension fund; in addition, a further half year's salary (average over the last 36 months), if the existing Executive Board contract is not be renewed at Mr. Laux's request, and he also does not retire, or an average annual salary upon retirement.

Alfredo Escribá. He receives a profit-related remuneration amounting to 0.35% of EBIT. Kapsch TrafficCom makes an annual contribution of EUR 20 k for Mr. Escribá to an external pension fund.

Alexander Lewald. The profit-related remuneration component amounted to 0.25% of EBIT. Kapsch TrafficCom paid an annual amount of EUR 30 k into an external pension fund. Mr. Lewald left the Executive Board on April 30, 2019. His employment contract ended on October 31, 2019.

Remuneration for the Supervisory Board.

In EUR thousand	2018/19	2019/20
Franz Semmernegg	50	50
Kari Kapsch	30	30
Sabine Kauper	16	16
Harald Sommerer	24	24
Total	120	120

With the resolution of the Annual General Meeting of September 9, 2015, the total remuneration of the selected members of the Supervisory Board was determined to be EUR 120 k per year, whereby the Chairman is responsible for distributing this amount. This shall apply until a future Annual General Meeting decides on another remuneration. In addition, the members of the Supervisory Board are entitled to expenses. In financial year 2019/20, travel costs amounting to about EUR 2 k were compensated.

Shares owned by members of the Executive Board and Supervisory Board.

Supervisory Board members Franz Semmerneegg and Claudia Rudolf-Misch each held 228 shares on the balance sheet date. The other members of the Supervisory Board and the members of the Executive Board held no shares.

Diversity.

Globally, Kapsch TrafficCom employs people of different gender, age groups as well as with diverse views and beliefs. The employees are of different origin and ethnicity, have different cultural and religious backgrounds, different sexual orientations as well as mental and physical abilities. The promotion of diversity is therefore a strategically relevant topic for Kapsch TrafficCom, to which great importance is also attached in in-house training programs. Kapsch TrafficCom expects its employees and managers to deal with this issue in order to develop an understanding of the resultant diversity. This creates the basis for cross cultural and motivating cooperation.

One of the focal points in the area of diversity is cooperation between men and women. Various measures to promote women within the corporation (explained in the Kapsch TrafficCom's consolidated Non-Financial Report) should lead to an increasing number of women in management positions. By 2023, 30% of all managers should be female.

In general, the selection of candidates for a position on the Executive Board, Supervisory Board or in a managerial position is made with a view to the best possible filling of vacancies. The company attaches great importance to professional and social competence, experience, as well as the ability to work on a team. Kapsch TrafficCom AG does not have a detailed plan for the advancement of women in the Executive Board, Supervisory Board and executive functions in the company and its subsidiaries. A person may be appointed/reappointed to the Executive Board of Kapsch TrafficCom as long as they have not completed their 65th year of life at the time of their appointment/reappointment. For the Supervisory Board, this age limit is 75. Religion, gender, sexual orientation, pregnancy, origin, ethnicity, color, age, disability or genetic information are not appointment criteria.

The statutory quota for women on the Supervisory Board does not apply to Kapsch TrafficCom AG (it has fewer than six shareholder representatives on the Supervisory Board). In financial year 2019/20, the Supervisory Board was composed of two female and four male members.

In 2019/20, there was no woman on the Executive Board of Kapsch TrafficCom AG. Women hold various leadership positions within Kapsch TrafficCom AG (such as Head of Finance, Head of Legal and Head of Marketing & Communication) and its subsidiaries (such as Head of Production at Kapsch Components GmbH & Co KG as well as Head of Finance in the APAC and the Africa region). At Kapsch TrafficCom AG, 13 persons have power of procuration (Prokura), three of them are women.

External evaluation.

Kapsch TrafficCom has the consolidated Corporate Governance Report externally audited in three-year intervals. The 2019/20 Corporate Governance Report was externally evaluated by PwC Wirtschaftsprüfung GmbH, Vienna. No objections were raised.

Vienna, June 15, 2020

The Executive Board



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alfredo Escribá Gallego
Executive Board member

Report from the Supervisory Board.

Dear Shareholders,

The **Supervisory Board** of Kapsch TrafficCom AG held a total of four meetings, besides the constituting meeting, in financial year 2019/20 (April 1, 2019 to March 31, 2020). No member of the Supervisory Board took part in fewer than half of the meetings.

The Supervisory Board was moreover constantly informed by the Executive Board in writing and verbally as well as in the meetings which were held together with the Executive Board about the situation and about the development of the company and its strategic orientation; in the reporting period it constantly monitored the management of the Executive Board and supported it in an advisory capacity. Furthermore, as the Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Executive Board in order to discuss the company's development, strategy and the risk management of the company.

Transactions with members of the Supervisory Board or with companies in which a member of the Supervisory Board has a significant economic interest and, hence, require approval can be found in the Group notes under "Related parties". Beyond that, there were no additional transactions requiring approval pursuant to Section 95 (5) no. 12 AktG (Austrian Stock Corporation Act).

The Executive Board presented the annual Financial Statements and Consolidated Financial Statements of Kapsch TrafficCom AG as of March 31, 2020 as well as the Management Report and the Consolidated Management Report of June 15, 2020. The appointed auditor, PwC Wirtschaftsprüfung GmbH, Vienna, audited these documents and issued an unqualified auditor's certificate.

The financial statements, the Executive Board's proposal for the allocation of profits and the audit reports (together with the "Management Letter") of the auditor as well as the Consolidated Corporate Governance Report and Consolidated Non-Financial Report were dealt with in detail in the audit committee with the Executive Board and the auditor and submitted to the Supervisory Board.

The Supervisory Board checked these documents pursuant to Section 96 AktG and approved the annual accounts so that these are adopted pursuant to Section 94 (4) AktG. The Supervisory Board follows the Executive Board's proposal for the allocation of profits. As far as legally permissible, the Executive Board will propose to the Annual General Meeting on September 9, 2020 to pay a dividend of EUR 0.25 per share for financial year 2019/20.

The **audit committee** held a total of four meetings in financial year 2019/20 and fulfilled the tasks listed in Section 92 (4a) AktG and Regulation (EU) No 537/2014. The committee is to carry out the review and preparation for the approval of the annual Financial Statements and annual Consolidated Financial Statements, the audit of the Consolidated Corporate Governance Report and of the Consolidated Non-Financial Report, the review of the final audit (Group audit) and the independence of the auditor (including the evaluation and approval of non-audit services), preparation of the proposal for the distribution of profits as well as the preparation of the report to the Annual General Meeting. Furthermore, the audit committee prepares the proposal for the selection of annual accounts auditor (consolidated accounts auditor) and reviews the accounting process, the effectiveness of internal control systems and the risk management system. No member of the audit committee took part in fewer than half of the meetings.

The **committee for Executive Board matters (remuneration committee)** held a total of two meetings in financial year 2019/20: At the first meeting, a new remuneration policy was discussed. At the second meeting, the committee addressed the conditions and modalities for the new Executive Board contract for Georg Kapsch (CEO).

The Supervisory Board thanks the members of the Executive Board and all employees of Kapsch TrafficCom AG for their work in financial year 2019/20.

Vienna, June 15, 2020



Franz Semmernegg
Chairman of the Supervisory Board

Never being complacent. Agility.

In the constantly-changing technology industry, standing still is the same as going backwards. Only those who work in an agile way to create better solutions for current or new markets can avoid being held back by unexpected stumbling blocks.



**Consolidated Non-Financial Report
(Sec. 267a Austrian Commercial Code).**
Kapsch TrafficCom.



Consolidated Non-Financial Report.

Notes to the report.

Background.

As a listed company with more than 500 employees in the corporate group, Kapsch TrafficCom is required to provide a consolidated non-financial statement. It must contain the information necessary for understanding the business development, the operating result, the position of the Group and the effects of its activities and address, at a minimum, environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery.

Kapsch TrafficCom AG employed on average less than 500 persons in financial year 2019/20. Therefore, the company is not required to submit an additional non-financial statement

Implementation by Kapsch TrafficCom.

Kapsch TrafficCom decided to prepare the consolidated non-financial statement as a separate consolidated non-financial report (the "Report"). In doing so, the company followed the relevant provisions of the Austrian Commercial Code (Unternehmensgesetz). National, union-based or international frameworks were not used.

To avoid redundancies, the report refers to the notes to the 2019/20 Consolidated Financial Statements ("Financial Statements"), the 2019/20 Consolidated Management Report ("Management Report"), and the Consolidated Corporate Governance Report for 2019/20 ("CG Report"). References within this Report are identified by the word "section" in conjunction with the relevant chapter title. All references are written in italics and are preceded by two arrows (>>).

As a rule, the key figures specified were collected for the Kapsch TrafficCom Group. Any restrictions are explained directly in the key figures. The HSSEQ (Health-Safety-Security-Environment-Quality) management team determines the values and collects the documents for the various key figures centrally in coordination with Group controlling. Kapsch TrafficCom distinguishes between:

- > performance indicators – these are target values that are to be achieved by the organization – and
- > reporting indicators – these provide information about the current situation and help to identify undesirable developments at an early stage.

This report has not been audited externally.

Business model.

Kapsch TrafficCom AG is a listed stock corporation under Austrian law. The company headquarters is located at Am Europlatz 2, 1120 Vienna, Austria. The KAPSCH-Group Beteiligungs GmbH holds 63.3% of the shares of Kapsch TrafficCom AG. The remaining shares are held by private and institutional investors.

Kapsch TrafficCom is a provider of intelligent traffic systems in the area of toll collection, traffic management, smart urban mobility, traffic safety, and connected mobility. The company uses end-to-end solutions to cover the entire value-added chain of its customers from a single source: from components to design to system setup and operation. The mobility solutions of Kapsch TrafficCom help to make road traffic in cities and on highways safer, more reliable, more efficient, and more comfortable and also help to reduce environmental pollution. Further information on the company can be found in the Financial Statements (*>> Note 1 "General information"*).

Kapsch TrafficCom has implemented projects in more than 50 countries and has subsidiaries and branch offices in more than 30 countries (including Argentina, Australia, Austria, Belarus, Canada, Mexico, Poland, South Africa, Spain, Sweden, USA). Comprehensive information on the group structure and group companies as well as a list of consolidated companies can be found in the Financial Statements (*>> Note 1.1 "Group structure and consolidated group"*) and (*>> Note 32 "Interests in subsidiaries"*).

Sustainable business model.

Kapsch TrafficCom addresses traffic challenges associated with megatrends (*>> Management Report, chapter 1.2 "Market for Intelligent Transportation Systems"*). The Company's products and solutions help to

- > maintain and further develop existing road infrastructure
- > make efficient use of existing transport routes
- > direct the behavior of road users
- > increase road safety
- > reduce the environmental impact of traffic

Kapsch TrafficCom often makes use of numerous suppliers and subcontractors from the contract country, especially for implementation and operating projects in the toll business. The Company thus makes a contribution to local value creation and creates jobs.

The code of conduct applicable to the entire Kapsch Group (including Kapsch TrafficCom) contains the principles of conduct applicable to management and all employees. The Code was revised in year 2020 and can be viewed on the Kapsch website "<https://www.kapsch.net/kapsch/about-us/code-of-conduct>".



From the management's perspective, Kapsch TrafficCom has a sustainable business model. However, for the Company, it is not only important that the Company's goals are achieved, but also in what manner this is achieved.

