Kapsch Group

Overview
Fiscal Year 2015/16

Highlights of the Fiscal Year from 1 April 2015 to 31 March 2016.

Kapsch Group

- *Revenues broke one-billion-euro barrier.* For the first time in its history, the Kapsch Group saw its revenues exceed the one-billion-euro mark, with Group revenues increasing from EUR 908.8 million to EUR 1,046.8 million.
- *Continued focus on R&D activities.* With EUR 98.2 million, the Kapsch Group invested over 9 % of its revenues in research and development. R&D spending rose by 11 % year on year.
- *Headcount at an all-time high.* The Kapsch Group had 5,838 employees as at 31 March 2016. The Central and Eastern Europe region saw the strongest growth here with an increase of 19 %. Targeted personnel development helps to preserve the strong market position. Consequently, great importance is attached to investing in the training of personnel – including the training of apprentices and young prospective managers.
- *Social engagement.* The Kapsch Group upheld its strong commitment to art, education and social institutions, attaching importance both to long-term partnerships and to new concepts and collaborations.

Kapsch TrafficCom

- *Europe's largest integrated advanced traffic management systems.* Kapsch TrafficCom was commissioned by the English and Dutch authorities for road construction and management to set up an advanced traffic management system (ATMS). The joint program between Highways England and Rijkwaterstaat is the largest and most modern integrated traffic management system in Europe.
- *Follow-on orders around the world.* Courtesy of the high degree of reliability and functionality of Kapsch toll collection systems, Kapsch TrafficCom has been able to build on existing projects in Chile, Australia and Italy, or perform follow-on projects – both for highways and urban environments.

Kapsch CarrierCom

- *New railway technologies.* Kapsch CarrierCom is now part of the European railway technology initiative Shift2Rail with the aim of promoting new technologies and solutions for railway systems. Kapsch CarrierCom is the only GSM-R (global system for mobile communications – railway) supplier in the initiative and, with nearly 20 years of experience in this market, can make a significant contribution to innovative efforts. As a leading global supplier in the area of railway dedicated networks (RDN), Kapsch CarrierCom was also able to secure the order to implement a nationwide communication network for Luxembourg's railway system based on GSM-R.
- *Expansion.* Kapsch CarrierCom has, together with Kapsch TrafficCom, opened a subsidiary in London to officially represent the companies in the United Kingdom. Various railway and local public transport projects have already been successfully implemented. By means of this step, Kapsch CarrierCom boosts its local profile and can move closer to its customers.

Kapsch BusinessCom

- *Successful projects.* KEBA AG, an internationally active provider of innovative automation solutions for industrial, banking and service companies, has commissioned Kapsch with the operation of its IT infrastructure including basic SAP operations. The long-standing outsourcing client Mediaprint has decided to extend the contract for providing network, security and telephone services as well as all customer database systems for a further five years. Kapsch ensures smooth wireless internet access for 28,000 fans and state-of-the-art media technology with 264 screens at SK Rapid Vienna's new Allianz stadium.
- *Digitalization.* Through its involvement in the research institution evolaris next level GmbH, Kapsch BusinessCom has expanded its offerings regarding the digitalization of the value-added chain of its customers. In order to boost its expertise in the medical field, Kapsch BusinessCom has acquired a stake in CBmed, a competence center that brings scientific expertise together with leading pharmaceutical, diagnostics, medical technology and IT companies.

Kapsch Group
Annual Report 2015/16
for New Approaches.

This annual report was created with the greatest possible care and all data has been checked conscientiously. Nevertheless, the possibility of layout and printing errors cannot be completely excluded. Slight differences in calculations may arise due to the rounding of individual items and percentages.

In order to signalize that general references in this annual report to individuals apply equally to women and men, male and female gender forms have been used in part. For reasons of legibility, the male gender form has on occasion been used although the reference is always to both men and women.

The paper used for this annual report comes from FSC-certified (Mix Credit) production. All printed publications are produced in line with the requirements for environmentally-friendly and conservative, sustainable production processes in view of the fact that the entire Company has been awarded ISO environmental certification.

Disclaimer
Certain statements contained in this annual report constitute "forward-looking statements". These statements, which contain the words "believe", "intend", "expect" and words of similar meaning, reflect the management's beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. KAPSCH-Group Beteiligungs GmbH 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.

Imprint
Media owner and publisher: KAPSCH-Group Beteiligungs GmbH
Place of publication: Vienna, Austria
Image of Allianz Stadion on page 21 © Sony; image on pages 54, 55 © nikohavranek.com

Three-Year Review of Key Data.

Earnings figures		2013/14	2014/15	2015/16	+/-
Revenues	in million EUR	923.3	908.8	1,046.8	15 %
EBITDA	in million EUR	57.5	77.4	102.3	32 %
EBITDA margin	in %	6.2	8.5	9.8	
EBIT adjusted [1]	in million EUR	27.2	43.5	72.3	66 %
EBIT margin adjusted [1]	in %	2.9	4.8	6.9	
EBIT	in million EUR	25.2	6.6	72.3	>500 %
EBIT margin	in %	2.7	0.7	6.9	
Profit before tax	in million EUR	8.1	-12.8	59.7	<-500 %
Profit after tax	in million EUR	6.1	-20.8	39.4	-290 %
Free cash flow	in million EUR	-27.7	37.3	100.1	168 %
Research & development	in million EUR	95.5	88.2	98.2	11 %
Employees	as of 31 March	5,484	5,734	5,838	2 %

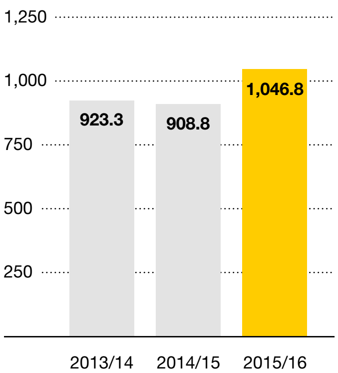
Statement of financial position figures		31 March 2014	31 March 2015	31 March 2016	+/-
Total assets	in million EUR	952.5	943.7	942.3	0 %
Total equity	in million EUR	317.4	290.4	304.3	5 %
Equity ratio	in %	33.3	30.8	32.3	
Return on equity	in %	8.0	2.3	23.7	
Financial liabilities	in million EUR	248.0	266.4	229.2	-14 %
Net debt (-)/assets (+)	in million EUR	-167.7	-156.6	-77.5	-51 %
Gearing	in %	52.8	53.9	25.5	
Capital employed	in million EUR	565.4	556.8	533.5	-4 %
Net working capital	in million EUR	329.1	376.1	371.2	-1 %

Business segments		2013/14		2014/15		2015/16		+/-
Traffic								
Revenues (share in revenues)	in million EUR	487.0	(53 %)	456.4	(50 %)	526.1	(50 %)	15 %
EBIT (EBIT margin)	in million EUR	20.3	(4 %)	32.7	(7 %)	62.3	(12 %)	90 %
Employees (share in group)	as of 31 March	3,308	(60 %)	3,545	(62 %)	3,716	(64 %)	5 %
Carrier								
Revenues (share in revenues)	in million EUR	170.2	(18 %)	190.6	(21 %)	233.1	(22 %)	22 %
EBIT (EBIT margin)	in million EUR	0.4	(0 %)	-7.3	(-2 %)	0.7	(0 %)	-110 %
Employees (share in group)	as of 31 March	740	(13 %)	805	(14 %)	802	(14 %)	0 %
Enterprise								
Revenues (share in revenues)	in million EUR	309.5	(34 %)	301.9	(33 %)	322.0	(31 %)	7 %
EBIT (EBIT margin)	in million EUR	2.5	(1 %)	1.9	(0 %)	6.0	(1 %)	213 %
Employees (share in group)	as of 31 March	1,322	(24 %)	1,273	(22 %)	1,210	(21 %)	-5 %

Regions		2013/14		2014/15		2015/16		+/-
Revenues (share in revenues)								
Austria	in million EUR	274.1	(30 %)	276.4	(30 %)	294.6	(28 %)	7 %
Central and Eastern Europe	in million EUR	343.7	(37 %)	299.5	(33 %)	377.1	(36 %)	26 %
Western Europe	in million EUR	129.9	(14 %)	127.7	(14 %)	135.9	(13 %)	6 %
Americas	in million EUR	88.0	(10 %)	93.4	(10 %)	119.3	(11 %)	28 %
Rest of the World	in million EUR	87.6	(9 %)	111.8	(12 %)	119.9	(11 %)	7 %
Employees (share in group)								
Austria	as of 31 March	2,136	(39 %)	2,042	(36 %)	1,926	(33 %)	-6 %
Central and Eastern Europe	as of 31 March	983	(18 %)	1,122	(20 %)	1,332	(23 %)	19 %
Western Europe	as of 31 March	460	(8 %)	529	(9 %)	523	(9 %)	-1 %
Americas	as of 31 March	616	(11 %)	553	(10 %)	585	(10 %)	6 %
Rest of the World	as of 31 March	1,289	(24 %)	1,488	(26 %)	1,472	(25 %)	-1 %

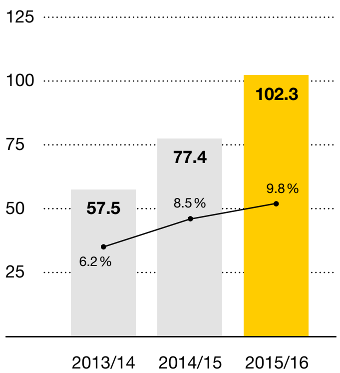
1 Complies with the operating result excluding impairment

Revenues
(in million EUR)



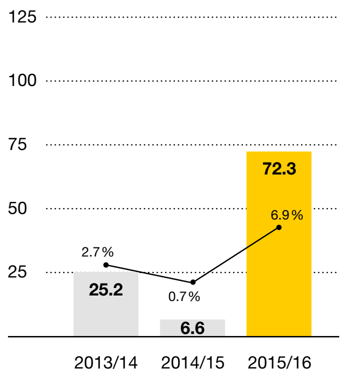
Revenues rose by 15 %, exceeding the EUR 1 billion mark for the first time in the Company's history.

EBITDA (in million EUR) and **EBITDA margin** (in %)



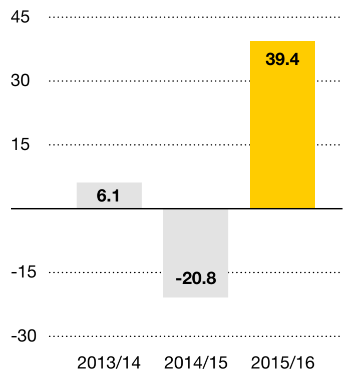
Steady improvement in the operating result to EUR 102.3 million. The EBITDA margin was approximately 10 %.

EBIT (in million EUR) and **EBIT margin** (in %)



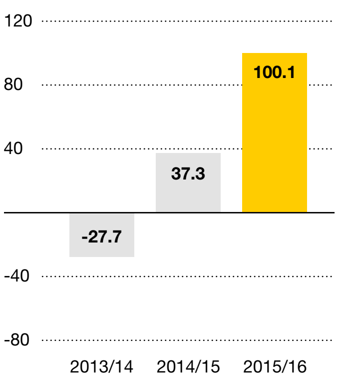
EBIT also increased to a record high of EUR 72.3 million. The EBIT margin was approximately 6.9 %.