„Kapsch TrafficCom is committed to the ten universal principles of the UN Global Compact.“

Georg Kapsch, CEO

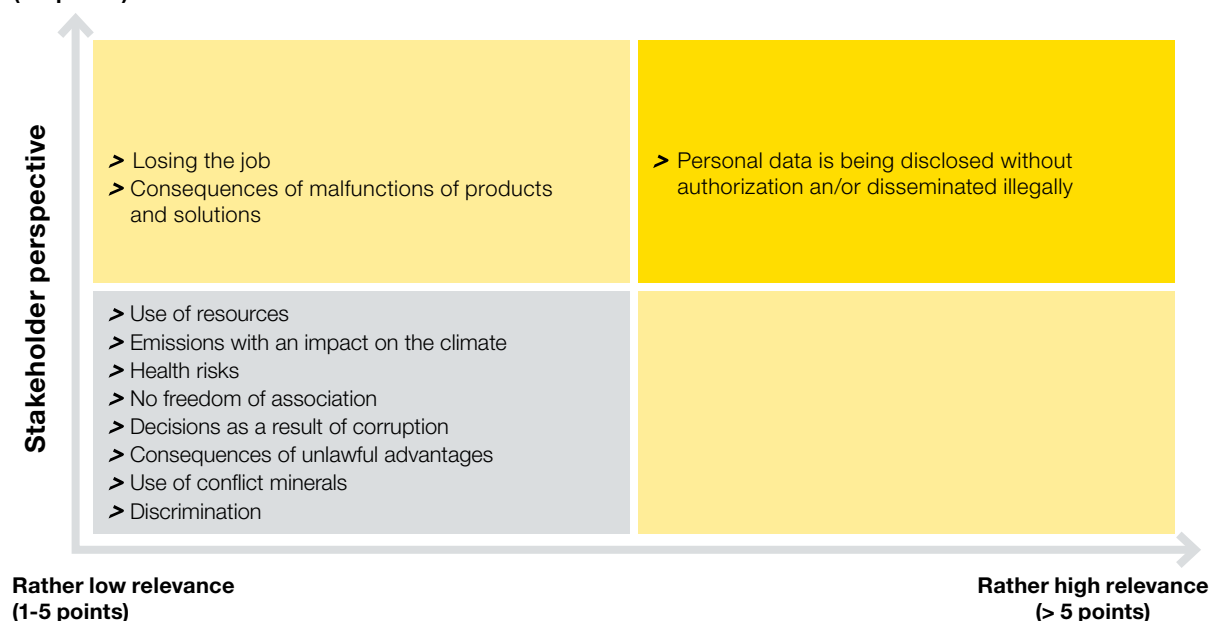
Materiality analysis.

This Report is based on an analysis from financial year 2018/19. It dealt with the impact of the company's activities on environmental, social and employee issues, on respect for human rights and on the fight against corruption and bribery. The assessment of the Group's Executive Board was first obtained for this analysis. A stakeholder survey provided an opportunity to include additional aspects and to broaden the assessment of the materiality of the various impacts of the business. This evaluation included the assessments of:

- > more than 1,630 employees worldwide
- > 5 capital market representatives: three analysts, one representative of the IVA – Interessensverband für Anleger (Austrian Shareholder Association), one major investor
- > 7 customers from all regions

Materiality analysis results.

Rather high relevance
(> 5 points)



Perspective of the Executive Board of Kapsch TrafficCom

Based on the predefined answers in the questionnaire, the chart shows the results of the stakeholder survey and the assessment of Kapsch TrafficCom's Executive Board. The lowest relevance was attributed to the risks "Discrimination due to lack of implementation of the diversity concept" and "Use of conflict minerals in the supply chain". Both the stakeholders and the Executive Board have considered the risk that personal data may be unlawfully disclosed and/or illegally disseminated as a result of theft, accident or improper handling to be of rather high relevance.

Stakeholders had the opportunity to identify additional risks and assess their relevance. The topic of recycling and waste management was addressed in the process. In those countries in which Kapsch TrafficCom has production sites (Austria and Canada), there are strict legal requirements on how to handle waste. In addition, the Company already takes account of the recyclability of mass products (on-board units) in its product design (>> section "Environment"). However, Kapsch TrafficCom generally has no influence on actual recycling. The products belong to the customers who are responsible for their proper disposal. The significant restrictions on the cross-border transport of waste should be mentioned in this context.

Environment.

Air pollution has significant effects on human health, impacts vegetation and ecosystems, contributes to climate change and damages materials and buildings. Road traffic plays an important role here. According to the European Environment Agency, it is the largest emitter of nitrogen oxide in the EU with a share of 39%. The proportion is 19% for carbon monoxide, 28% black carbon, and 11% for particulate matter. Road traffic is responsible for one fifth of all greenhouse gases in the EU. Moreover, noise pollution in Europe – most frequently caused by traffic – is a major health problem for humans and animals.

In this context, Kapsch TrafficCom offers hardware, software and services that make road traffic more efficient, safer, more reliable, more efficient and more convenient, while reducing environmental impact. The company's products and solutions help to handle traffic flows more efficiently. In addition, Kapsch TrafficCom is also working consistently in its own area of operations, especially at its production sites, to minimize resource consumption and any impact on the environment.

Important risks.

- **Climate-relevant emissions.** The business activities of Kapsch TrafficCom are associated to a small extent with the consumption of resources and the output of climate-relevant emissions. Without corresponding concepts for environmental and climate protection and their proper implementation, Kapsch TrafficCom would have a greater than necessary impact on the environment. In addition, inefficient use of energy would mean additional costs for the Company.
- **Customer waste.** Kapsch TrafficCom manufactures road-side radio products and products used in vehicles (e.g., on-board units) in large quantities for customers. The customer is responsible for proper disposal. If the components contain a high degree of non-recyclable components, environmentally friendly recycling is not possible.

Concepts.

Kapsch TrafficCom aims to continuously reduce both the consumption of resources and climate-relevant emissions associated with its business activities.

Guide to sustainable product design.

A comprehensive guide ensures that environmental, economic, social, health and safety aspects are taken into account in the design and development of products in the best possible way and in a structured manner. The contents of the document must be included in the requirement specifications and project tenders. The review and ongoing adaptation is carried out by the responsible HSSEQ point of contact in the Solution Centers and in the Corporate Technology Department.

Climate protection through energy efficiency and careful use of auxiliary materials.

- **Manufacturing sites.** The aim is to use electricity as efficiently as possible. Processes are optimized and new machines are purchased as required for this purpose. The energy efficiency of machines is taken into account when purchasing new equipment. In addition to energy efficiency, Kapsch TrafficCom also ensures that the highest possible proportion of energy used in production comes from non-fossil sources. No process water is required for production. Water is only needed for kitchens and sanitary facilities. For packaging, Kapsch TrafficCom strives to use materials that are as environmentally friendly as possible.

Environmentally friendly procurement.

- **Reduction of environmental effects in upstream processes and in the use of raw and auxiliary materials.** In addition to economic and quality-related aspects, special consideration is given to this criteria in procurement processes. A detailed guide serves as a decision-making aid in procurement and takes particular account of properties such as modular applicability, materials, packaging, durability, recyclability and reparability.
- **Handling hazardous or harmful substances.** Where possible, the Group avoids the use of hazardous or environmentally harmful substances and products containing such substances. Safety data sheets are used to assess the hazard potential. The procurement of products and raw materials that would have to be disposed of as hazardous substances after processing or use is avoided wherever possible.

- > **Transport.** For bulk goods, rail transport is preferable to truck transport. If quality and economy are comparable, local suppliers are preferred in order to minimize transport routes. In this context, there have been increasing initiatives for back-sourcing from the Asian region in recent years.
- > **Supplier evaluation.** Kapsch TrafficCom is increasingly channeling procurement through the Supply Chain Management Department. If an employee introduces a new supplier, the employee must fill out an impact matrix in which environmental issues are also queried. As part of the onboarding process, each of these suppliers must complete a questionnaire containing, among other things, 41 questions on environmental aspects. This self-assessment must be completed at least every two years. Suppliers in the highest category (A) must undergo a re-evaluation audit at least every three years. Compliance with the self-assessment is also checked. Re-evaluation meetings are held with suppliers in the middle category (B) at least every three years. The self-assessment information is checked for plausibility. Where economically justifiable, suppliers with a qualified environmental management system are given preference. Such a system is mandatory for category A suppliers.
- > **Responsible handling of chemicals.** According to the REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals), all chemicals produced and imported in the EU in quantities over one ton per year must be recorded in a central database. Each product manager is responsible for compliance with REACH during the product release process and, if necessary, must comply with the reporting requirement. In Austria, monitoring is carried out by the chemical inspectors of the federal states.

Raising employee awareness of climate and environmental protection issues.

Potential savings in resource consumption are pointed out in internal communications.

Reduction of business travel.

Oftentimes, a personal conversation cannot be replaced or avoided, but in many cases the possibilities offered by communication technologies can help to avoid business trips. Kapsch TrafficCom has invested in video conferencing systems and uses digital collaboration systems such as Skype for Business, Microsoft Teams and Cisco Teams worldwide.

Leading the climate protection agenda.

Kapsch TrafficCom is seen as an important stakeholder in the climate protection and mobility sectors, both nationally and internationally. One example of the company's role in international efforts to achieve climate-neutral mobility is its involvement in the "Decarbonizing Transport" project. It is coordinated by the International Transport Forum of the OECD and includes a catalog of measures to reduce CO₂ in the transport sector. Kapsch contributes best practice solutions.

In EU projects, experts from Kapsch TrafficCom, together with partners, are developing solutions to measure vehicle emissions at full speed in order to detect exceedances compared to registration (e.g., by tampering with the emission control system). Such a system could allow an ongoing review of emissions and thus be an essential building block in the development towards decarbonized transport.

Overall, Kapsch supports the global Sustainable Development Goals (SDGs) in its climate protection activities, in particular:

- > Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.
- > Goal 11: Make cities and human settlements more inclusive, safer, more resilient and more sustainable.
- > Goal 13: Take urgent action to combat climate change and its impacts.

Employees.

The success of a company depends on the loyalty, motivation and performance of the employees as well as on the ability to recruit sufficiently qualified employees when necessary.

Companies differ in the demands placed on their employees and the way in which the employer deals with this. Kapsch TrafficCom does not see its employees as human resources, but as a team that, though motivated by different personal interests and needs, drives the company forward. At Kapsch TrafficCom, it goes without saying that globally, remuneration is in line with the market.

Kapsch TrafficCom, as a company of Kapsch Group, combines an international orientation with the roots of a modern family business. Entrepreneurship, timely and market-oriented decisions and above-average commitment and dedication characterize the corporate culture. We work with an understanding that is characterized in particular by mutual respect and a pronounced sense of unity. Performance orientation and mutual appreciation lead to close ties between the company and its employees.

Overview.

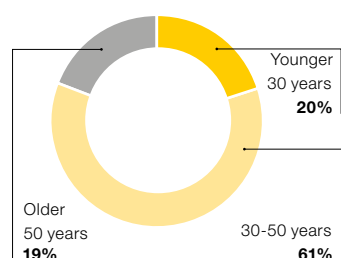
As at March 31, 2020, the Group employed a total of 5,104 people, 123 more than at the balance sheet date of the previous year. The proportion of women in the total workforce was constant at 38%.

Employment relationships.

At Kapsch TrafficCom, on the balance sheet date, 80% of the workforce were salaried employees (previous year: 83%). Workers employed in the production facilities made up 17% of the workforce (previous year: 12%). This increase is mainly due to the new contract for manual tolling in Poland (>> *Management Report, chapter 2.2 „Revenues and earnings“*). About 1% of the workforce was in training and about 2% were inactive.

	March 31, 2019	March 31, 2020	+/-
Employees	4,148	4,097	-51
Workers	607	844	237
In training/education	103	53	-50
Inactive (on parental leave, military service, etc.)	123	110	-13
Total	4,981	5,104	123
thereof part-time	171	258	57

Age structure of Kapsch TrafficCom's workforce



Age structure.

Around 20% (previous year: 23%) of all employees were younger than 30, 61% (as in the previous year) were between 30 and 50 years old, and 19% (previous year: 16%) were more than 50 years old.

Number of employees according to regions.

Kapsch TrafficCom is a globally active company with a large part of its workforce outside of Austria:

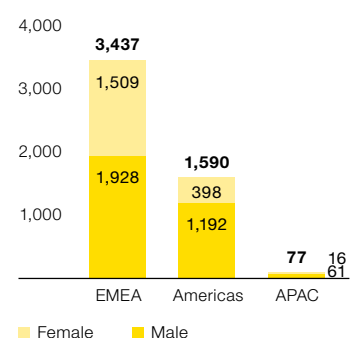
> In EMEA, the Group employed 3,437 people (previous year: 3,426) and therefore the most employees. The countries with the highest number of employees were: South Africa (1,318), Austria (664), Spain (516), Poland (381), Belarus (190) and Sweden (130).

- > Of the total of 1,590 employees (previous year: 1,474) in the Americas region, 790 worked in the USA, 295 in Argentina, 176 in Mexico, 141 in Canada und 134 in Chile.
- > Australia accounted for 73 of the 77 employees (previous year: 81) in the APAC region.

Important risks.

- > Loss of employment if high order volumes are lost in the country of employment
- > Health risk due to accident, illness or in connection with screen work
- > Discrimination due to lack of implementation of the diversity concept.

Employees by regions and sex.



Concepts.

Kapsch Partner Solutions GmbH is a company of Kapsch Group (but not of Kapsch TrafficCom Group). The personnel office located there is globally responsible for the planning and administration of the concepts mentioned here as well as for monitoring the measures taken and reporting to the Executive Board of Kapsch TrafficCom.

Kapsch TrafficCom is a globally operating corporate group with subsidiaries and branch offices in more than 30 countries. The number of employees of a Group company or branch changes with the activities it performs. Since the Company is growing continuously and plans to continue its growth course also in the coming years, a further increase in the number of employees can be expected. In individual cases, however, large projects may expire (e.g., the operation of a nation-wide toll system). In such a case, the Company will seek to minimize the harm to the workforce and to explore new employment opportunities with the contracting authority or another operator. However, Kapsch TrafficCom cannot rule out a loss of employment. In this case, initiatives for the training and further education of employees help to find new employment on the labor market

Education and training.

Kapsch TrafficCom attaches great importance to personnel and organizational development, because the qualifications and commitment of its employees are seen as decisive prerequisites for the company's success. When filling vacant positions, attention is naturally paid to both the applicants' professional as well as social skills. Lifelong learning is expected from employees and promoted by the company. The aim of continuing education is to maintain and expand professional and social skills.

Apprenticeship. Kapsch TrafficCom offers vocational training to young people in Austria. As of the balance sheet date, 19 persons completed an apprenticeship in the areas of "Information Technology – Technology", "Information Technology – Systems Engineering", "Electronics – Information and Telecommunications Technology" or as "Industrial Sales Management Assistant".

Trainee program. For more than 25 years, this program has offered graduates of an economic or technical master's degree program a broad cross-divisional insight into the entire Kapsch Group. Over a period of two years, trainees pass through three to four different divisions or subsidiaries and work as full team members in the departments or implement their own projects. As of the balance sheet date, Kapsch TrafficCom employed six trainees.

Management development. Due to their essential function in team management, the personality of the applicants is already taken into account during the selection and planning of managers. Modular training courses must be completed annually in the course of management training.

Performance review. The annual performance review is a central instrument for personnel and organizational development throughout the Kapsch TrafficCom Group. It strengthens cooperation through structured exchange between managers and employees about their performance over the past twelve months. The performance review also provides a framework for discussing career development perspectives and defining further training measures.

Employee satisfaction.

Kapsch TrafficCom attaches great importance to mutual respect, community spirit and loyalty. The company is convinced that these qualities enable employees to be more effective and perform better and provide a better quality of life. Regular surveys are conducted to evaluate how employees feel about the company. Employees receive a financial participation in the success of the company in recognition of their performance. In addition, Kapsch TrafficCom also puts in place long-term measures that address health care and economic security in retirement.

Employee survey. Kapsch TrafficCom conducts anonymous employee surveys every three years. It is important for management to know what employees think about their company, their work, managers and colleagues, what their expectations are for the future, how they rate the working atmosphere and how satisfied they are with their work. To underline the importance of employee satisfaction for the Executive Board, a financial performance incentive was created for all members of the Executive Board based on the results of the employee survey.

Participation in the success of the company. Kapsch TrafficCom is aware of the contribution of its employees to the company's success and honors this with a maximum total profit share of 5% of profit before tax. Country-specific upper limits are designed to ensure that the distribution is based on purchasing power parity. Distribution is per capita, independent of income and limited to EUR 1,500 per employee.

Health. In order to meet the different needs of the workforce in the various regions as best as possible, Kapsch TrafficCom has decentralized measures to protect employees and promote health. For example, Kapsch TrafficCom AG regularly offers health information, vaccinations, medical check-ups and vision tests. Furthermore, at the Vienna and Klagenfurt sites, a Company doctor is available to the staff.

Employee turnover rate is an important indicator of employee satisfaction. Management uses this quarterly key figure to analyze measures and undesirable developments.

Diversity and the advancement of women.

The diversity concept and information on the promotion of women to the Executive Board, Supervisory Board and executive positions are depicted in the CG Report ([➤ section "Diversity"](#)).

The current low number of female executives at Kapsch TrafficCom has to do with the fact that the proportion of women in technical areas remains comparatively low. From the point of view of a technology company, a broader base of female technicians should be available. Talented female colleagues are valued and can gain leadership positions within the organization. Achieving this to a greater extent than what is the case today requires long-term initiatives: Kapsch TrafficCom

- cooperates with schools, universities and technical colleges, and
- is committed to promoting the advancement of women by participating in special programs such as "FiT Frauen in die Technik" (Women in Engineering) or "FEMtech."

KTCwomen@kapsch. A group of committed employees has founded the "women@kapsch" initiative. This initiative aims to support global cooperation, stimulate regional initiatives to promote women in leadership positions, and share experiences. The aim is to promote women and increase their potential. A higher number of female executives is not only important for women; it is in the interest of the entire organization to work in a modern, open environment where talent is encouraged. The company launched a mentoring program in 2019 as part of KTCwomen@kapsch. In the process, 15 tandem teams were formed, each with a female mentee and a mentor. The program is planned for a period of nine months. The mentors share their professional know-how and leadership experience in order to encourage their mentees to actively use their skills and develop their potential.

The growth of the proportion of women in management positions is surveyed by Group Controlling on a monthly basis and reported to the Executive Board and Human Resources.

COVID-19 pandemic.

The management of Kapsch TrafficCom has activated existing business continuity plans in view of the exceptional international situation. Furthermore, the company has established a temporary business continuity organization. This focused on handling the effects of the pandemic on the Group and enabled a rapid response to current developments.

A number of measures were implemented specifically for employees:

- Setting up a coronavirus infopoint with all necessary information and answers to general and business-specific questions, as well as contact details for specific questions (business, IT, travel and health).
- Setting up a corona hotline for urgent questions.
- Making arrangements for work from home according to local regulations and conditions.
- Introducing appropriate protection and disinfection measures for the employees who had to be physically present in offices, production facilities, or on project sites.
- Restricting travel in accordance with national regulations.
- Provision of various guidelines, guides and templates.

In this challenging situation, Kapsch TrafficCom benefited from its outstanding IT infrastructure (software and hardware).

Human rights and anti-corruption measures.

The fight against human rights violations and corruption of any kind is an important issue at Kapsch TrafficCom. These topics are also becoming more relevant because the company is growing globally and is therefore also active in countries with a high value in Transparency International's Corruption Perception Index (CPI). Corruption and human rights violations can have serious consequences for the company and its employees: loss of contracts and exclusion from future tenders, fines, reputational damages and criminal proceedings against the company and employees involved.

Important risks.

- > Corruption can tempt representatives of public authorities or companies to make decisions that are not in the best interests of the community or organization. In addition, corruption is usually associated with other offenses, such as tax evasion.
- > Unlawful advantages to or from Kapsch TrafficCom employees may have serious consequences in terms of employment, civil and criminal law.
- > Since only around 28.8% of the workforce is covered by a collective agreement, there is a risk that not all employees are granted the right to freedom of association (collective agreement).

Concepts.

Company culture.

A strong corporate culture has developed at Kapsch over the course of the many years of company activity (since 1892). Management wants to keep this a high priority despite growth, internationalization and changing conditions. The Kapsch Group Code of Conduct (<http://kapsch.net/kapsch/about-us/code-of-conduct>) contains the principles, values and codes of conduct according to which Kapsch should act. For various topics covered by the Code of Conduct, additional mandatory guidelines and other regulations exist on global and/or regional and/or country levels. Key principles mentioned in the Code of Conduct are, for example:

- > Kapsch respects and protects human dignity.
- > Unfair business practices such as corruption and bribery are prohibited.
- > Kapsch prohibits torture, slavery, human trafficking and child labor.
- > Harassment at work (including sexual harassment) is not tolerated.
- > Discrimination, particularly on grounds of gender, origin, religious or sexual orientation, is prohibited.

The global responsibility of the Human Relations department in Austria (>> section "Employees") ensures that high standards (in particular the observance of human rights) are observed throughout the global organization.

Guidelines and training.

There are internal guidelines on various aspects of corruption prevention which are regularly reviewed and adjusted if necessary. These guidelines also define responsibilities for compliance and the consequences of non-compliance. In addition, reporting channels are defined for whistleblowing and suspected cases of violations of the regulations. Kapsch TrafficCom employees have access to the globally applicable guidelines on the intranet and the HSSEQ platform.

Compliance organization.

A multi-level compliance organization has been set up at Kapsch TrafficCom for comprehensive monitoring of protective measures. The Executive Board is supported by the Compliance Officer in corruption prevention matters. The latter, in turn, works with various departments and managers in the organization depending on the subject area. The Executive Board submits an Anti-Corruption Report to the Supervisory Board each year.

Kapsch TrafficCom is introducing a new ERP (Enterprise Resource Planning) system throughout the Group. The system is used for standardized daily automated comparisons of business partners with embargo and sanctions lists. These lists contain, among other things, persons and companies that are connected to human rights violations. It is planned to largely complete the rollout of the new ERP system by the end of financial year 2020/21.