Profit for the period
(in million EUR)



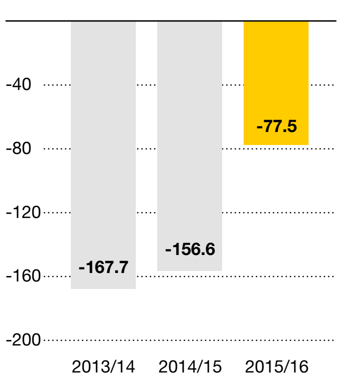
The profit for the period rose to EUR 39.4 million in the fiscal year 2015/16.

Free cash flow
(in million EUR)



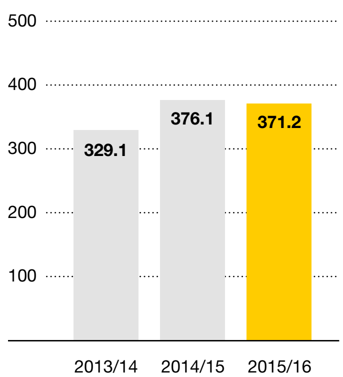
Free cash flow improved significantly from EUR 37.3 million to EUR 100.1 million in the fiscal year 2015/16.

Net debt
(in million EUR)



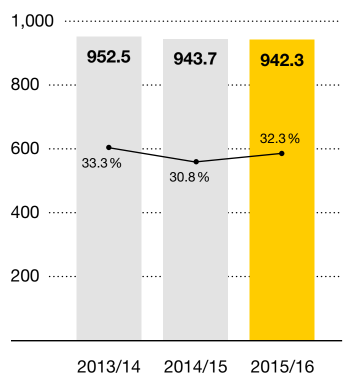
Net debt was cut significantly to EUR -77.5 million as at 31 March 2016.

Net working capital
(in million EUR)



Net working capital remained stable at EUR 371.2 million or -1 % year on year.

Total assets (in million EUR) and **equity ratio** (in %)



Total assets remained unchanged, while the equity ratio increased to 32.3 %.

Revenues of the Kapsch Group exceeded the EUR 1 billion mark for the first time. Consolidated revenue amounted to EUR 1,046.8 million in 2015/16. EBIT of EUR 72.3 million was achieved. While the equity ratio rose to 32.3 %, gearing fell to 25.5 %. Our strategy aims to consolidate earnings in established business areas and to develop new areas of activity to complement our services.

Contents.

Letter from the Management	Letter from the Management	6
Kapsch Group	Our Corporate Profile	10
	Our Global Presence	12
	Our Vision	14
	Our Mission	15
	Our Strategy	16
	Our Milestones	20
	Research and Development	22
	Sustainable Management	24
	Our Portfolio	28
Kapsch TrafficCom	Business Segments and Strategy	32
Kapsch CarrierCom	Business Segments and Strategy	36
Kapsch BusinessCom	Business Segments and Strategy	40

Annual Report of Kapsch Group 2015/16 as Download.

The iKapsch app for your iPhone or Android device provides you with digital access to the Kapsch Group's annual report. To install the iKapsch app on your smart phone, simply download the app from the Apple App Store or the Google Play Store and launch the iKapsch app using the "iKapsch print" module. You will then be able to read or print the annual report digitally on or from your smart phone or PC. In addition, the pages marked with the iKapsch logo allow you to access multimedia content associated with the relevant sections of the report. You can launch the iKapsch app using the "iKapsch capture" feature by taking a photo of the relevant page. This will give you new insights into the world of Kapsch.

New Business Segments	Looking Ahead	44
	Kapsch Smart Energy	45
Kapsch Group Worldwide	The Kapsch Group Worldwide	48
Executive Board and Supervisory Board	Executive Board and Supervisory Board	50
Group Management Report	Economic Climate	56
	Development of the Kapsch Group	63
	Business Segments	70
	Other Corporate Disclosures	82
	Material Events after the Balance Sheet Date	93
	Outlook	94
Consolidated Financial Statements as of 31 March 2016	Consolidated Statement of Comprehensive Income	96
	Consolidated Balance Sheet	97
	Consolidated Statement of Changes in Equity	98
	Consolidated Cash Flow Statement	99
Notes to the Consolidated Financial Statements	General Information	101
	Group Structure	101
	Consolidated Group	102
	Accounting Policies	103
	Notes to the Consolidated Financial Statements	127
Auditor’s Report	Auditor’s Report	178
Services	Glossary	180
	Addresses	Back Cover

Running. Sharing. Succeeding.

So that everything runs smoothly with Runtastic: IT infrastructure by Kapsch.

In 2009, four young Austrian entrepreneurs started to realize their vision of a digital sport and fitness portal. The start-up company Runtastic developed software that could be used to help sports people to record, track and display their routes on maps via GPS. Greeted with condescending smiles to begin with, the health and fitness company swiftly grew, with around 80 million users around the world relying on its apps and innovations. As user numbers grew, so did data volumes: 800 million gigabytes need to be handled every day. Kapsch BusinessCom has accepted this sporting challenge, implementing a high-performance IT infrastructure with 66 servers for Runtastic and equipping the company for other applications and rising user numbers.

Letter
from the Management.

“Permanent innovation must be at the heart of our activities.”

Georg Kapsch,
CEO Kapsch Aktiengesellschaft

The Kapsch Group broke the one-billion-euro barrier for the first time with revenues of EUR 1,046.8 million.

Dear readers,

Innovation begins where known boundaries are passed. Where comfort zones are left and tried-and-tested methods redefined. Striving for permanent innovation has always been at the heart of Kapsch’s commercial activities. We reformulated this claim for our Company, our employees and our performance this year under the motto “challenging limits”.

New technologies present us with the opportunity to question established patterns of thought: The sharing economy enables the collaborative use of resources. Data automate value-added processes and daily life. Information is available everywhere and at any time. In this annual report entitled “SHARE”, we show how these trends are manifesting themselves today. And we highlight the solutions Kapsch is using to drive these trends and to make people’s lives simpler and safer – from Austria to Australia, from the highway to the city, from industrial plants to your very own living room.

We want to help shape current global megatrends through our innovations. Population growth and increasing urbanization are tall orders for the cities of tomorrows. Growing data volumes require more security and structure. New production methods demand connectivity and intelligent networking. As a technology company, we drive these trends. Innovation is our capital – quality is our currency. We invested around 10 % of our revenues (EUR 98.2 million) in research and development to safeguard this quality and our leading position.

However, innovation can only be ultimately achieved through the expertise and dedication of our staff. Consequently, great importance is attached to investing in the training of existing and future employees at Kapsch. The Kapsch Group employed a total of 5,838 personnel in the past fiscal year.

Commercial success. The Kapsch Group was also able to achieve an historic milestone from a commercial standpoint in the past year. Revenues exceeded the EUR 1 billion mark for the first time. Consolidated revenues amounted to EUR 1,046.8 million in 2015/16. EBIT of EUR 72.3 million were achieved. The solid balance sheet structure of the Kapsch Group was further improved. While the equity ratio rose to 32.3 %, gearing fell to 25.5 %. Our strategy aims to consolidate earnings in established business areas and to develop new areas of activity to complement our services. We achieved impressive success here during the reporting period in the Intelligent Transportation Systems business segment of Kapsch TrafficCom through the acquisition of Streetline.

The **Kapsch TrafficCom Group** generated revenues of EUR 526.1 million in the fiscal year 2015/16, while at the same time seeing a 90 % improvement in its EBIT to EUR 62.3 million. The company also worked intensively to implement the 2020 strategy program defined in 2015. The strategic targets defined therein, such as portfolio adjustments or internal efforts to achieve greater operational excellence, are already reflected in the result for the year.

The **Kapsch CarrierCom Group** recorded revenues of EUR 233.1 million in the fiscal year 2015/16, along with EBIT of EUR 0.7 million. Alongside new orders, such as in Luxembourg, the long-term success of this business segment has been secured primarily through newly concluded partnerships and joint ventures in Europe and North Africa.

The **Kapsch BusinessCom Group** had a very successful fiscal year 2015/16, with revenues of EUR 322.0 million and EBIT of EUR 6.0 million. The company developed its position as a digitalization partner in Austria and the CEE region, achieving rates of growth in these markets which clearly outpaced the industry average.

We all play a part in the success of the Company.

Responsibility vis-à-vis society and the environment. In times of considerable political and social challenges at both national and European levels, the Kapsch Group is acutely aware of its particular responsibility to its surroundings. We have been supporting selected social projects and initiatives for a number of years now. A particular focus of ours is on supporting art and cultural institutions. It is our intention here to break down barriers, promote new perspectives and ways of thinking and to encourage social and cultural dialogue. We are bound to our origins and history, while at the same always looking to the future and an ever-changing world.

Knowing that long-term commercial success is only possible when taking into account social and environmental aspects, the Kapsch Group works hard to improve its key performance indicators here.

Outlook. In keeping with the motto “challenging limits”, the Kapsch Group will forge ahead with the success enjoyed in the past fiscal year with unrelenting dedication and commercial foresight. In doing so, we will be guided by the needs of our customers, our responsibility to society and our innovative strength.

We would like to take this opportunity to thank our customers and business partners for the trust they have placed in us and our long-standing cooperations. We would also like to thank our employees for their high level of commitment, creativity and willingness to perform. Let us work together to take the Kapsch Group forward and overcome more frontiers – challenging limits.