Kapsch Group's Internal Audit department may also audit Kapsch TrafficCom on behalf of the Executive Board, regarding, among others, the processes of the internal control system and their compliance, as well as regarding fraud and corruption.

Social responsibility.

Kapsch TrafficCom's social responsibility has two dimensions: its own products and solutions and its commitment to the community and the general public.

Products and solutions. They can only remain competitive in the long term if they deliver added value for customers and end users, and ultimately also benefit society and the environment. The Company's service portfolio directly addresses the social aspects of safety, environmental and climate protection and quality of life:

Commitment to the community. Modern communication platforms and channels make it possible to exchange opinions and information worldwide and in real time, occasionally without the participation or even knowledge of those who are the subject of the conversation. The growing group of direct and indirect sub-publics continues to gain in importance. They increasingly act as correctors or drivers. At the same time, companies are viewed more critically. A company must therefore see itself as part of society and regularly question what role it plays in society and what its social acceptance and business model are.

Important risks.

- Malfunctions and failures of Kapsch TrafficCom products can lead to non-optimal control of traffic flows. In extreme cases this could provoke accidents.
- Conflict minerals could be used in the supply chain.
- Personal data could be disclosed without authorization and/or processed unlawfully due to theft, accident, or improper handling.

Concepts.

Kapsch TrafficCom pursues a socially relevant mission, namely to make increasing road traffic safer, more reliable, more efficient and more comfortable and to reduce the associated environmental impact. The protection of personal data also plays an important role in an increasingly digitized world.

Beyond these operational areas of activity, the company assumes social responsibility, mainly organized by Kapsch Group. In Austria, this commitment to society focuses on promoting health and development and supporting educational, artistic and cultural institutions.

The activities of international subsidiaries are aimed at local conditions and may also include, for example, support for sports activities. Kapsch TrafficCom also operates in emerging and developing countries. From the company's point of view, it is important to be seen as an equal partner there. This includes meeting local social requirements for companies and not exploiting any position of strength.

Innovative and high quality product portfolio.

Kapsch TrafficCom is actively facing the challenges of its dynamic markets and is constantly expanding its product portfolio with innovative solutions. The company pursues the goal of global quality and innovation leadership in line with its overall strategy. The company's success to date is understood as a mission and obligation to continue to create competitive advantages and added value for customers and partners.

Patents protect the intellectual property rights of Kapsch TrafficCom. By including the patent analysis in the development process, the risk of patent infringements is minimized. The patent monitoring system analyses patent applications from competitors and in relevant technology segments.

More detailed information on research and development activities can be found in the Management Report ([➤ chapter 3.1 „Research and development“](#)).

Customer proximity.

Customer proximity is a key success factor. It is determined by the Group's local presence, which is ensured by branches and representative offices in more than 30 countries. Kapsch TrafficCom creates an additional dimension of proximity through intensive, respectful cooperation with international project partners and customers as well as through the conscious promotion of regional value creation. Participation in industry events and trade fairs makes an important contribution to promoting

exchange with customers. Furthermore, the marketing and sales departments conduct periodical surveys to learn about customer satisfaction. Based on the results of such surveys, effective measures for continuous improvement of customer satisfaction are promptly defined and implemented.

Procurement: Handling conflict minerals.

From Kapsch TrafficCom's perspective, a company's social responsibility includes vetting the suppliers it buys from (**>> section: "Environment"**). In addition to price, quality and environmental aspects, the topics of human rights, corruption and social aspects are also relevant. As part of the supplier evaluation process, Kapsch TrafficCom asks whether control mechanisms are in place to ensure compliance with the "OECD Guidelines for the exercise of due diligence to promote responsible supply chains for minerals from conflict and high risk areas". Suppliers must also explain their risk assessment model and how they avoid the use of minerals whose production is influenced by wars.

Open dialog.

Kapsch TrafficCom is committed to an open dialog with civil society and its bodies. Particularly in the course of the constant expansion of the network of business partners and the development of new markets and dialog publics, the company promotes local and intercultural dialog through a high degree of transparency towards the general public, the media, interest groups, politics, the capital market and of course, employees.

Various digital communication channels are used and networked with classic media to ensure open and transparent communication. Participation in trade fairs, lectures at conferences and events as well as numerous publications by experts are part of the communication measures. Active international press work with a focus on industry media and localized communication in individual countries is supported by the use of social media such as Facebook, Twitter, LinkedIn, the company's own website, and YouTube. The Kapsch TrafficCom website provides comprehensive information about the company, various technical solutions and numerous reference projects.

The annual media resonance analysis provides information on the tonality of reporting on Kapsch TrafficCom.

Kapsch TrafficCom uses a variety of communication channels for regular communication with various interest groups. Topicality, transparency and fairness are always in the foreground:

- > Especially developed online portals and service hotlines have been set up for customers. In addition, customer surveys are conducted annually.
- > Existing and potential shareholders are supported by the Investor Relations department.
- > There is also a lively exchange with non-governmental organizations relevant to the industry such as motor clubs and interest groups.
- > The active involvement of employees and employee representatives takes place through regular information events and the use of online media. Reference is also made here to the employee survey (**>> section „Employees“**).

Kapsch TrafficCom is a member of more than 40 organizations to safeguard its own interests and to actively contribute to discussions on current industry issues. In addition to regulatory and legal issues and because of the company's business purpose, the focus is on aspects of intelligent transport systems.

Information security.

The topic of information security is deeply anchored in the organization. This is necessary because the software solutions from Kapsch TrafficCom process customer and user data. The Company is aware of its responsibility in dealing with this information and is also anxious to protect its own data against unauthorized access. Risks and current threats are continuously assessed so that targeted measures can be taken. These typically aim at the three dimensions of humans, process and technology.

Security policy. Kapsch TrafficCom has formulated the following two guiding principles for the targeted use of security measures:

- > Information security should promote and support business processes:
- > Security measures should be based on the recognized state of the art. The global orientation in this context defines ISO 27001 as the standard reference for the implementation and operation of information security.

Risk management. As the core process of ISO/IEC 27001, Kapsch TrafficCom has a uniform risk management process for information security that is integrated into the corporate risk management. The structured approach to the consideration of risks in connection with information security is derived from the business processes of Kapsch TrafficCom and therefore represents a holistic approach. The risk management process is implemented at all integrated companies, regardless of whether they are formally ISO/IEC 27001 certified or not.

Vulnerability management. In cooperation with the other companies of the Kapsch Group, Kapsch TrafficCom monitors via various channels whether any security-relevant vulnerabilities appear in the systems. In addition, active measures are taken, such as regular and automated vulnerability testing of external and internal systems as well as penetration tests.

Management of security incidents. Kapsch TrafficCom has a centrally organized process with communication chains and escalation structures for security incidents. This ensures that such incidents are dealt with professionally and promptly.

Business continuity management. During the course of the COVID-19 crisis, Kapsch TrafficCom demonstrated, in cooperation with the Kapsch Group, that the established mechanisms for crisis and emergency management work. Productivity within the company was seamlessly maintained thanks to the good combination of technology and processes.

Awareness. One of the most important pillars in the active management of information security is raising awareness among employees. A training program exists for this reason, which is supplemented by periodic mailings and intranet messages on current topics. Occasional e-mails simulating phishing are used to practice what has been learned.

Protection of personal data.

All Kapsch TrafficCom locations in the European Union and all locations providing deliveries or services to/in the EU where personal data is processed are subject to the provisions of the EU General Data Protection Regulation (EU GDPR). Kapsch TrafficCom has structured itself as follows.

Conception. The company relies on a two-pillar model: Data protection management for the planning of measures and the execution of tasks as well as data protection monitoring to monitor compliance with regulations. As far as possible, structures of existing information security management systems (ISO 27001) and quality management systems (ISO 9001) are used.

Training. Corporate management has received comprehensive training and the specialist departments have been specifically trained for their areas of responsibility in order to ensure that data protection tasks are broadly anchored in the Group. Basic training has been set up for the entire workforce.

Processes. In accordance with the “Privacy By Design” requirement, Kapsch TrafficCom has integrated data protection risk management into the processes for designing and developing products and solutions. The company also revised the process for exercising the rights of data subjects and the process to be used in the case of data corruption.

Transparency. When collecting personal data, the company complies with the extended information requirements of the EU GDPR. This means that data subjects will now be informed more fully about the processing of their data.

Deletion periods. All deletion periods for personal data were checked and adjusted if necessary.

Non-financial key figures.

Environment.

The name of the key figure “Percentage of computer workstations equipped with Skype for Business” has been revised and is now referred to as “Percentage of computer workstations equipped with digital collaboration systems”.

	2018/19	2019/20	2020/21 goals
Percentage of computer workstations equipped with digital collaboration systems ¹⁾	100%	100%	Keep at 100%
Electricity consumption at all locations with about 5,000 m ² or more (incl production) in MWh ²⁾	7,255	7,310	Maintain on a constant level
CO ₂ emissions at all locations with about 5,000 m ² or more (in tons of CO ₂ equivalents) due to electricity consumption and heating ²⁾	2,176	2,543	Maintain on a constant level
Product recyclability for RF (Radio Frequency) field products and in-vehicle products ³⁾	83.5%	85.8%	Sustainably higher than 80%
Product recyclability for video and sensor products ³⁾	n.a.	89.7%	Sustainably higher than 80%

¹⁾ Applies to all group companies whose IT is fully integrated into the Group IT. This includes all companies except, in particular, SIMEX, Integración de Sistemas, S.A.P.I. de C.V. (Mexico), Electronic Toll Collection (Pty) Ltd., TMT Services and Supplies (Pty) Ltd., and Kapsch TrafficCom South Africa (Pty) Ltd. (South Africa), Intelligent Mobility Solutions Limited (Zambia), FLUIDTIME Data Services GmbH (Austria), and tolltickets GmbH (Germany).

²⁾ The following locations are relevant:

- > a building in Cape Town (South Africa): approximately 20,300 m²
- > the headquarters in Vienna (Austria): approximately 16,800 m²
- > the production site in Vienna (Austria): approximately 11,800 m²
- > the production site in Mississauga (Canada): approximately 6,300 m²
- > a site in Jönköping (Sweden): approximately 5,700 m² (previous year: approximately 5,000 m²)

³⁾ Only for products manufactured by Kapsch TrafficCom, no products included which are sourced from third parties. Calculated as an average across the various products.

Employees.

	2018/19	2019/20	2020/21 goals
Consumption of training budget ¹⁾	82.9%	54.5%	100%
Conducting performance reviews ²⁾	about 75.5%	about 47.6%	100% per financial year
Proportion of women in leadership positions ³⁾	21.8%	25.0%	Further increase; 2023 > 30%
Employee turnover rate ⁴⁾	8.9%	12.0%	Keep under 10%
Number of fatalities as a result of work-related injury ⁵⁾	0	0	0
Rate of fatalities as a result of work-related injury ⁶⁾	0.0	0.0	0.0
Number of high-consequence work-related injuries (excluding fatalities) ^{5) 7)}	2	1	0
Rate of high-consequence work-related injuries ⁸⁾	0.3	0.1	0.0
Number of recordable work-related injuries ⁵⁾	45	42	0
Rate of recordable work-related injuries ⁹⁾	6.8	4.7	0.0

¹⁾ In financial year 2019/20, the training budget amounted to about EUR 3.9 million (previous year: about EUR 3.3 million).

²⁾ Calculation: number of employee performance reviews conducted: number of employees at balance sheet date.