Georg Kapsch
Chief Executive Officer

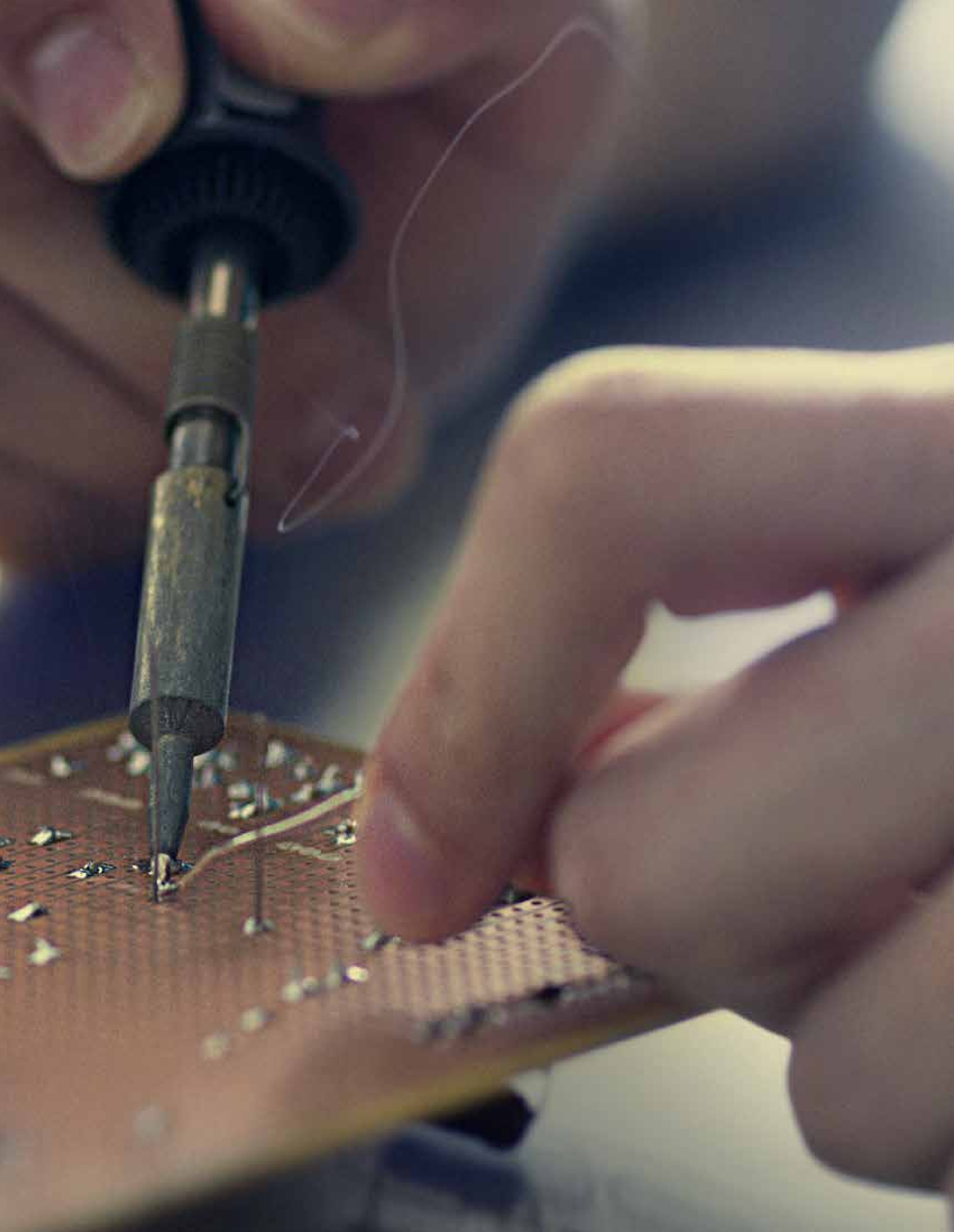
Kari Kapsch
Chief Operating Officer

Franz Semmernegg
Chief Financial Officer

Teaching. Sharing. Shaping.

Providing a future to the next generation: apprenticeship training at Kapsch.

Globalization, urbanization, environmental protection, data security: There are many challenges ahead and they are often linked to technological developments. Technology has always been a key pacesetter for society and the economy. Kapsch acknowledges this with one of the most renowned apprentice training schemes in Austria. Young people are trained in the fields of electronics, IT, mechatronics and telecommunications technology at the Company's teaching and multimedia training facilities. There are currently around 300 trainees – and not just from the Group. The high quality of the training is also demonstrated by the fact that over one third of the trainees complete the apprenticeship with distinction. The ideal conditions to actively shape the future and make new technologies possible with Kapsch.



Our Corporate Profile.

About the Kapsch Group.

Kapsch has always been a pioneer in the development of new technologies.

A precision-mechanics workshop was founded in Vienna more than 120 years ago by Johann Kapsch for manufacturing telegraph appliances and telephones, thereby laying the foundations in 1892 for the modern-day Kapsch corporation. Despite all the historical turmoil and challenges, Kapsch has regularly played a pioneering role in the development and establishment of new technologies, including radio, TV and telephony, mobile and train communications. Today, the Kapsch Group is a global technology group with three strong business segments.

- Intelligent mobility solutions provided by Kapsch TrafficCom
- Communication systems for operators of fixed-line, mobile, transport and access networks developed by Kapsch CarrierCom
- Solutions and services in the field of information and telecommunications delivered by Kapsch BusinessCom

Page 22: Information about investment in research and development.

The name Kapsch stands for innovative power, a pioneering spirit and customer orientation. The Company has invested heavily in research and development for years in order to bring new technologies to the market to the benefit of customers and users. More than 9 % of revenues were committed to this in the fiscal year 2015/16. Kapsch makes a key contribution to shaping a mobile and interconnected world in a responsible and sustainable manner.

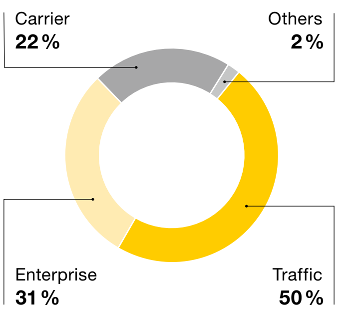
The group of companies based in Vienna has around 100 subsidiaries and representative offices around the world. The Kapsch Group is active across almost all of Europe, with key growth markets also being located in Asia, Australia and America. At the end of the fiscal year 2015/16, the Kapsch Group had 5,838 employees.

The Group's parent company is KAPSCH-Group Beteiligungs GmbH, Vienna, which is wholly owned by DATAX HandelsgmbH. The shares in this company are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundations Act *(Privatstiftungsgesetz).* Each of these private foundations is managed by a separate board of trustees and no single person serves on more than one of the boards of the three private foundations. The beneficiaries of these private foundations 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).*

In addition to strategic corporate management, KAPSCH-Group Beteiligungs GmbH and established staff departments ensure group-wide synergies and knowledge transfers, uniformly high personnel standards and a coordinated financing strategy. In contrast, the respective subsidiaries are responsible for operational matters and strategic decisions made in consultation with their respective supervisory boards.

Kapsch TrafficCom is a provider of intelligent transportation systems (ITS) in the solution-based segments of road user charging, urban access and parking, traffic management, road safety enforcement, commercial vehicle operations, electronic vehicle

Revenues by business segment



Under the creative motto "SHARE", we highlight where Kapsch can be found around the world.

registration and V2X cooperative systems. With its end-to-end solutions, Kapsch TrafficCom covers the entire value-added chain of its customers as a one-stop shop, from components and the design and setting up of systems to their ultimate operation. The core business is designing, building and operating electronic toll collection and traffic management systems. Reference projects in 44 countries on all continents make Kapsch TrafficCom a recognized supplier of ITS worldwide. For more information about Kapsch TrafficCom, please refer to page 32 of this report.

Kapsch CarrierCom is a globally active manufacturer, supplier and system integrator of end-to-end telecommunication and telemetry solutions. The company offers innovative, success- and business-critical end-to-end solutions for railway operators, public transport companies, carrier networks and energy supply companies. Kapsch CarrierCom is a reliable partner to customers, who benefit from the comprehensive range of services and direct, around-the-clock customer service. With the strategic partnerships and strong innovation that are generated by a total of nine research and development centers in Europe and Asia, Kapsch CarrierCom is a key knowledge holder in all its business segments. For more information about Kapsch CarrierCom, please refer to page 36 of this report.

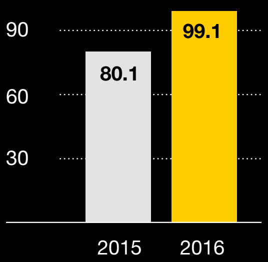
Kapsch BusinessCom is one of the leading ICT service partners in Austria as well as Central and Eastern Europe, with around 1,200 employees and revenues of nearly EUR 320 million. Embedded in the Kapsch Group, Kapsch BusinessCom is active around the world, with its own branches in Austria and subsidiaries in the Czech Republic, Slovakia, Hungary, Romania and Poland. The company's total portfolio of solutions encompasses both information and communication technology. Kapsch BusinessCom has thus positioned itself as an ICT service partner. In addition to system integration and continuous optimization measures, Kapsch BusinessCom increasingly assumes responsibility for the complete operation of these ICT solutions. Kapsch BusinessCom sets store here by acting independently of manufacturers and putting emphasis on partnerships with leading international technology providers such as Avaya, Cisco, EMC, Google, Hitachi, HP, Microsoft or Mitel. Together with these partners, Kapsch BusinessCom acts as an advisor, system supplier and service provider, as well as a reliable, trustworthy and long-term "trusted advisor" for its 17,000 customers in a rapidly changing technological environment. For more information about Kapsch BusinessCom, please refer to page 40 of this report.

Continuity and responsibility. The Kapsch Group also aims to develop long-term trust in communication with its stakeholders. To this end, a new four-year cycle was launched in the context of the 2013/14 Annual Report under the motto "THINK". With the motto "MOVE" in the fiscal year 2014/15, the Kapsch Group demonstrated how it intends to safeguard the future success of the Company by means of its courage to adopt change. This 2015/16 annual report entitled "SHARE" now describes how this success can be secured through exchange and interdisciplinary networking. The end of reporting cycle will be a special edition, combining the past, present and future, to commemorate the Company's 125th anniversary.

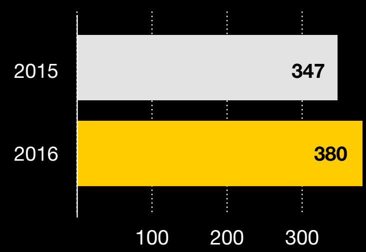
Our
Global Presence.

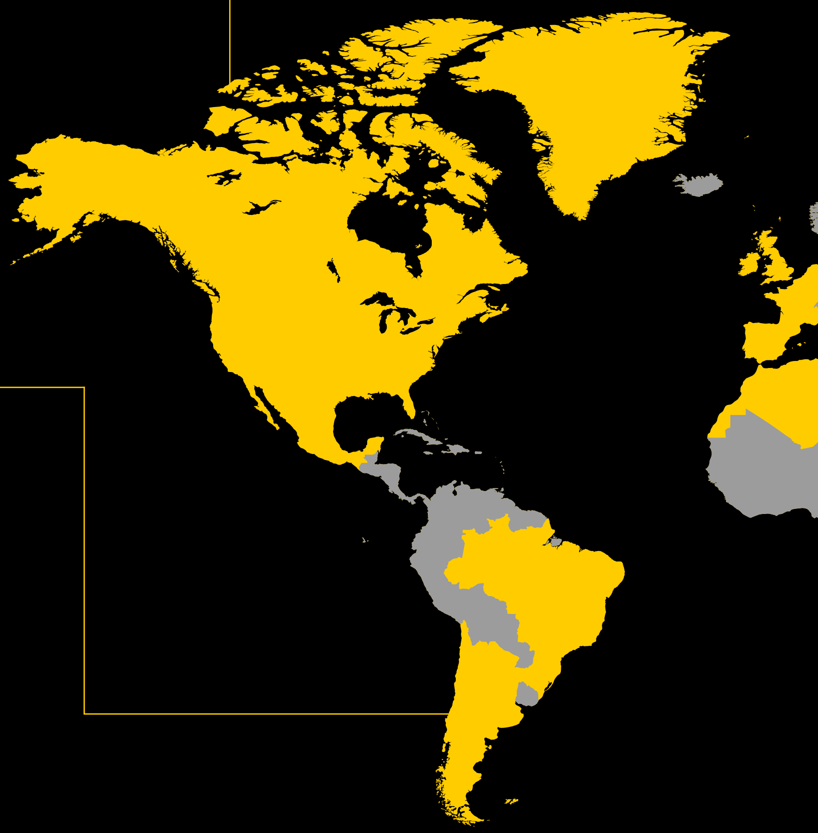
North America

Revenues (in million EUR)



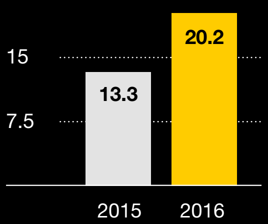
Employees



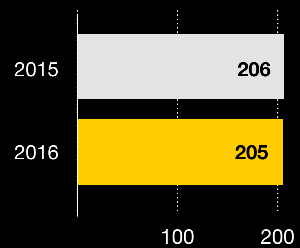


Central and South America

Revenues (in million EUR)

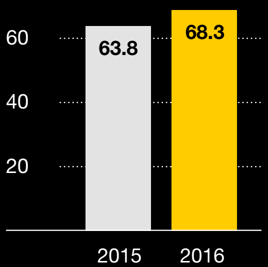


Employees

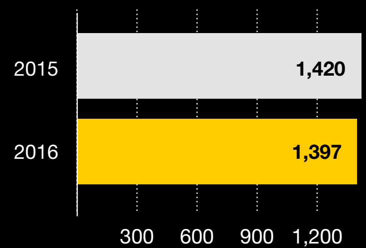


Africa

Revenues (in million EUR)

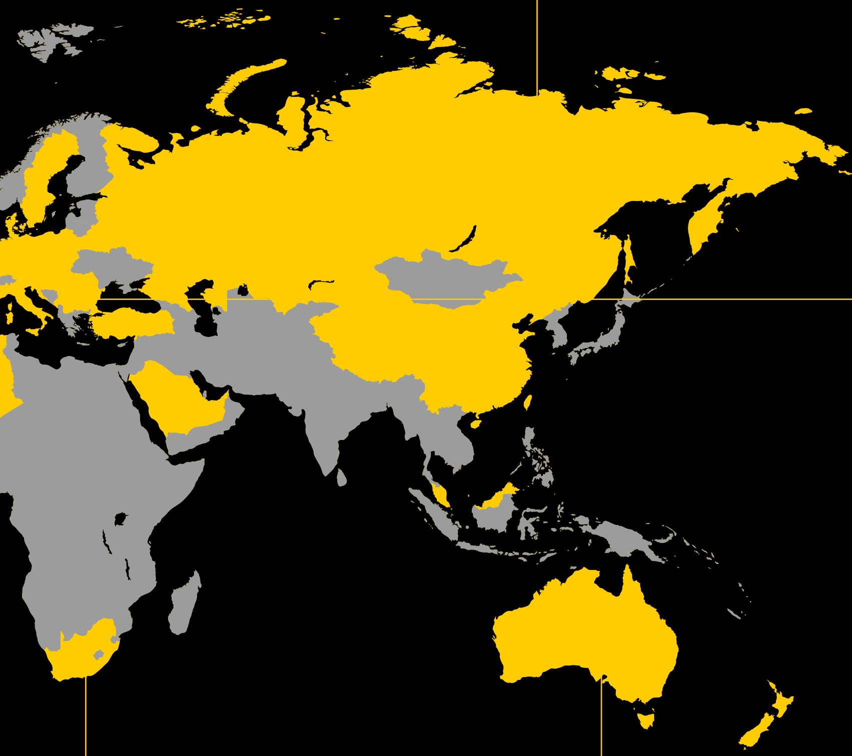


Employees



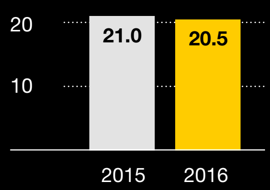
Branch offices and subsidiaries of the Kapsch Group

- Algeria
- Argentina
- Australia
- Austria
- Belarus
- Belgium
- Brazil
- Bulgaria
- Canada
- Chile
- Croatia
- Czech Republic
- Denmark
- France
- Germany
- Hungary
- Ireland
- Italy
- Kazakhstan
- Kingdom of Saudi Arabia
- Luxembourg
- Macedonia
- Malaysia
- Mexico
- Morocco

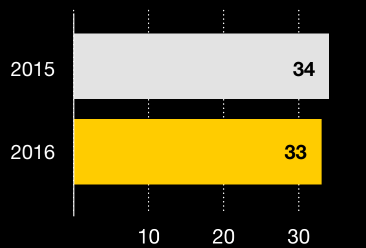


Asia

Revenues (in million EUR)

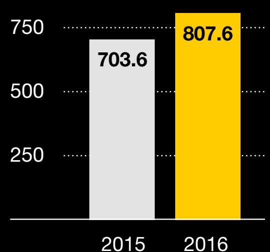


Employees

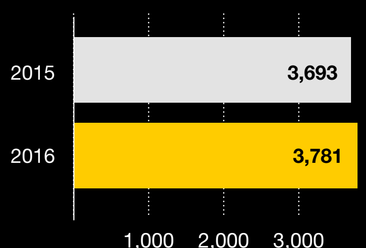


Europe

Revenues (in million EUR)

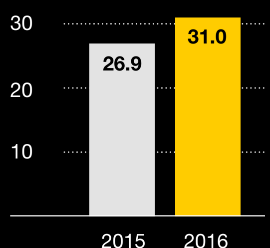


Employees

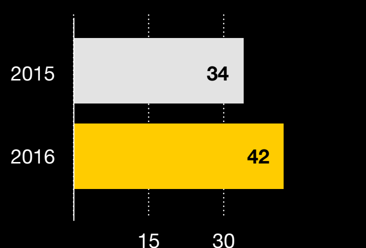


Australia

Revenues (in million EUR)



Employees

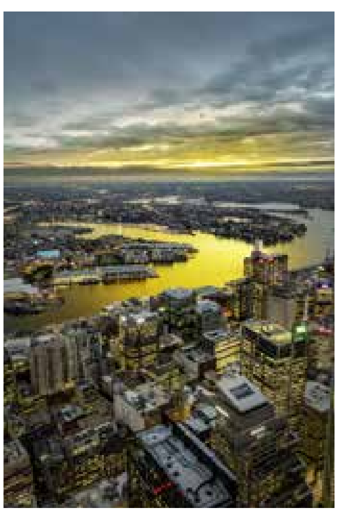


- Netherlands
- New Zealand
- People's Republic of China
- Poland
- Portugal
- Romania
- Russia
- Serbia
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Taiwan
- Turkey
- United Arab Emirates
- United Kingdom
- U.S.A.

Our Vision.

Kapsch. *challenging limits.*

Kapsch has set itself the target of making business and infrastructure, communication and mobility intelligent.



As a technological pioneer, it is important for us to push beyond conventional limits. We always question proven concepts, redefining these to forge ahead with innovations. This is a core element of the essence of the Kapsch brand. As a result, we chose this guiding principle, this attitude for each and every one of us – the Kapsch Spirit – to serve as a starting point for us to develop the new corporate motto "challenging limits".

Because we always make passionate use of technology to the benefit of our customers. Because we do not accept boundaries, we do not settle back and because, in our eyes, today is already yesterday.

Because we have been a trendsetter, visionary and pioneer for more than 120 years, we are: Kapsch. *challenging limits.*

In dynamic times, it is important to keep moving. Kapsch strove for almost a decade to be "always one step ahead". During this time, we became a leading ITS and GSM/GSM-R provider and a key ICT player.

Given that the Kapsch brand is closely linked to the continuous development of our group of companies, it was a clear step for us to evaluate our guiding principle, to modernize it and make it fit for the future.

Kapsch combines technology, innovation and expertise to create trendsetting solutions. In doing so, Kapsch follows its passion to successfully develop and use technology to the benefit of everyone. As an incubator, we place emphasis on expert knowledge and strength of implementation in every area of our corporate activities. Kapsch always works in a solution and user-oriented way even when faced with challenging environments. This is how Kapsch makes business and infrastructure as well as communication and mobility intelligent.

Kapsch always has its eye on people as users and beneficiaries of its solutions. Smart solutions to global challenges are intended to improve the lives of people in qualitative and sustained ways. Kapsch aims to demonstrate its trustworthiness in all of its undertakings.

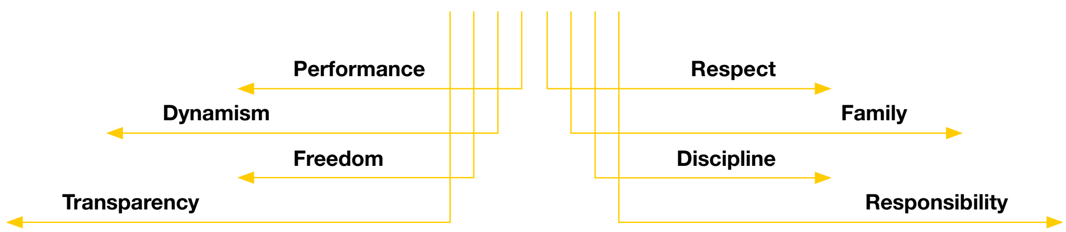
In doing so, we build on three pillars. Our brand reflects our trustworthiness, flexibility and focus on the future. Our employees are our most important ambassadors and the foundation of our success based on their dedication, expertise and skills. Our products offer tailored and long-term solutions providing added value for our customers courtesy of their good value for money coupled with our international experience.

Through this customer orientation, our responsible actions and the willingness to progress and change, we strive to push back and redefine the boundaries of what is possible – to the benefit of our customers, partners and investors and in the interests of our employees, society and the environment. This is the focus of our dedicated 5,838 employees in the some 100 companies of the Kapsch Group spread across six continents.

Our Mission.

We are Kapsch, a family-run business steeped in tradition with roots extending as far back as 1892. The Kapsch Group is characterized by being close to customers and providing individual technological solutions for our partners and clients with our main focus on meeting their communication and mobility needs. In our core business, we pursue a profitable, global growth strategy. Our committed employees, unwavering focus on technical innovations and responsible business practices help us in staying "always one step ahead".

Our values.



Creating and appreciating values.

Our values are an integral part of the Kapsch corporate culture. Our activities create lasting value for the future and make an active contribution towards responsible, socio-political development. Our employees, our management and the executive board members of the Kapsch Group and its subsidiary companies should live and work by these values:

- **Responsibility.** We act in the interests of the company, bear the consequences of our actions and take initiative.
- **Respect.** Our cooperation is based on mutual recognition.
- **Performance.** Each individual employee contributes to achieving our goals through their dedication and success.
- **Discipline.** Adhering to rules enables us to work together in accordance with our values.
- **Transparency.** We are open in dealing with information. This makes decisions traceable.
- **Freedom.** Individual scopes of action broaden our personal engagement.
- **Family.** We all pull in the same direction and support one another.
- **Dynamism.** The determination toward continuous change enables us to achieve defined goals.

Our Strategy.

Shaping the future.

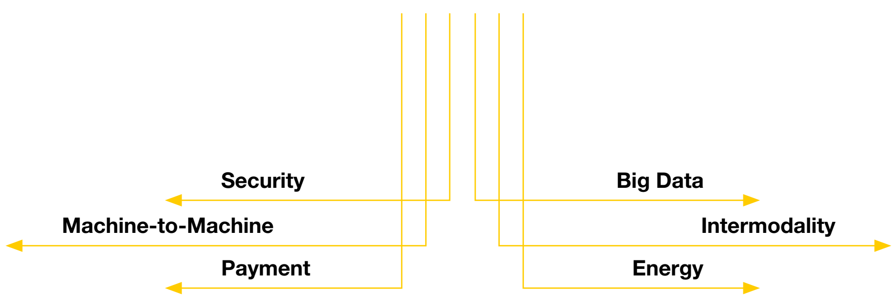
For Kapsch, shaping the future means taking active and timely action to the benefit of our customers.

The Kapsch Group is active in a highly dynamic environment that offers new challenges, application possibilities and development fields on an ongoing basis. The aim here is to actively address technological changes at an early stage to the benefit of customers and to reflect these in the portfolio of services. Corporate vision is just as essential here as investments in research and development, as well as in the training of personnel.