³⁾ Refers to all management levels, including team leaders.

Calculation: number of female managers : total number of managers.

⁴⁾ Calculation: Employee-initiated departures : average number of employees excluding sold/shutdown business units. In financial year 2019/20, the latter related to Kapsch Telematic Services spol. s.r.o., Czech Republic, and Streetline Inc., USA (previous year: Kapsch Road Services Sp. z o.o., Poland).

⁵⁾ Injuries or fatalities as a result of commuting incidents are only included if the transport has been organized by Kapsch TrafficCom.

⁶⁾ Calculation: number of fatalities as a result of work-related injury : number of hours worked x 1,000,000;

number of hours worked in financial year 2019/20 = 8,909,748 (previous year: 6,658,004).

⁷⁾ High-consequence means a work-related injury from which the employee cannot, does not, or is not expected to recover fully to pre-injury health status within six months. Fatalities are excluded.

⁸⁾ Calculation: number of high-consequence work-related injuries (excluding fatalities) : number of hours worked x 1,000,000;

number of hours worked in financial year 2019/20 = 8,909,748 (previous year: 6,658,004).

⁹⁾ Calculation: number of recordable work-related injuries (including fatalities) : number of hours worked x 1,000,000;

number of hours worked in financial year 2019/20 = 8,909,748 (previous year: 6,658,004).

The training budget was used significantly less in the 2019/20 financial year than in the previous year. A major reason for this development was the increasingly worsening financial results and cost-cutting measures introduced. These also affected external training costs. Towards the end of the financial year and at the beginning of new financial year 2020/21, the measures taken to deal with the COVID-19 pandemic had a negative impact on training activities.

One of the main reasons for the significant decline in the number of employee performance reviews was a lower rate in the USA. Due to the strained employee situation (**>> Management Report, chapter 2.1 "Business performance 2019/20"**), colleagues focused their full attention on processing customer projects. As a result, employee performance reviews often came up short. In addition, many vacant positions were filled in the second half of the financial year. No performance reviews have yet been conducted with these new employees. The personnel situation is expected to remain strained for most of financial year 2020/21. Nevertheless, management will exert influence on colleagues in the USA so that the rate of completed employee performance reviews does not continue to fall, but rather rise again if possible. In Austria, the number of employee performance reviews held was also disappointing. For this reason, management will also take a motivational role and emphasize the importance and value of the exchange between employees and managers. In Poland, the number of employees rose sharply in the second half of the year due to the new order for manual tolling (**>> Management Report, chapter 2.2 "Revenues and earnings"**). No performance reviews have yet been conducted with these new employees.

Human rights and anti-corruption measures.

	2018/19	2019/20	2020/21 goal
Proven significant claims or proceedings, sanctions or fines against Kapsch TrafficCom Group companies in connection with corruption or human rights violations.	0	0	0

Social responsibility.

Until last year Kapsch TrafficCom used the key figure "Percentage of product complaints for on-board units". As this figure was repeatedly extremely low (2018/19: 0.4%), the Executive Board decided not to report this figure further because it lacked significance.

	2018/19	2019/20	2020/21 goals
Expenses for research and development as a percentage of revenues ¹⁾	About 15%	About 18%	Approx. 10% or higher
Average tonality of media coverage of Kapsch TrafficCom ²⁾ (5 = positive, 4 = somewhat positive, 3 = neutral, 2 = somewhat negative, 1 = negative)	3.9	2.8	Approaching 4.0
Proportion of employees who have finished the training regarding the general data protection regulation	31.6%	34.7%	Progress further towards 100%

¹⁾ Calculation: expenses for research & development : revenues.
The definition of which expenses should be assigned to research and development was revised in financial year 2019/20. The most significant change is that expenses for IPR management are no longer included. The research ratio thus includes expenses for customer-specific developments as well as for product management, development support and generic developments; (**>> Management Report, Chapter 3.1 "Research and development"**). As a result of the revision of this key figure, the figure for the 2018/19 financial year changed only slightly, so that no adjustment of the previous year's figure was necessary.

²⁾ Source: Media resonance analysis by META Communication International.

Media coverage of Kapsch TrafficCom in financial year 2019/20 focused on the early termination of the German infrastructure charge projects and the overall disappointing economic development in the reporting period. For this reason, the tonality of media coverage suffered significantly. The disputes concerning the award of the nation-wide truck toll system in the Czech Republic already had a negative impact in the previous year.

Management expects improved financial figures again for the 2020/21 financial year. In addition, Kapsch TrafficCom is striving to communicate the added societal value of the company's products and solutions through media more than it had in the past. A specific example is the Kapsch TrafficCom Index: 9,000 citizens in nine countries answer more than 80 questions representative of the population. The impacts of congestion and environmental pollution from road traffic in urban and rural areas on people's lives were derived from this index.

In view of the investigative committee on the passenger vehicle toll in Germany, management expects further, partly critical reporting on Kapsch TrafficCom.

The number of people who have completed the online training on the General Data Protection Regulation has increased, but not to the extent hoped for. Management will make greater efforts to ensure that this training is completed.

Vienna, June 15, 2020

The Executive Board



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alfredo Escribá Gallego
Executive Board member



Flying high with good technology. Technology.

When faced with obstacles, just knowing what needs to be done is not enough. Good technology is needed to apply knowledge to practice. Kapsch TrafficCom combines extensive knowledge with unique experience when implementing and running toll and mobility solutions.



***Consolidated Management Report
on the Consolidated Financial Statements
as of March 31, 2020.***

Kapsch TrafficCom.



Consolidated Management Report.

1 Economic environment.

1.1 General economic situation.

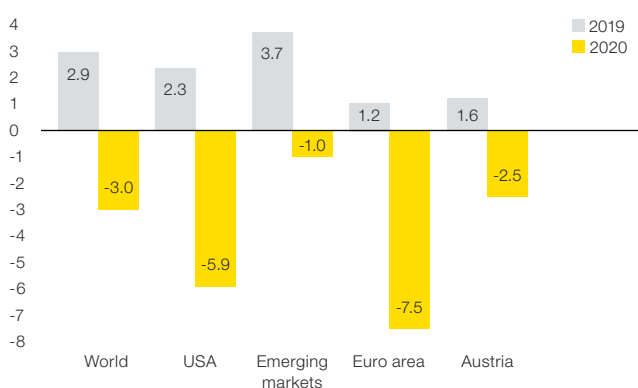
Global economy.

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

Global economic growth at 2.9%.

GDP growth 2019 and 2020.

(in %)



USA.

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

US economy grew by 2.3%.

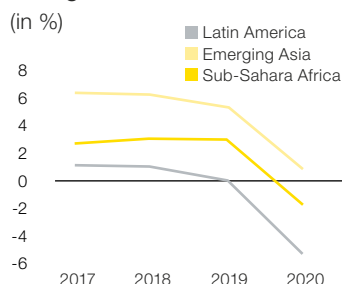
Emerging markets and developing economies.

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

Emerging and developing economies grew by 3.7%.

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

GDP growth 2017–20.



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

Europe.

The 2019 economic figures for Europe showed mixed results. Overall growth in the *European Union* slowed to 1.5%. This was primarily due to the developments in the large member states. Germany's export-oriented industry, in particular, came under pressure from the challenging global environment. Moreover, France was confronted with a large wave of protests while Italy continued to face structural problems.

Economic growth in the EU: 1.5%.

All this was aggravated by Britain's exit from the EU, which eventually took place at the end of January 2020 after multiple delays. On the positive side, economic recovery in the once-struggling peripheral countries (Greece, Spain and Portugal) continued and the EU unemployment rate steadily declined. As of early 2020, it reached 6.2%, the lowest level in over a decade. In March 2020, actions to fight the COVID-19 pandemic caused a sharp increase in unemployment.

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

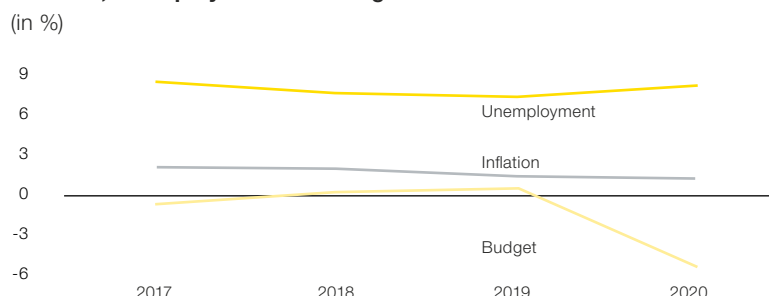
Central and Eastern Europe (CEE) continued its catching-up process with comparatively robust growth figures in 2019. The regional markets benefitted primarily from substantial public investment and strong household demand, fueled by wage increases. On a national level, the Hungarian (+4.9%), the Romanian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

Austria.

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

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

Inflation, unemployment and budget in Austria 2017–20.



1.2 Market for intelligent transportation systems.

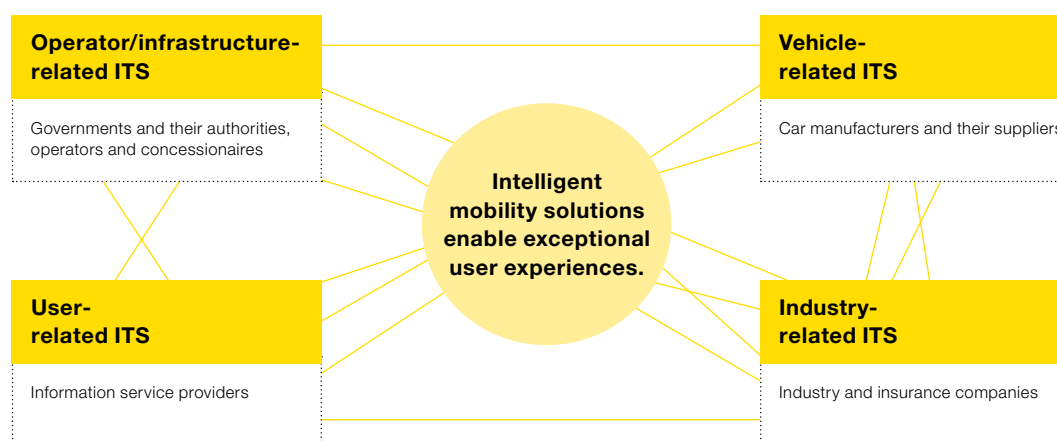
Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). Intelligent transportation systems support and optimize transportation (including infrastructure, vehicles, users and industry). They use information and communication technologies for this.

Customer segments.

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

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

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



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

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

Market positioning.

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

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

Intelligent, integrated mobility solutions will be the future.

Market trends and drivers.

Kapsch TrafficCom has identified the most important trends and drivers in the currently addressed markets as follows:

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

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

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

Maintenance and expansion of road networks require new financing models.

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

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

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

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

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

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

Technologies and concepts.

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

Transportation industry undergoing radical change.