The current trends in the individual business segments are explained in detail in the Management Report. The following chart provides a summary of the associated strategic fields of activity.

Page 56: Please refer to the Management Report for information about the business environment and current trends in the business segments.

Strategic Fields.

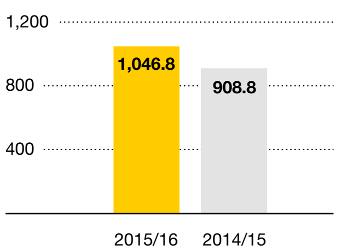


Security. Global digitalization is rapidly progressing, presenting companies with new challenges related to the security of data on a continual basis. In line with the motto “Prevent, Protect, Detect and Respond”, Kapsch BusinessCom offers innovative solutions in the field of IT security. These range from network security, mobile device management, comprehensive security audits and monitoring solutions to incident response and forensic analyses. Kapsch CarrierCom also offers security solutions for networks and railways.

Big Data. Global data volumes are growing by around 40 % every year. This brings new requirements in terms of data storage, processing and management. A major challenge facing companies in all industries is already the question of how this information be structured and harnessed. There is a demand for professional solutions that enable intelligent searches for information and the subsequent analysis of data (big data analytics). Kapsch BusinessCom offers such solutions that create real added value for the customer.

Energy. The European energy sector is currently facing a fundamental transition. With the growing importance of renewable energies and the need to improve energy efficiency, intelligent solutions are

Revenues
(in million EUR)



called for. Kapsch Smart Energy offers just such end-to-end solutions for integrated energy management, while Kapsch CarrierCom offers both CDMA (code division multiple access) solutions for smart metering and smart grid control, as well as TETRA (terrestrial trunked radio) technology for reliable language solutions.

Intermodality. Intelligent management systems will also have a major impact on the business segments of Kapsch TrafficCom and Kapsch CarrierCom in the future, opening up new application areas. The aim here is to combine road and rail-bound transport systems in a way that saves both time and resources. The Kapsch Group is familiar with these different systems and will harness synergies across the Group to be able to offer intermodal and interoperable solutions for individual and public transport.

Machine-to-Machine (M2M). Ensuring communication between machines is one of the core competencies of the Kapsch Group. The scope of application ranges from electronic toll collection systems and intelligent energy management systems to IT and security systems for corporate networks. As a novel area of development, M2M offers a wide range of promising business opportunities. The Kapsch Group will tap the associated potential by means of the synergies available across the Group.

Payment. Given the sensitivity of the data involved, electronic payment transactions demand the highest levels of security and reliability from the systems used. The companies of the Kapsch Group can satisfy all of these demands, offering one of the most secure data centers in Europe, Kapsch earthDATAsafe.

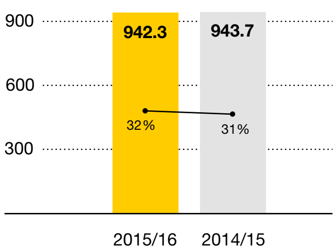
Our principles and objectives.

As a long-standing company steeped in tradition, the Kapsch Group pursues an ambitious strategy based on clear principles which serves to ensure the success and continued existence of the Group through growth.

Our objectives are:
- ▸ Commercial success
- ▸ Solutions for people
- ▸ Maximum performance derived from a sense of responsibility
- ▸ Innovation and a forward-looking approach
- ▸ Calculated risk-taking
- ▸ Fair competition
- ▸ Promoting diversity.
- ▸ Performance standards for business partners
- ▸ Dedicated personnel

Commercial success. In order to ensure the continuation of the Company's 120-year history, the key is to ensure the earning power and profitability of the Kapsch Group. These two aspects form the foundation of our future success and the preconditions for being able to live up to our responsibility to employees and society. We measure the success of our Company on the basis of the development of revenues and the EBIT margin. With revenues of EUR 1,046.8 million in the fiscal year 2015/16, the prior year's level of EUR 908.8 million was exceeded by 15 %. The result from operating activities increased more than tenfold, from EUR 6.6 million (2014/15) to EUR 72.3 million. The EBIT margin rose from 0.7 % in the prior year to 6.9 %. The action taken to increase operational efficiency in the prior fiscal year ensured an appropriate minimum level of return on the capital employed as well as funding for our strategic projects.

Total assets (in million EUR) and **equity ratio** (in %)



Page 86: For more information about risk management, please refer to the Management Report.

We aim for gearing to be between 25 % and 35 % in order to preserve the Company's financial independence. As at 31 March 2016, gearing of 25.5 % was reported, representing a significant reduction over the prior reporting period. With an equity ratio of 32.3 % on the balance sheet date, the Kapsch Group enjoys a strong balance-sheet structure.

Solutions for people. We and ultimately the Kapsch Group, make progress because we know how to adapt our business model flexibly to the current conditions prevailing and external influencing factors. We identify technological trends at an early stage and develop solutions that ensure added value for our customers. However, our understanding of technology does not end with what is technically feasible – for us, this is where it all begins.

We are only satisfied when our customers and their customers are satisfied too; when they readily use our solutions and can integrate them easily into their everyday processes. We listen to our customers so as to understand what they really need. We see ourselves as facilitators between technology and people, considering different perspectives to develop the best possible solutions.

Maximum performance derived from a sense of responsibility. We know that we bear a particular responsibility as a large company and we accept this responsibility. Our solutions and services contribute to safe and efficient communication between people or machines. They control complex systems and facilitate the mobility of people. Our technologies are partly responsible for ensuring that traffic flows safely and that communication takes place smoothly and reliably. The associated responsibility drives us on, day after day, to achieve top performance in every project. To this end, we always focus on the people who use our technologies and work with them, not just on the technology itself.

Innovation, a forward-looking approach and established values of a family-run company. These are the pillars of our corporate philosophy. We feel equally responsible to our employees as we do to our customers, business partners and shareholders. We want to make a contribution to shaping society through our technologies, taking care to consider aspects of economic, social and ecological sustainability. Across all our business operations, we also pay attention to aspects of sustainability in all of these dimensions, thereby striving to achieve continuous progress.

Calculated risk-taking. As a technology corporation, the Kapsch Group operates in a very dynamic environment. The proper assessment of risks associated with this dynamism is therefore an integral part of our everyday business. The primary objective of our risk management is to deal with risks in a controlled and deliberate manner rather merely to avoid risks, as we want to recognize and take advantage of opportunities as they arise in consideration of any associated risks. Given the particular importance of the project-related business, the associated challenges form the focal point of our risk management activities.

The employees of the Kapsch Group adhere to a Group-wide code of conduct.

Fair competition. The Kapsch Group, as a whole, safeguards its long-term interests by conducting itself fairly, transparently and professionally in the market. The code of conduct of the Kapsch Group prohibits any restriction of free competition and serves as a guide for employees on how to conduct themselves fairly and with integrity. Breaches of national and international antitrust regulations or any other rules on competition would have grave financial consequences and be detrimental to the Group's image. This is also why our business transactions are based solely on legal regulations and applicable codes on conduct.

Kapsch was recognized as the "Best Recruiter" in 2015, being awarded first place in the IT/Software/Telecommunications industry.

Promoting diversity. The Kapsch Group promotes and harnesses the diversity of society. We respect the dignity and personality of every employee. This is why we respect one another and perceive differences as opportunities that should be consciously fostered. We value the individuality of our employees, offer them all the same opportunities and prevent social discrimination.

Requirements placed on business partners. The Kapsch Group takes responsibility for its business and sets high standards in all organizational areas. We also demand excellent performance and integrity from our business partners in order to meet these standards. All of our business relationships with customers, suppliers and partners are based on high quality standards. The products and services delivered to us must be fully compatible in terms of their respective purpose and competitive in terms of their pricing.

A company and "its" people. Kapsch is and will remain a technology company. The Kapsch Group has enjoyed sustained success because our employees are enthusiastic and fully committed to ensuring that other people optimally benefit from our services. Since we repeatedly look at our world and technology from the perspective of other people, we can provide services that not only meet their requirements but set new standards.

Our Milestones.

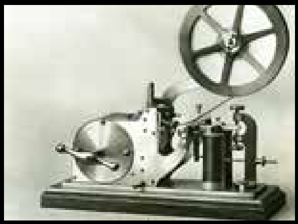
Enter the world of Kapsch here and visit our virtual museum.

Kapsch. A history of a company.

Ever since its founding in 1892, Kapsch has been dedicated to its role as an innovator and technological pioneer. From the production of the first portable radios and the spreading of telephone technology in Austria up to groundbreaking toll projects around the world: when it comes to technological milestones in communication and mobility, Kapsch has always been a major step ahead. At the same time, we remain committed to employing technological developments efficiently and responsibly in the service of our customers. We recognize and appreciate technology as an instrument for opening up possibilities and improving numerous aspects of people's lives.

1892

Johann Kapsch founds a precision workshop in Vienna producing Morse telegraph devices and telephones.



After 1918

Kapsch begins manufacturing capacitors and dry batteries.

1923

Entry into radio manufacturing. The first Kapsch radio receiver Pionier L with three-tube speaker technology. Soon afterwards Kapsch becomes a co-founder of RAVAG, the Austrian company Radio Verkehrs AG, thereby heralding the age of radio in Austria.

1930

First television demonstration with a complete transmission and reception system in Austria – a revolutionary event at the Kapsch pavilion on the Vienna Trade Fair.

1946

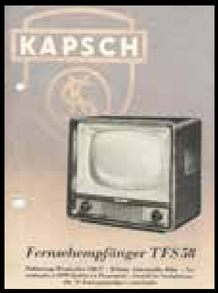
In cooperation with the Austrian Post, Kapsch plays a key role in the reconstruction of the telephone network after World War II.

1948

Equipment of telecommunications offices with switch system 48 – the first standardized, nationwide, direct-dial system. In 1950 the first automatic exchange using the system comes into service in Eferding.

1955

Kapsch launches the first black and white television on the Austrian market, the model TFS-56.

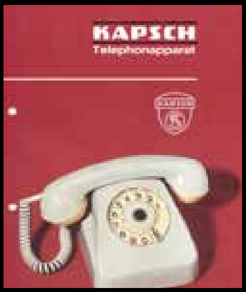


1958

Capri, the first fully transistorized-portable radio is launched.

1965

The company develops a new low-noise dialing disk for telephones that remains in use up to the 1980s.



1967

Presentation of the first Kapsch color television: the Chromomatic.

1969

Development of an OHS system for semi-electronic telephone exchange system operation.

1970

Installation of train radio for Austrian Railways.

1972

Kapsch develops batteries with a non-leak guarantee.

1979

The medium-range radar system Koralpe essential to aviation safety is built.

1980

Start of digital-telephony in Austria with Schrack.

1984

Kapsch enters the mobile telephony segment and equips the Austrian Army and Austrian Railways with the first – back then still quite large – devices.

1991

First telephone call in Austria using the new digital mobile network GSM.

1994

Kapsch equips multiple European railways with cab radios.

1999

Implementation of the world's first electronic toll system for multi-lane free-flow traffic on the Melbourne City Link highway.

2003

Kapsch implements the world's largest comprehensive electronic truck toll system in Austria.

2010

Kapsch takes over the GSM/ GSM-R division of Nortel, thus becoming a major provider in this area.