2 Economic Situation of Kapsch TrafficCom.

2.1 Business performance 2019/20.

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

Significant events and developments in financial year 2019/20:

- On June 18, 2019 the European Court of Justice (ECJ) published a surprising decision with far-reaching consequences: The passenger vehicle toll in its planned form, where in Germany accredited vehicles receive a tax relief simultaneously, violates the principles of the European Union. On the following day, the customer terminated the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019. Claims against the Federal Republic of Germany have been asserted.
- In Zambia, it was not possible to develop the business as originally planned. The company finally had to admit that it will be impossible to overcome regulatory hurdles in the foreseeable future. As a result, the anticipated business prospects in this country are also disappointing. It is for this reason that Kapsch TrafficCom has made impairments regarding the involvement in Zambia.
- Over the course of the financial year, Kapsch TrafficCom's struggles with the consequences of insufficient personnel levels in the US intensified. For quite some time now, the company has been unable to recruit enough adequately qualified personnel at reasonable conditions. Thanks to a changed recruiting strategy, the company was finally able to increase the workforce in the US significantly. However, this did not come close to filling all of the open positions, since the need for new employees continued to rise due to the good intake of orders and the positive business outlook.
- In November, Kapsch TrafficCom was informed to be best bidder for a major tolling project in South Africa. In March 2020, Kapsch TrafficCom was notified that the tendering had been discontinued. The existing tolling contract scheduled to end on December 2, 2019 has already been extended for an additional year.
- At the end of November 2019, the contract to operate the nation-wide toll system in the Czech Republic expired. This was a project with annual revenues of more than EUR 70 million.
- A competitor in the US was accusing Kapsch TrafficCom of infringing upon its patents. These accusations have now been dismissed by the court of last instance.
- In December, Kapsch TrafficCom was awarded a major project in the USA. The company will provide a consortium with tolling technology and operate and maintain the toll system. Implementation activities are scheduled to commence in 2023. The project volume for Kapsch TrafficCom is estimated to be more than USD 100 million over the 30 year term.
- The management of Kapsch TrafficCom is unaware of any company that has been able to demonstrate a sustainable and profitable business model in the area of smart on-street parking solutions. This is also true of the California Group company Streetline. That is why the activities of this company have been all but ended.
- Considerable additional expenses for the demanding implementation of new software in existing customer systems led to significant cost over-runs, particularly evident in the fourth quarter.
- The end of the financial year was dominated by global measures to curb the COVID-19 pandemic. Fortunately, the effects on Kapsch TrafficCom's results have been minimal.
- Significant one-time effects and operative challenges that resulted in huge costs led to a negative EBIT of EUR -39.2 million. The losses from foreign currency and the write-down of a financial asset weighed on the financial result in the extent of EUR -14.6 million. Due to the weak result for the period and as far as legally permissible in the context of COVID-19, the Executive Board intends to propose a reduced dividend of presumably EUR 0.25 per share to the Annual General Meeting.

2.2 Revenues and earnings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenues and operating result (EBIT) by segment.

Electronic Toll Collection (ETC).

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

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

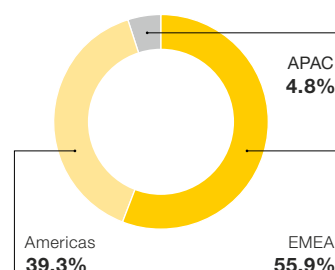
However, the volume of operations projects fell by 12.8%, mainly due to lower revenues in Poland and the Czech Republic. In Poland, a contract to operate the nation-wide toll system expired in November 2019. However, it was possible to reach an agreement with the Polish authorities: Kapsch TrafficCom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

Revenues in the Americas region increased substantially to EUR 221.4 million in the past financial year (+26.9%). The drivers were implementation revenues primarily in the USA, which increased by 61.6%. By contrast, component revenues fell by 3.8%. After two record years, sales of on-board units in North America returned to a normal level. A higher-quality product mix was not able to offset the decline in units. Revenues from operations projects also fell by 3.5%.

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

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

ETC revenue per region.



Segment ETC by business type.

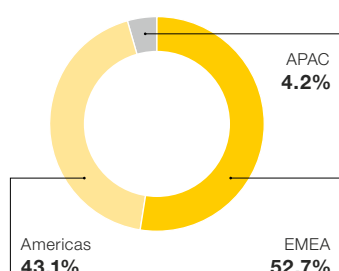
in EUR million	2018/19	2019/20	+/-
Revenues	558.4	563.5	0.9%
Implementation	190.5	219.3	15.1%
Operations	264.4	234.9	-11.1%
Components	103.5	109.3	5.6%
EBIT	64.9	1.5	-97.7%

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

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

Intelligent Mobility Solutions (IMS).

IMS revenue per region.



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

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

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

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

Segment IMS by business type.

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

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

Revenues per region.

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

2.3 Financial situation.

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

Assets.

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

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

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

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

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

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

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

Liabilities and equity.

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

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

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

2.4 Financial position.

Cash Flow.

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

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

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

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

Free Cash flow: EUR 2.4 million

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

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

Key figures.

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

3 Miscellaneous company information.

3.1 Research and development.

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

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

Established structure with:

- > *Solution Centers*
- > *Corporate-Technology-Function*

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

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

Focused patent strategy:

- > *Patent Monitoring*
- > *Freedom-to-operate*
- > *Improved market knowledge*

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

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

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

3.2 Non-financial performance indicators.

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

3.3 Risk report.

Risk management.

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

ERM provides a company-wide framework for the structured and systematic recording, quantification, mitigation and reporting of risk. The starting point is an analysis of the risk profile of Kapsch TrafficCom. On this basis, the company identified business

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

processes that generate significant risks for the further development of the business. ERM defines special requirements for dealing with risks. These are implemented in the respective business processes. In this way, ERM systematically considers risks where they arise.

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

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

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

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

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

Industry-specific risks.

Volatility of new orders. Kapsch TrafficCom's most relevant customer groups include government agencies and municipal authorities as well as private concessionaires, public-private partnerships and consumers. Larger contracts are usually tendered.

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

Until a contract is actually awarded to Kapsch TrafficCom, there are a number of uncertainty factors both within and outside of the company's area of influence. For example, political changes, appeals or lawsuits by unsuccessful bidders can lead to a delay in the awarding of a contract, to its cancellation or to a modification of the tender. There is also the risk that offers made by Kapsch TrafficCom

will not succeed for technological, financial, formal or other reasons.

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

The economic situation of relevant national economies, possible government investment programs, changes in political priorities, an increasing focus on sustainability, trade conflicts, military conflicts or epidemics can have a significant impact on incoming orders. For example, the sudden and rapid spread of SARS-CoV-2 has increased uncertainty with regard to new incoming orders. Previous assumptions, particularly regarding the expected time of new customer orders had to be questioned

and revised in some cases. As of June 3, 2020, the business continuity organization expected no impact for around 86% of the identified prospective projects; while delays were anticipated for around 11%. Around 3% were reported as paused or stopped.

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

Technical challenges and tight schedules produce typical project risks.

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

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

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

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

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

Strategic risks.

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

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

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

Acquisition and integration of companies as part of the Group's growth. One of the strategic goals of Kapsch TrafficCom is to grow internationally both organically and through selected acquisitions or the establishment of joint ventures. In the

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

course of these activities, it is necessary to overcome a number of challenges in order to achieve the desired goals and synergies and to realize the expected opportunities from the acquisition of new technologies and market know-how.

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

Financial risks.

Foreign exchange risk. As a global company, Kapsch TrafficCom maintains branches, offices and subsidiaries in many countries outside the euro zone. In the course of implementing projects outside the euro zone, transaction risks arise from

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

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 busi-

ness planning. Due to the conversion of individual financial statements of the subsidiaries outside the euro zone into the group currency of the euro, Kapsch TrafficCom is also subject to a translation risk. In addition, long-term disadvantageous exchange rate changes can also cause a change in the position of Kapsch TrafficCom relative to competitors, such as when products or services based on a euro-cost structure can no longer be offered at competitive prices outside the euro zone.

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

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

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

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

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

Credit risk. Kapsch TrafficCom is exposed to the risk of non-payment by customers. The main customers of Kapsch TrafficCom are to a large extent state agencies, especially in connection with the installation or operation of nation-wide or regional toll and traffic management systems. Kapsch TrafficCom also acts as a subcontractor to third parties (concessionaires, general contractors, etc.) in public sector projects. The scope of a potential non-payment varies depending on the size of the order and can have a noticeable impact on the earnings situation in the case of individual large projects. In principle, however, the

customers for such large projects are public agencies. The creditworthiness of new and existing customers is evaluated, and hedging is performed according to the assessment of the existing non-payment risk. In addition, Kapsch TrafficCom takes advantage of offers from public institutions, such as OeKB (Oesterreichische Kontrollbank AG), EKN (Exportkreditnämnden; Swedish National Export Credits Guarantee Board) and MIGA (Multilateral Investment Guarantee Agency), to hedge against the non-payment risk on the basis of guarantees. There is also a risk that counterparties of both original and derivative financial instruments (including financial institutions assumed to have good credit ratings) cannot meet their payment liabilities when due. A payment default or the need to impair receivables could have an extremely adverse impact on the net assets, financial position and earnings situation of Kapsch TrafficCom.

Personnel risk.

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

Kapsch TrafficCom is taking attractive measures to counteract personnel risk.

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

Legal risk.

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

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

IT risk.

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

Opportunities.

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

The early identification of opportunities opens up new potential.

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

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

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

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

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

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

Overall assessment of the risk situation.

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

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

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was advanced again in financial year 2019/20, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit.

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

The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

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

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

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

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

***The internal control system
is implemented locally and
monitored centrally.***

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

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

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

3.6 Corporate Governance Report.

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

4 Outlook.

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

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

It is not currently possible to quantify the effects of COVID-19 on Kapsch TrafficCom's business. The management only sees a slight effect at present; however, things are being postponed in a few regions. It goes without saying that the visibility, particularly with regard to invitations to tender, has come down. It is therefore too

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

early to provide a quantitative outlook for the financial year. The management anticipates that 2020/21 will be better than the previous year and that Kapsch TrafficCom will manage to generate a clearly positive EBIT again.

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

Vienna, June 15, 2020



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alfredo Escribá Gallego
Executive Board member

Statement of all Members of the Executive Board.

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

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

Vienna, June 15, 2020



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alfredo Escribá Gallego
Executive Board member

Consolidated Financial Statements as of March 31, 2020.

Kapsch TrafficCom.



Consolidated Financial Statements.

Consolidated statement of comprehensive income.

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

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

²⁾ The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

Consolidated balance sheet.

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

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

²⁾ The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

Consolidated statement of changes in equity.

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

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

Details of equity are presented in note 23.

Consolidated cash flow statement.

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

¹⁾ Including „contract assets“

²⁾ Including „contract liabilities“

³⁾ Cash flow from operating activities + cash flow from investing activities

⁴⁾ Free cash flow + cash flow from financing activities

⁵⁾ The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

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1 General information.

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

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

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

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

1.1 Group structure and consolidated group.

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

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

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

1.2 Basis of preparation.

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

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

1.3 Accounting and valuation principles.

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

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

1.4 Material accounting estimates and assumptions.

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

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

1.4.1 Revenue recognition for contract work.

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

1.4.2 Estimated impairment of goodwill.

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

1.4.3 Other estimates and assumptions.

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

2 German infrastructure charge.

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

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

autoTicket GmbH, Germany – project "toll collection".

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

The financial data of the entity is as follows:

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

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

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

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

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

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

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

MTS Maut & Telematik Services GmbH, Germany – project "Automatic control of the toll".