2012

Kapsch Smart Energy starts a pilot project for integrated energy management.

2013

Entry into the market for communications solutions in local public transport based on TETRA technology.

2014

Strategic acquisitions in the segments traffic management and system integration (Transdyn, Inc., U.S.A.) and public transport (Prodata Mobility Systems NV, Belgium).

2016

Kapsch is equipping the new Allianz stadium in Vienna with full wireless coverage and media technology.

Research And Development.

We safeguard our long-term innovative advantage by means of a consistently high R&D ratio.

In order to boost its innovative power, the Kapsch Group works together with research and education institutions.

The Kapsch Group actively faces the challenges of its dynamic markets and regularly adds innovative solutions to its product portfolio, thereby ensuring that added value is created for its customers. In line with our corporate strategy, our objective here is to achieve global quality and innovation leadership.

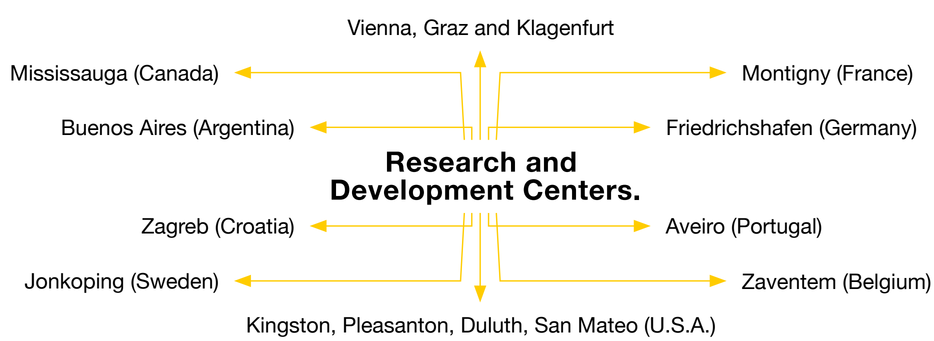
Innovative power. The focus of our research and development activities is on market-oriented solutions and systems that safeguard the innovative edge enjoyed by the Kapsch Group. The strategic business segments of the Kapsch Group have their own development departments, which address key future issues. The associated expenditure here amounted to approximately EUR 98.2 million or 9.4 % of revenues in the fiscal year 2015/16 compared with EUR 88.2 million or 9.7 % in the prior year. This corresponds to an increase of 11 %.

Important inputs also come from numerous scientific cooperations such as those with the Vienna University of Technology, Vienna University of Economics and Business, University of Innsbruck, University of Applied Sciences St. Pölten, University of Applied Sciences Technikum Wien, FHWien University of Applied Sciences of WKW, University of Applied Sciences Wiener Neustadt and the FH bfi Vienna.

The Kapsch Group is also actively involved in supporting the development of future scientific talent. For instance, the Kapsch Award for the best master's dissertations at the University of Applied Sciences Technikum Wien has been presented for seven years now. The award, which carries a prize of EUR 2,000, was awarded to six students in October 2015 for their high-quality work and exceptional performance.

Global patents. The success of our research and development work is also reflected in the over 2,000 patents currently held by the Kapsch Group. Between 20 and 30 new patent applications are filed every year. The intellectual property rights here cover trendsetting methods, systems, solutions and designs in the strategic business segments. The Kapsch Group attaches considerable value to protecting this know-how.

One of these numerous patents serves to protect the know-how of Kapsch TrafficCom behind a manage-



Page 82: For further examples of the innovative power of the Kapsch Group, please refer to the Management Report.

ment and reservation system for large car parks. The aim of this solution is to ensure the efficient and fully automated reservation, assignment and monitoring of a range of car parking spaces. It enables a driver to reserve a parking space online in advance by entering the vehicle registration number. The OCR (optical character recognition) registration identification camera located on site reads the registration number of the approaching vehicle and the barriers open automatically. The vehicle is located in the large car park by means of OCR cameras above the parking spaces. Payment is made via a highly secure on-board unit (OBU) installed in the vehicle. When leaving the car park, the car is automatically checked out of the system and the status of the parking space changes to available.

Award-winning. The hard work and considerable investments made by the Kapsch Group in the area of research and development are also reflected in the awards regularly received. For instance, the subsidiary Kapsch TrafficCom was presented with the renowned Kaplan Medal in 2014. Named after Austrian engineer and inventor Viktor Kaplan, this award from OPEV (Austrian Association of Innovators, Patent Holders & Inventors) is bestowed approximately once every five years on persons and companies that stand for ingenious and inventive spirit, continuous development activities and economic success.

"Innovations safeguard our sustainable success."

Kari Kapsch,
COO Kapsch Aktiengesellschaft

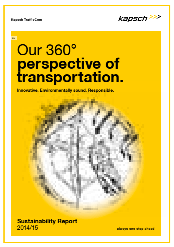
Strategic acquisitions. The Kapsch Group pursues the goal of safeguarding innovation, as far as possible, under its own steam or by means of collaborations. Know-how is also purchased by means of acquisitions if they complement and round off the product portfolio, thereby helping to increase the value of the Company.

An example of this strategy is the acquisition of Prodata Mobility Systems NV, Belgium, which was successfully completed in the past fiscal year. By integrating this company into its organization, Kapsch CarrierCom has rounded off its portfolio of end-to-end solutions for public transport operators. Kapsch CarrierCom founded its public transport division back in 2012 with a focus on delivering mission-critical, TETRA-based radio communication networks for public transport operators. Through the acquisition of Prodata Mobility Systems, we have now extended our value proposition to include automated fare collection and intelligent transport systems, giving customers a single point of contact for the infrastructure, applications and services they need.

Presentation of innovations. The Kapsch Group presents the results of its extensive research and development work at global fairs and congresses, ensuring the active exchange of information with new and existing customers.

A focus of the Company's innovation work is, for instance, the Internet of Things, in particular Industry 4.0. Machines are intelligently connected, relevant information collected via sensors and data analyzed so as to optimize existing processes and develop new business models. In a pilot project, for instance, construction machinery was connected. This optimizes logistics and ensures that there are always enough machines with sufficient capacity at the right place. By the same token, maintenance costs are reduced and the service life of heavy equipment can be prolonged. This forms the basis for new business models such as "Crane as a Service". In the future, building contractors will no longer pay time-dependent rental rates for construction cranes but instead can pay a usage-based fee per ton lifted.

Sustainable Management.



Sustainability Report 2014/15

Enter the world of Kapsch here and read our current sustainability report.

As a responsibly-minded and forward-looking company, the Kapsch Group feels particularly committed to sustainability.

Ambitious sustainability agenda. The corporate strategy of the Kapsch Group is characterized by the belief that long-term commercial success can only be ensured by sufficiently accounting for social and environmental aspects. The focus here is on the following fields of activity:

- Making efficient use of all resources to protect the climate and the environment
- Ensuring equal opportunities and fairness towards all the relevant stakeholders
- Positioning itself as an attractive and responsibly-minded employer.
- Assuming corporate social responsibility
- Ensuring innovative power for a worthwhile future

Given the decentralized nature of the Kapsch Group, it is the responsibility of the three operational business segments to ensure continuous progress in the abovementioned areas. They receive support here from centralized departments and binding Group guidelines that define the overriding issues.

The Kapsch Code of Conduct also defines the principles for taking decisions and action in an ethically, morally and legally proper manner. The fundamentals, guidelines and recommendations contained here are not just aimed at the employees of the Kapsch Group but also at people who act on behalf of or on the instructions of the Kapsch Group. Compliance with these principles is also intended to ensure that all stakeholders are treated in a fair and equitable way. The Kapsch Code of Conduct can be accessed at www.kapsch.net by clicking on the menu item "About us".

Kapsch TrafficCom, which is listed on the stock exchange, records its objectives and measures taken to ensure sustainable corporate governance in a sustainability report that is published every year. Since June 2009, Kapsch TrafficCom AG has been listed in the Austrian sustainability index, VÖNIX, which tracks listed Austrian companies that play leading roles through their social and environmental commitments.

Effective use of resources.

The commercial activities of the Kapsch Group are associated with the consumption of resources and climate-relevant emissions. We are, however, working hard to continually minimize these impacts. The majority of these effects result from the operations of the subsidiary Kapsch Components, which is responsible for production, as well as from the vehicle fleet of the entire Group. By means of additional measures to increase fuel efficiency and as a result of a lower production volume, it was possible for Kapsch Components to reduce its requirements for electrical energy by approximately 79 MWh (9.5 %) in the fiscal year 2014/15 compared to the prior year. In this context, it was also possible to cut CO_2 emissions across the Group by 18.2 %.

Furthermore, the consumption of nitrogen, which is used in the manufacturing processes of Kapsch Components, was also reduced. The absolute level of consumption fell by 9.7 tons or 3.8 % year on year. However, measured in terms of the weight of goods produced, this increased by 13.4 % per ton of product. This contrasting trend is due to falling production volumes and differences in the product mix. The initiated switch from stamp soldering to laser soldering in the production process should, however, lead to an 87 % reduction in the electricity previously required for this working step and 100 % of the nitrogen consumed here.

In order to raise awareness among employees of climate and environmental protection issues, attention is continually drawn in internal communications to the potential to reduce the consumption of resources. In addition, telepresence and video conferencing systems have been increasingly used to reduce business travel for a number of years now. Since the switch to Lync, the successor to the office

Our employees are the foundation of our success.

communication server (OCS) previously used, it has been possible to further extend the scope of use.

Aside from the measures outlined above to cut the consumption of resources within our own sphere of influence, the products and solutions of the Kapsch Group also make a valuable contribution to efforts to protect the climate and environment. Examples here include Kapsch TrafficCom's urban traffic solution to automatically manage traffic or Kapsch CarrierCom's machine-to-machine (M2M) solutions.

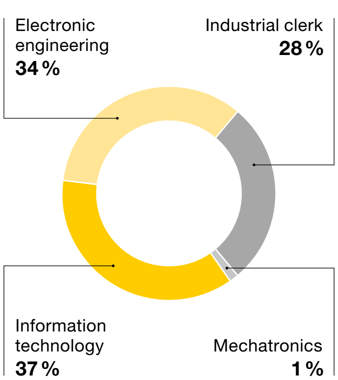
Comprehensive guidelines have been drawn up to account for environmental, economic, social, health and security aspects in the best possible way when developing and designing our products. The contents of this policy document are to be integrated into functional specification documents and RFPs.

Positioning ourselves as an attractive and responsibly-minded employer.

The Kapsch Group believes that the commitment, talent and willingness to perform of its employees represent key success factors that must be safeguarded and developed.

As at the balance sheet date of 31 March 2016, the Kapsch Group had a total of 5,838 employees, representing a year-on-year increase of 1.81 %. It is the core task of the Kapsch HR management team to offer these employees an attractive working environment, to encourage them and to challenge them. The guiding principle here is a well-developed corporate culture that places emphasis on responsibility, respect, performance, discipline, transparency, freedom, dynamism and family.