MTS is fully consolidated and a 100% subsidiary of Kapsch TrafficCom AG. As a result of the termination of the contract for the automatic control of the toll, the parties of the contract (Kapsch TrafficCom AG and MTS) asserted claims against the Federal Republic of Germany.

3 Segment information.

Operating segments.

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

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

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

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

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

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

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

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

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

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

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

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

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

Information by region.

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

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

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

¹⁾ EMEA: Europe, Middle East, Africa

²⁾ Americas: North, Central and South America

³⁾ APAC: Asia-Pacific

⁴⁾ Due to the final purchase price allocation for the business combination of Intelligent Mobility Solutions Ltd., Zambia, the amounts as of March 31, 2019 were adjusted.

4 Other operating income.

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

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

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

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

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

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

6 Cost of materials and other production services.

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

7 Staff costs.

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

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

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

8 Expenses for amortization and depreciation.

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

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

9 Impairment charge.

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

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

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

10 Other operating expenses.

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

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

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

11 Financial result.

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

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

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

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

12 Income taxes.

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

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

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

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

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

13 Other comprehensive income.

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

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

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

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

14 Property, plant and equipment.

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

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

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

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

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

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

15 Intangible assets.

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

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

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

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

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

15.1 Recoverability of intangible assets with finite useful lives.

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

15.2 Recoverability of goodwill.

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

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

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

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

15.2.1 Key assumptions for impairment testing.

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

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

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

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

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

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

CGU: ETC-Americas.

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

CGU: ETC-EMEA.

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

CGU: ETC-APAC.

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

CGU: IMS-Americas.

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

CGU: IMS-EMEA.

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

CGU: IMS-APAC.

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

15.2.2 Peer group.

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

15.2.3 Results of the impairment test.

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

	ETC-			IMS-		
2018/19	Americas	EMEA	APAC	Americas	EMEA	APAC
Carrying amount of goodwill allocated to the CGU ¹⁾	11,783	21,316	7,378	3,364	6,941	230
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	874	0	1,348	285	0
Value in use of the CGU	397,835	462,193	285,437	176,424	99,332	64,092
Carrying amount of the CGU ¹⁾	82,295	150,928	19,618	24,917	33,466	1,085
Discount rate	5,4 %	8,6 %	4,9 %	5,9 %	8,3 %	5,0 %
Discount rate before tax	7,2 %	11,1 %	6,4 %	7,8 %	11,0 %	6,7 %
Break-even discount rate before tax	32,2 %	40,7 %	125,3 %	75,3 %	22,2 %	623,8 %

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

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

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

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

15.3 Capitalized development costs.

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

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

16 Interests in associates and joint ventures.

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

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

Interests in associates and joint ventures developed as follows:

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

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

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

Associated companies.

LLC National operator of telematic services, Russia.

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

Traffic Technology Services Inc., USA.

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

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

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

Joint ventures.

autoTicket GmbH, Germany.

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

Copiloto Colombia S.A.S., Colombia.

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

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

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

Consortia.

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

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

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

Joint operations.

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

17 Financial instruments.

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

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

²⁾ Lease liabilities belong to financial liabilities, but do not underly the disclosure requirements of IFRS 7.

Changes and fair value.

No reclassifications between the hierarchy levels were made in financial year 2019/20.

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

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

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

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

Fair value-hierarchies and determination of fair value.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

Statement of comprehensive income.

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

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

Derivative financial instruments.

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

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

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

18 Other non-current assets.

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

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

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

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

19 Inventories.

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

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

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

20 Trade receivables and other current assets.

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

Allowance for bad debt developed as follows:

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

Maturity structure of trade receivables:

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

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

21 Contract assets and contract liabilities.

Contract assets and liabilities are composed as follows:

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

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

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

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

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

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

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

22 Cash and cash equivalents.

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

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

23 Equity.

Share capital.

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

Authorization of repurchase of shares.

The Annual General Meeting of Kapsch TrafficCom AG from September 10, 2019 authorized the executive board of Kapsch TrafficCom:

- to purchase own shares both on the stock exchange and over-the-counter up to a total of 10% of the share capital, also by excluding the shareholders' pro rata disposal rights,
- to determine a method of selling or using shares in a manner other than via the stock exchange or a public offer and also to exclude the shareholders' pro rata subscription rights (exclusion of subscription rights),
- to decrease the share capital of the Company by redeeming own shares without further resolution by the Annual General Meeting.

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

Capital reserve.

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

Other reserves.

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

Consolidated retained earnings.

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

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

Non-controlling interests.

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

Changes of shares and capital in subsidiaries.

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

Acquisition of shares in subsidiaries.

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

Capital increases at subsidiaries.

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

24 Current and non-current financial liabilities.

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

Movements are as follows:

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

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

Additions and repayments are cash-effective.

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

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

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

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

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

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

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

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

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

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

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

25 Lease liabilities.

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

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

Movements of right-of-use assets from leases and classifications are included in note 14 property, plant and equipment. The Group only acts as lessor to an insignificant extent, thus there is no material impact on the Group's financial statements in this respect. However, lease receivables are stated separately in the financial statements.

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

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

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

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

The Group applies the exemptions regarding short-term leases with a term of not more than twelve months or a remaining term of not more than twelve months at the date of initial application, and leases of low-value assets. Those leases are not recognized in the balance sheet, instead, payments made for such leases continue to be recognized as expenses. Classifications of lease expenses are as follows:

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

26 Deferred tax assets/liabilities.

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

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

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

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

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

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

27 Liabilities from post-employment benefits to employees.

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

Parameter.

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

Termination benefits.

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

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

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

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

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

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

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

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

Pension benefits.

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

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

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

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

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

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

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

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

Analysis of expected maturity of undiscounted benefits.

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

28 Provisions.

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

The provisions changed as follows:

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

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

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

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

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

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

Provisions for “legal fees, costs of litigation and contract risks” mainly relate to current legal cases and consulting costs. In 2019/20 an important court ruling was passed in connection with legal disputes with the company Neology, Inc., USA. The Supreme Federal Court for Patent Law Issues has finally ruled against the competitor that the patent claims cited are invalid. The provision for this dispute was released in financial year 2019/20. It is expected that the full amount of provisions for “legal fees, costs of litigation and contract risks” will be used in financial year 2020/21, of which EUR 929 k will be used in the first half of the year.

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

29 Other non-current liabilities.

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

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

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

30 Other liabilities and deferred income.

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

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

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

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

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

31 Contingent liabilities and other commitments.

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

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

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

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

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

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

32 Interests in subsidiaries.

32.1 Consolidated group.

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

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

The regional distribution of subsidiaries was as follows:

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

The following companies are included in the consolidated financial statements:

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

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

¹⁾ Foundation/acquisition/acquisition of additional shares in financial year 2019/20

²⁾ Deconsolidation in financial year 2019/20

³⁾ Consolidation due to voting-right-agreements

⁴⁾ Power over the relevant activities of the entity based on substantive rights

⁵⁾ IFRS 10 control of Trust South Africa and thus full consolidation with 100%

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

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

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

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

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

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

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

32.2 Business combinations.

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

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

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

	Fair Value preliminary	Fair Value final
Intangible assets	2,959	2,959
Intangible assets from service concession arrangements	10,503	10,503
Other non-current assets	3,425	0
Receivables and other current assets	1,285	1,285
Cash and cash equivalents	3	3
Non-current financial liabilities	-2,895	-2,895
Deferred tax liabilities	-1,685	-1,685
Current financial liabilities	-320	-320
Trade payables	-4,719	-4,719
Other current liabilities and deferred income	-1,259	-1,259
Net assets acquired	7,295	3,871

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

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

	Difference preliminary	Difference final
Fair value of previously held shares	5,356	5,356
Share of net assets relating to non-controlling interest	3,575	1,897
Less fair value of proportionate net assets acquired	-7,295	-3,871
Goodwill	1,636	3,382

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

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

Since its full consolidation starting from September 1, 2018 till August 30, 2019 the acquired company contributed EUR 3,263 k (September 1, 2018 to March 31, 2019: EUR 1,996 k) to revenues and of EUR -1,844 k (September 1, 2018 to March 31, 2019: EUR -1,807 k) to the Group's result for the period.

For the business combination of **eTrans Systems Inc.** (eTrans), USA, in financial year 2018/19, there were no adjustments in financial year 2019/20. Net assets acquired only referred to intangible assets and amounted to EUR 884 k. On December 12, 2019 the second part of the purchase price was paid (EUR -177 k) und was included as net cash outflow in financial year 2019/20 (2018/19: EUR -707 k).

33 Non-controlling interests.

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

Information on the balance sheet.

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

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

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

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

Information on the statement of comprehensive income.

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

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

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

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

Information on the cash flow statement and dividends.

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

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

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

34 Related parties.

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

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

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

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

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

¹⁾ adjusted

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

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

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

Parent company.

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

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

Affiliated companies.

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

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

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

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

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

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

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

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

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

Associated companies and joint ventures.

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

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

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

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

Other related parties.

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

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

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

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

35 Risk management.

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

35.1 Foreign exchange risk.

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

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

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

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

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

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

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

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

35.2 Interest rate risk.

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

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

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

35.3 Liquidity risk.

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

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

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

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

Cash flows (gross cash flows including interest) show the liquidity risk of future periods and are split into:

- > First half year of the next financial year
- > Second half year of the next financial year
- > Between 1 and 2 years
- > Between 2 and 3 years
- > Between 3 and 4 years
- > Between 4 and 5 years
- > More than 5 years

This information is included in note 24 and 25.

35.4 Credit risk.

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

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

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

The maximum credit risk corresponds to the following book values:

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

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

35.5 Equity price risk.

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

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

36 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the equity ratio, calculated as the ratio of equity to total assets. The Group's capital management strategy aims among other things to ensure that the Group companies' capital resources comply with local requirements. The Group focuses on maintaining the equity ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. Due to the result in financial year 2019/20 not all financial covenants could be complied with. Kapsch TrafficCom agreed on a new credit agreement with affected banks. This agreement confirms, that the affected banks do not insist on the compliance with the keyfigures agreed on as of balance sheet date and continue the consisting financing as well as future collaboration. With regards to this agreement, new margins and keyfigures were agreed on. Furthermore, the Group partly could not meet internal

target values of the capital management as of balance sheet date due to the result of the past financial year. Despite that, the target values stay valid and the Group aims to reach those again through active capital management as soon as possible. Apart from the short-term targets such as to secure sufficient liquidity, the capital management is seen as a crucial instrument to secure going concern in the medium and long term. Cash and cash equivalents as at March 31, 2020 remain high amounting to EUR 122,632 k. With this approach shareholders and other stakeholders can be ensured, that their requirements can be fulfilled in a high-quality and sustainable manner and that returns for shareholders and benefits for other stakeholders can be provided. Other essential objectives of the Group's capital management include the financing of the envisaged growth path and the maintenance of an optimal capital structure.

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

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

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

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

37 Accounting and valuation principles.

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

37.1 Consolidation.

37.1.1 Subsidiaries.

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

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

37.1.2 Transactions with non-controlling interests.

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

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

37.1.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

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

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

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

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

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

37.1.4 Associated companies.

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

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

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

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

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

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

37.1.5 Business combinations.

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

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

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

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

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

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

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

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

The Group determines the goodwill at the acquisition date as:

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

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

37.1.6 Foreign currency translation.

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

Translation of foreign financial statements.

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

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

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

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

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

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

Foreign currency transactions.

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

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

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

37.2 Fair value measurement.

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

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

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

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

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

37.3 Revenue recognition.

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

Assessment of each contract is based on the five-step model:

- > Identify the contract with a customer
- > Identify the performance obligations
- > Determine the transaction price
- > Allocate the transaction price to the performance obligations
- > Recognize revenue either over time or at a point in time

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

The Group identified the following performance obligations:

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

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

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

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

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

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

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

Contract assets are capitalized if the services are rendered before the consideration is received. Contract liabilities are recognized if the amount of consideration exceeds the amount of performance rendered. Service concession arrangements including the concession right to receive fees result in an intangible asset. That intangible asset increases with construction progress, thus revenue is recognized according to the stage of completion.

Certain costs arising in the course of initiating or performing a contract have to be recognized under IFRS 15 if the criteria are met. Those costs to obtain or fulfill a contract are amortized on a straight-line basis over the contract term of the project.

Other income is recognized by the Group as follows:

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

37.4 Segment information.

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

37.5 Property, plant and equipment.

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

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

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

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

37.6 Intangible assets.

37.6.1 Goodwill.

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

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

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

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

37.6.2 Concessions and rights.

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

37.6.3 Research and development costs.

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

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

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

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

37.6.4 Service concession arrangements.

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

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

37.7 Impairment of non-financial assets.

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

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

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

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

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

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

37.8 Borrowing costs.

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

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

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

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

37.9 Government grants.

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

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

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

37.10 Leasing.

IFRS 16 "Leases" specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. As for Kapsch TrafficCom, this mainly relates to buildings, motor vehicles and IT equipment. IFRS 16 introduces a single accounting model that recognizes future leases in the lessee's balance sheet. A lessee recognizes a right-of-use asset on the underlying asset and a liability that represents its liability to lease payments. Extension and termination options are recognized if virtually certain.

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

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

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

37.11 Financial instruments.

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

37.11.1 Financial assets.

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

- > amortized cost,
- > fair value through profit or loss or
- > fair value through other comprehensive income.

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

Financial assets are measured **at amortized cost** if they meet the following two conditions and are not designated as at fair value through profit or loss:

- > they are held in a business model whose objective is to hold financial assets to collect the contractual cash flows and
- > the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

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

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

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

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

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

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

37.11.2 Cash and cash equivalents.

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

37.11.3 Financial liabilities.

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

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

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

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

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

37.11.4 Derivative financial instruments.

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

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

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

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

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

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

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

37.11.5 Impairment of financial assets.

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

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

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

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

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

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

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

37.12 Inventories.

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

37.13 Employee benefits.

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

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

Next to the defined contribution plans, there are defined benefit plans. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually 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. Remeasurements are recognized within staff costs.

37.14 Provisions.

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

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

Provisions for onerous contracts are recognized if the expected benefit to be derived from the contract is less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the amount from the fulfillment of the contract or any compensation payments in case of non-performance, 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.

37.15 Current and deferred income tax.

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

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

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

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

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

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

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

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

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

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

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

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

37.17 Contingent liabilities.

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

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

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

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

IFRS 16 “Leases” specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. Further information is presented in note 37.10 Leasing.

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

The Group established a project team, which reviewed and assessed all of the Group's leases with respect to IFRS 16 in the past financial year. The standard primarily affects the accounting treatment of contracts previously classified as operating leases. The Group implemented a software solution for recording the lease contracts and captured the individual lease contracts in that software solution. This software solution calculates the effects of IFRS 16 on a contract basis and provides them for accounting purposes. For the calculation of the present values of the lease liabilities, the incremental borrowing rates for the respective terms are determined and used. The average incremental borrowing rate for the valuation of lease liabilities is 1.92% as of April 1, 2019.

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

	March 31, 2019		April 1, 2019
Adjustments due to IFRS 16	Carrying amount	Adjustments due to new IFRS	Carrying amount adjusted
Property, plant and equipment	21,956	50,888	72,844
Land and buildings	3,400	47,449	50,849
Technical equipment and machinery	8,855	0	8,855
Construction in progress	2,723	0	2,723
Other equipment, factory and office equipment incl. vehicle fleet	6,978	3,439	10,417
Prepayments	0	0	0
Non-current and current lease receivables	-	2,111	2,111
Non-current lease receivables	0	1,666	1,666
Current lease receivables	0	444	444
Non-current and current lease liabilities	-	52,999	52,999
Non-current lease liabilities	0	40,617	40,617
Current lease liabilities	0	12,382	12,382

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

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

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

The following table shows the reconciliation of the obligation arising from non-cancellable operating leases as of March 31, 2019 to the lease liabilities recognized as of April 1, 2019:

	Reconciliation
Financial obligations from operating lease contracts disclosed as of March 31, 2019	64,670
Recognition exemptions for short-term leases and low-value leases	-7,264
Recognition exemptions for short-term leases and low-value leases	-4,979
Adjustments as a result of different treatment of extension and termination options and other changes	4,391
Lease liabilities before discounting	56,818
Effect from discounting at incremental borrowing rate at the date of initial application	-3,819
Lease liabilities recognized as of April 1, 2019	52,999

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

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

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

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

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

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

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

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

Standards and interpretations already **published by the IASB** but not yet adopted by the EU:

These standards or interpretations or amendments to the standards and interpretations are not yet mandatory, however from today's perspective they will not have a material impact on the Group.

38 Earnings per share.

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

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

39 Events after the reporting period.

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

40 Supplementary disclosures.

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

Expenses for the auditor.

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

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

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

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

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

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

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

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

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

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

Delegated by the works council:

- > Christian Windisch
- > Claudia Rudolf-Misch

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

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

Proposed appropriation of retained earnings.

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

Authorized for issue:
Vienna, June 15, 2020



Georg Kapsch
Chief Executive Officer



André Laux
Executive Board member



Alfredo Escribá Gallego
Executive Board member

Auditor's Report.

Report on the Consolidated Financial Statements.

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

Audit opinion.

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

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

Basis for opinion.

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

Key audit matters.

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

We have structured key audit matters as follows:

- > Description
- > Audit approach and key observations
- > Reference to related disclosures

1 Impairment of goodwill.

Description.

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

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

Audit approach and key observations.

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

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

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

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

Reference to related disclosures.

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

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

Description.

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

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

Audit approach and key observations.

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

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

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

Reference to related disclosures.

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

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

Description.

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

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

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

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

Audit approach and key observations.

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

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

Reference to related disclosures.

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

Responsibilities of management and the audit committee for the Consolidated Financial Statements.

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

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

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

Auditor's responsibilities for the audit of the Consolidated Financial Statements.

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

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

We also:

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

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

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

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

Report on other legal and regulatory requirements.

Comments on the Consolidated Management Report.

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

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

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

Opinion.

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

Statement.

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

Other information.

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

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

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

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

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

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

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

Responsible engagement partner.

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

Vienna, June 15, 2020

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

Glossary.

ACCG	Austrian Code of Corporate Governance.
AG	Legal form of a stock company under Austrian law (DE: Aktiengesellschaft).
AktG	Austrian Stock Corporations Act (DE: Aktiengesetz).
Americas	Region: North, Central and South America.
ANPR	Automatic Number Plate Recognition.
APAC	Region: Asia-PACific.
B2B	Business-to-Business.
B2C	Business-to-Consumers.
bp	Basis point, equals 0.01%.
CGU	Cash-generating unit (according to IFRS): It is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.
C-ITS	Cooperative-Intelligent Transportation System.
CO₂	Carbon dioxide.
COVID-19	COronaVirus Disease is an infectious disease caused by the coronavirus SARS-CoV-2.
CPI	Corruption Perception Index by Transparency International.
DSRC	Dedicated Short-Range Communications: Communication based on microwave technology.
DYNAC®	Traffic management system of Kapsch TrafficCom, primarily used on highways.

EBIT	Earnings Before Interest and Taxes.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
EcoTrafIX™	Traffic management platform of Kapsch TrafficCom, primarily for urban areas.
EETS	European Electronic Toll Service.
EMEA	Region: Europe, Middle East, Africa.
ERM	Enterprise Risk Management.
ERP	Enterprise Resource Planning.
ETC	Electronic Toll Collection: A reporting segment of Kapsch TrafficCom.
EU GDPR	General Data Protection Regulation of the European Union.
GNSS	Global Navigation Satellite Systems.
GSM-R	Global System for Mobile Communications – Rail.
HOT lanes	High-Occupancy Toll lanes.
HSSEQ	Health, Safety, Security, Environment, Quality: Integrated management system for sustainability.
IASB	International Accounting Standards Board: An independent, private sector body that develops and approves IFRS.
IFRS	International Financial Reporting Standards.
IMS	Intelligent Mobility Solutions: A reporting segment of Kapsch TrafficCom encompassing: traffic management, safety and security, connected vehicles, smart parking and intermodal mobility.
IP	Intellectual Property.
IPR	Intellectual Property Rights.
ISO	International Organization for Standardization.
ITS	Intelligent Transportation Systems.

m²	Square meter
MaaS	Mobility as a Service.
MLFF	Multi-Lane Free-Flow.
n.a.	not applicable or not available.
OBU	On-board unit: An electronic device readable and writeable via wireless communication. The OBU can identify a vehicle and serve as a means of payment or as a data memory.
OECD	Organisation for Economic Co-operation and Development.
R&D	Research and development.
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals.
RFID	Radio Frequency IDentification.
UGB	Austrian Commercial Code (DE: Unternehmensgesetzbuch)
V2I	Vehicle-to-Infrastructure: Communication between vehicles and dedicated infrastructure.
V2V	Vehicle-to-Vehicle: Communication between vehicles.
V2X	Vehicle-to-X: Communication between vehicles and infrastructure.
VÖNIX	VBV Österreichischer Nachhaltigkeitsindex: A stock index comprising listed Austrian companies that play a leading role in terms of their social and environmental performance.

Financial calendar.

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

Contact details for investors.

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

The paper used for this annual report comes from a FSC-certified (MixCredit) production. Due to the ISO environmental certification of the entire operation of the supplier all print productions are produced according to the requirements for environmental and resource-saving sustainable manufacturing processes.

Disclaimer.

Certain statements in this report are forward-looking statements. They contain the words “believe,” “intend,” “expect,” “plan,” “assume,” and terms of a similar meaning. Forward-looking statements reflect the beliefs and expectations of the company. Actual events can deviate significantly from the expected developments, due to a range of factors. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. Kapsch TrafficCom AG disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

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

When referring to people, the authors strive to use both the male and female forms as far as possible (for example he or she). For readability reasons, occasionally only the masculine form is used. However, this always refers to men, women, and non-binary persons.

This report does not constitute a recommendation or invitation to purchase or sell securities of Kapsch TrafficCom.

Imprint.

Media owner and publisher: Kapsch TrafficCom AG
Place of publishing: Vienna, Austria
Editorial deadline: June 14, 2020

Kapsch TrafficCom

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

Kapsch TrafficCom is an internationally renowned provider of intelligent transportation systems thanks to the many projects it has brought to successful fruition in more than 50 countries around the globe. As part of the Kapsch Group, Kapsch TrafficCom has subsidiaries and branches in more than 30 countries. It has been listed in the Prime Market of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). In financial year 2019/20, the about 5,100 employees of Kapsch TrafficCom generated revenues of EUR 731 million.

>>> www.kapsch.net