Apprentices in the 2015/16 educational year

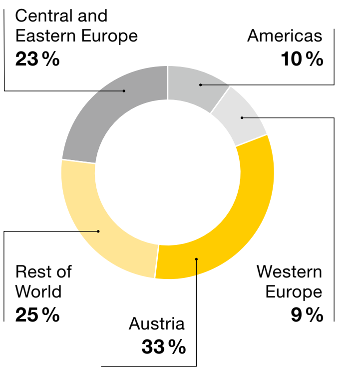


Continuous professional development. The Kapsch Group has to hold its own in a very dynamic environment. In order to be able to actively set new standards in the strategic business segments, particular emphasis is placed on investing in the training and education of its employees on an ongoing basis. The Kapsch University offers an individualized training plan which is composed of professional and personality-based courses and seminars. A job rotation program has been implemented to encourage multinational employee exchanges and a trainee management program prepares selected employees for their future duties. In the course of a two-year internal training program, trainees can familiarize themselves with various companies and departments within the Kapsch Group.

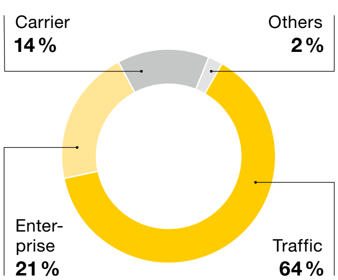
Training and encouraging young people. The Kapsch Group and its business units put particular emphasis on helping young people to make a good start in their professional careers. Training apprentices is therefore always of particular importance. As a state-certified training company, the Kapsch Group provides in-depth training in various technical and commercial professions. In addition to this, the Company has been working together with the Public Employment Service Austria and other institutions for years in order to support young people starting their careers. Another focal point is the systematic support of integration projects: In numerous projects, the Company purposefully targets the training of young people whose opportunities on the labor market are limited on account of their origin, language barriers or other factors.

Focus on performance. The Kapsch Group offers a range of incentives and bonus models to promote entrepreneurial thinking and a general focus on performance. In particular, performance-based salary components have been agreed with managers and sales personnel with a view to rewarding an individual's work. In addition to this, employees also share in the success of the Kapsch Group by means of a profit-sharing model. Contributions to an external occupational pension scheme are made by the Company, depending on the employee's length of service and their respective income. Other measures in place that the Kapsch Group uses to encourage its employees to actively shape the Company include annual staff appraisals and an internal process of continuous improvement.

Employees by region



Employees by segment



On-boarding. The Kapsch on-boarding program 'Connected' has also been implemented across the Group in order to support new personnel joining the Company. In addition to information sessions about the corporate values and culture, this also includes training to convey security-related issues such as the management of sensitive customer data. It is a key concern of Kapsch to perform systematic and comprehensive staff appraisals. The implementation rate is accurately recorded by means of an IT-supported system. The long-term aim here is to achieve a rate of 100 % (2014/15: 72.3 %). This target remains in place not least because of the Company's continuous growth and the associated integration phase.

With regard to training and development, the focus is currently on three areas:

- *Virtual leadership:* In order to be able to effectively cooperate across different locations,employees increasingly have access to training on the issue of virtual and intercultural cooperation and leadership.
- *Training controlling:* Follow-up meetings with employees after attending training courses were set up to check the quality of training and development measures. These make it possible to subject training measures to evaluation and continuous improvement.
- *e-learning:* The e-learning offering was also extended in addition to location-based further education measures. New best practice standards have been set, particularly in respect of safety training courses that enable participants to go on a virtual tour through buildings.

Employee satisfaction. An in-depth survey of all employees is carried out every two to three years to assess employee satisfaction levels and to determine any areas where action needs to be taken. This is conducted anonymously by an external company using a standardized questionnaire. The responsible human resources department analyzes the data collected and presents them to the Executive Board. Measures to improve employee satisfaction levels are defined in management workshops and the subsequent effectiveness of these measures is evaluated.

Promoting health and safety at work. As a responsible employer, the Kapsch Group attaches particular importance to actively promoting the health of its employees. In addition to ongoing measures to improve safety at work, information campaigns, vaccination programs, medical check-ups and eye tests are also regularly performed to this end. Sports and fitness programs are also offered. A company doctor is also available at the Vienna site.

Women@Kapsch. The Kapsch Group aims to attract competent women and offer them interesting career opportunities. To this end, strategic and operational women's groups were launched to help achieve this objective under the motto Women@Kapsch. The focus is on topics such as the internal exchange of experience, networking and the breaking down of barriers. A committee for equality has been established in order to ensure general equality for women. Among other things, a flexible working hours scheme is offered to help achieve a balance between employees' professional and private lives.

The Company cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. The Kapsch Group also takes part in programs to promote women in the workforce, such as "techNIKE" or mentoring programs for interested girls and young female students at the Vienna University of Technology.

Synergy of business, education and research. The Kapsch Group has been focused on building bridges between business and education and research institutions for years. For example, we support the *Universitäres Gründerservice Wien* (Vienna business start-up service) and the INiTS Award. This award recognizes theses and dissertations that can be used and implemented in business. To cover the need for highly qualified personnel in the long run, we primarily promote institutions and projects that focus on technology and the natural sciences. These include the Institute for Electrical and Information Engineering at the Vienna University of Technology, the University of Applied Sciences Technikum Wien, the University of Applied Sciences FH Campus Wien

Art Calendar 2016

Enter the world of Kapsch here and find out more about our current art calendar.

and the University of Applied Sciences FHWien with their executive management master's degree. As part of the series of events known as the Kapsch Career Lounge, for several years students have also been invited to get to grips with technical issues in the course of project work or special presentations.

Responsibility vis-à-vis society.

The Kapsch Group acknowledges its responsibility to society in many different ways, supporting selected cultural and social institutions and projects.

Promoting social projects. The Kapsch Group values and supports the work of charitable institutions such as the Institute for Cooperation in Development Projects (ICEP). This private, independent initiative – based in Austria – significantly contributes to combating global poverty. ICEP supports projects focusing on education that improve the living standards of people in developing countries in the long run.

For many years, the Kapsch Group has also supported the activities of Doctors Without Borders, an internationally renowned organization that helps people around the world who do not have appropriate access to medical care.

Since 2013, there has been a sponsorship agreement between the St. Anna Children's Cancer Research Institute and the Kapsch Group: The research work is supported as part of the Next Generation Sequencing project. The aim of this project is to obtain information about the human genome and therefore insights into genetic changes associated with how diseases progress and related therapies. Kapsch is supporting this complex project due to its conviction that the chances of recovery of children with cancer can be significantly improved as a result.

Platform for artists. A calendar is published every year of an artist selected and supported by Kapsch. The calendar project "Changing views" enabled up-and-coming artists to reach an interested audience with their work. The 2016 art calendar presents works by Phillip Schweiger, who was born in Vienna in 1971. His artistic work focuses on subjects from everyday life, familiar places or past experiences that Schweiger presents in a way that combines factual sobriety and atmospheric idealization.

This year was the last time that the art calendar appeared in its usual format. Kapsch Aktiengesellschaft and mumok *(Museum moderner Kunst Stiftung Ludwig Wien),* an art museum, presented the "Kapsch Contemporary Art Prize" for the first time in spring 2016. This aims to promote young artists living and working in Austria.

Long-standing cultural partnerships. Bridging the gap between tradition and innovation shapes the self-image of the Kapsch Group. Since 1992, there has been a general partnership with the Vienna Concert House, which cultivates its traditions and attracts new audiences by means of its exciting and unconventional program. The highlight of the year is a top-notch concert with internationally renowned orchestras and conductors, where customers, partners and investors of the Kapsch Group can share in the pleasure and enjoyment of art.

The Kapsch Group sponsors Wien Modern, one of the world's most renowned festivals of contemporary music and has done so since it was established in 1989. The aim of this series of events is to underline the importance of Vienna as a modern city of culture. The composers, performers and ensembles represented here are considered to be pioneers in their respective fields of art.

The HONART Festival, which is also supported by Kapsch, presents cultural facets from Iran and the rest of the world through various artistic genres.

The Kapsch Group also supports the event series entitled "Culture in the Temple" at the Kobersdorf synagogue as well as the Jewish Museum Vienna; both institutions explain Jewish life and related culture to younger generations, bringing them to life and making them easier to understand.

Our Portfolio.

Kapsch TrafficCom

Tolling	Traffic Management	Safety & Security	Smart Urban Mobility	Connected Cars
Electronic Toll Collection	Highways	Road Safety Enforcement	Access Management	V2X Automotive
City Tolling	Managed Lanes	Commercial Vehicle Enforcement	Smart Parking	V2X Infrastructure
Plaza Tolling	Tunnels and Bridges	Electronic Vehicle Registration	Intermodal Mobility	Connected Services

Brand essence.

Tradition and innovation, mobility and communication, family-run company and technological pioneer, founded in Austria and at home around the world: Kapsch is a company that transcends frontiers. A company with a passion for technology. A company that has been a trendsetter, visionary and pioneer for 120 years. Under the motto "challenging limits", Kapsch works to successfully develop and use technology in a way that benefits everyone.

As an incubator, we put emphasis on expert knowledge and strength of implementation in every area of our corporate activities. Our smart solutions to global challenges are intended to improve the lives of people in qualitative and sustained ways. Our employees are our most important ambassadors and the foundation of our success by means of their dedication, expertise and skills.

Key companies.

Kapsch TrafficCom is a provider of intelligent transportation systems (ITS) in the solution-based segments of road user charging, urban access and parking, traffic management, road safety enforcement, commercial vehicle operations, electronic vehicle registration and V2X cooperative systems. With its end-to-end solutions, Kapsch TrafficCom covers the entire value-added chain of its customers as a one-stop shop, from components and the design and setting up of systems to their operation. The core business is designing, building and operating electronic toll collection and traffic management systems.

Kapsch CarrierCom is a globally active producer, supplier and system integrator of end-to-end telecommunication and telemetry solutions. This company offers innovative, success and mission-critical end-to-end solutions for railway operators, public

Kapsch CarrierCom

Railways

- RDN.networks based on GSM-R
- Terminals & Cab Radios
- Transmission
- Applications
- End-to-End Integration
- Plan – Build – Maintain – Operate

Public Transport

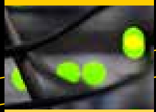
- TETRA & DMR Networks
- Automatic Fare Collection
- Intermodal Traffic Control Systems
- Passenger Information
- Tram Energy Efficiency Management
- Predictive Vehicle Maintenance & Service Optimization
- Plan – Build – Maintain – Operate

Carriers

- GSM, UMTS, LTE and CDMA Access & Core Networks
- Fixed Access & Voice-over-IP Solutions
- Transmission & Software-defined Networks
- Applications (AAA, MNP etc.)
- OSS/BSS Solutions
- Network Optimization & Virtualization
- Professional Services
- Security Solutions

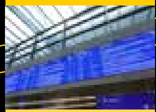
Kapsch BusinessCom

Technology Solutions



- Cloud Computing
- Business Collaboration
- Storage
- Virtualization
- Mobile Enterprise
- Network & Security
- Telecommunication & Workspace

Facility Solutions



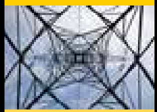
- Security Systems
- Multimedia & Infotainment
- Access Control
- Video Surveillance

Business Services

- IT Outsourcing
- Innovation Workshops
- Industry-specific Solutions
- Digitalization of Business Processes

Kapsch Smart Energy

Smart Metering & Smart Grid



transport companies, carrier networks and energy supply companies. Kapsch CarrierCom is a reliable partner to customers, who benefit from the comprehensive range of services and direct, around-the-clock customer service. With the strategic partnerships and strong innovation that are generated by a total of nine research and development centers in Europe and Asia, Kapsch CarrierCom is a key knowledge holder in all its business segments.

Kapsch BusinessCom is the most successful and one of the most renowned ICT service partners in Austria as well as Central and Eastern Europe. This company's portfolio of solutions encompasses both information and communication technology. In addition to system integration and continuous optimization measures, Kapsch BusinessCom also assumes responsibility for the complete operation of these ICT solutions. In doing so, the company sets store by acting independently of manufacturers and putting emphasis on partnerships with leading international technology providers such as Avaya, Cisco, EMC, Google, Hitachi, HP, Microsoft or Mitel. Together with these partners, Kapsch BusinessCom acts as an advisor, system supplier and service provider, as well as a reliable, trustworthy and long-term "trusted advisor".

New business fields.

Kapsch Smart Energy develops solutions for intelligent energy management. This company combines the extensive know-how of the Kapsch Group in intelligent transportation systems (ITS) and information and communication technology (ICT) with the components of highly specialized providers such as smart meters. Kapsch Smart Energy offers end-to-end project planning, implementation and operation, as well as its own in-house developed system software.

Driving. Sharing. Progressing.

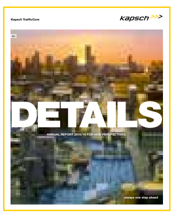
To ensure that traffic in the Lincoln Tunnel keeps moving even at rush hour: Kapsch traffic management.

In 1936, Omero Catan was the first person who was able to drive through the Lincoln Tunnel, which connects the island of Manhattan to New Jersey, like the Holland Tunnel. Today, the two connections under the Hudson river are among the most-used tunnels in the world, with over 100,000 vehicles every day. Safety and efficiency have become increasingly important over the years. This is why the operator of these key connections relies on the expertise of Kapsch in traffic management. Kapsch TrafficCom planned and realized intelligent video and communication systems that regulate, monitor and optimize the flow of traffic into and out of the city. Accidents are identified in a fully automated way, implementing action plans for the authorities, emergency personnel and other road users. This shows how Kapsch safeguards the infrastructure of the future around the world by means of its projects.


CENTRAL PARK
SOUTH
ONE
LINCOLN
TUNNEL

Kapsch TrafficCom.

Business fields and strategy.



Kapsch TrafficCom Annual Report 2015/16

Enter the world of Kapsch here and read the current annual report of Kapsch TrafficCom.

▶ **Page 70:** For more information about business development in this segment, please refer to the Management Report.

The dynamic development of the global markets for intelligent transportation systems impacts the orientation of the Kapsch TrafficCom Group and was the trigger for the adaptation of the strategy in the fiscal year 2015/16. Through this Strategy 2020, we are taking into account the increased demand for mobility by people living in urban areas. On the basis of the expertise acquired to date, we will develop end-to-end mobility concepts for our customers in the future. The diverse potential applications range from smart parking to data generation for traffic control as well as the monitoring of commercial vehicles. Traffic flows are optimized and traffic safety improved with integrated solutions that combine traffic data from various sources. Another step leads to the networking of vehicles. Here as well, we see great potential and expect currently unimagined possibilities to be realized in the future.

The company reporting now takes place on the basis of two segments:

- *Electronic Toll Collection (ETC).* This segment reflects projects for the installation, maintenance and operation of systems for electronic collection of tolls without stopping at a toll station as well as manual toll systems. These are generally projects awarded based on invitations to tender by public agencies or private concessionaires. The systems cover either individual road sections or nationwide road networks. After installation, additional deliveries of components frequently take place for the expansion or adaptation of the systems.

- *Intelligent Mobility Solutions (IMS).* This segment reflects projects for the installation, maintenance and 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 are also assigned to this segment, as are systems and services for operational monitoring of public transportation and environmental installations.

Our solutions. We divide our offering into tolling, traffic management, safety & security, smart urban mobility and connected cars. We consider tolling and traffic management to be part of our core business.

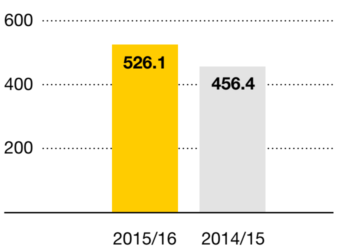
Tolling. Our offering encompasses components, subsystems and systems as well as complete end-to-end tolling solutions that can supply revenue for the funding of traffic infrastructure and also support the implementation of various traffic policy measures. We utilize all methods for toll collection and are therefore able to offer our customers the ideal solution, including a complete migration path from manual to electronic toll collection and mobile tolling, on single- and multi-lane roads and for both existing and new system concepts.

Traffic management. Our offering encompasses solutions for monitoring and controlling road traffic, improving traffic safety, optimizing traffic flows and reducing traffic-related environmental impacts. We offer complete solutions for traffic control on highways, in tunnels, on bridges and in managed lanes. These enable the supply of traffic information with which road operators can optimally regulate the traffic and provide extensive information to traffic participants.

Safety & security. We divide our offering here into road safety enforcement, commercial vehicle enforcement and electronic vehicle registration.

Road safety enforcement encompasses complete solutions for automated monitoring of compliance with traffic laws. The solutions are capable of detecting a variety of violations, such as speeding, running red lights or overweight vehicles and of collecting the

Development of revenues
(in million EUR)



fines according to the legal requirements. This enables the implementation of economically sustainable safety programs.

Commercial vehicle enforcement includes solutions for improving traffic safety as well as increasing the productivity of fleets.

Electronic vehicle registration includes solutions for improving vehicle registration with electronic license plates and preventing license plate forgery, thereby increasing both traffic safety and public safety.

Smart urban mobility. We divide our offering here into access management, smart parking and intermodal mobility.

Access management encompasses various solutions for access control, allowing for the control of city traffic and the charging of fees, if desired. The complete solutions support a wide range of fee calculation methods – depending on the time of day, the duration of the stay, the emissions class and current traffic conditions.

Smart parking encompasses solutions that use smart data and advanced analytics to solve parking issues for customers worldwide. Our technology makes the parking experience for consumers easier, while making cities as well as university and corporate campuses more efficient and reducing their carbon footprint.

Intermodal mobility encompasses solutions which we will develop in cooperation with our sister company Kapsch CarrierCom.

Connected Cars. Vehicle-to-Vehicle (V2V) and Vehicle-to-Infrastructure (V2I) communication (collectively abbreviated as "V2X") are core technologies for future traffic management, autonomous driving and the improvement of traffic safety in general. Our offering encompasses vehicle components and route stations as well as complete solutions for road operators in combination with our traffic management system.

Outlook and targets. In fiscal year 2016/17, the contribution by the in April 2016 acquired Kapsch TrafficCom Transportation (global transportation segment of Schneider Electric, which previously operated under the name Telvent Tráfico y Transporte) to the revenue and profit of the Kapsch TrafficCom Group will be clearly visible – also the integration costs. The implementation of the newly obtained projects will also make increasing contributions.

Kapsch TrafficCom also expects several decisions concerning additional projects: In Austria, the new invitation to tender for the nationwide toll system is currently under way; in Bulgaria, an invitation to tender for a new toll system has begun. In the Czech Republic, the contract continues until the end of 2016. The next steps by the government in Prague will therefore be determined shortly.

In addition, multiple projects are still in the offer phase in the U.S.A. Kapsch TrafficCom also sees increasing potential in Asia. Talks continue concerning a nationwide project similar in structure to the one already successfully implemented in Belarus.

One key focal area for the coming years will be the further development of the Strategy 2020. Kapsch TrafficCom will expand the portfolio with new intelligent mobility solutions for exceptional user experiences. Systems and data will be increasingly intermeshed and vehicles will be networked with their environment. The acquisition of the transportation segment of Schneider Electric also represents a large step toward the city. Kapsch TrafficCom plans to carefully integrate this area in order to contribute to the design of the smart cities of the future.

Visit **kapsch.net/ktc** for more information about Kapsch TrafficCom.

Advancing. Sharing. Evolving.

Enabling the development of local public transport in Ghana: smart, intermodal solutions by Kapsch.

The African continent is home to eleven of the fasted-growing economies in the world. This development is also reflected in population growth, including that in Accra, Ghana's capital city, which has over two million inhabitants and continues to rise. It should come as no surprise that such growth presents a challenge for the infrastructure. Workers and schoolchildren wait for an hour or more for buses, taxis or private shuttles, so-called trotros, at peak times. This problem is now being addressed through a joint project between the truck and bus producer Scania and Kapsch CarrierCom. Setting up a BusRapidTransport (BRT) fleet together with smart ticketing solutions and digital travel information systems from Kapsch will improve the flow of traffic in the city, boost efficiency and show why Kapsch is not only known as a reliable partner around the world, but also as an innovative enabler.

Kapsch CarrierCom.

Kapsch CarrierCom positions itself for customers around the world as a reliable, trustworthy and flexible partner.

Business fields and strategy.

Kapsch CarrierCom is a successfully and globally active producer, system integrator and supplier of end-to-end telecommunications and telemetry solutions, holding a significant global market share in the field of GSM-R solutions for railway companies. Railway customers are offered complete solutions for train communications, which include core, access and transmission networks, cab radios and a comprehensive support portfolio.

In the field of public transport, Kapsch CarrierCom addresses local public transport customers using ticketing solutions, intermodal transport control systems and terrestrial trunked radio technology (TETRA).

The Carrier division enables mobile and fixed-line operators, as well as energy providers, to meet their current and future network requirements. Our expertise in the field of system integration, supplier independence and the ability to act as the main contractor are of particular importance in this business segment and make it possible to meet the needs of customers in an optimum way.

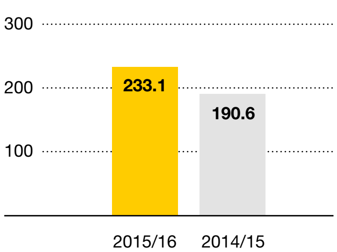
Railways. Kapsch CarrierCom's GSM-R technology is equipped on 78,000 km of railway lines in Europe, Africa and Asia, with guaranteed system support until 2030. With its product portfolio developed specially for railways, Kapsch CarrierCom is a successful partner in railway projects to modernize the telecommunications infrastructure. In order to standardize the ETCS Level 2 (European Train Control System) using GPRS technology, Kapsch CarrierCom works together with numerous standardization and regulatory bodies, including the International Union of Railways (UIC), the Union Industry of Signalling (UNISIG) and the European Railway Agency (ERA). Together with 3rd Generation Partnership Project (3GPP), we are actively leading the way in IP standardization for GSM-R technology. Kapsch CarrierCom joined the European Shift2Rail initiative as an associate member during the reporting year. This initiative by the EU aims to drive the development of new technologies, products and solutions for railways systems through research and innovation.

Public transport. Following the successful integration of the innovative Belgian company Prodata Mobility Systems, Kapsch CarrierCom now offers intermodal transport control systems (ITCS), automated fare collection (AFC) and up-to-date passenger information solutions for local public transport companies. Kapsch CarrierCom also provides solutions in the field of critical communications that are ideally suited to trams, underground trains and buses. These communication solutions ensure secure and particularly reliable voice transmission.

Furthermore, Kapsch CarrierCom offers customized end-to-end solutions for transport companies that require the automated remote capturing of data relating to vehicles. Data on the location and behavior of the vehicles are captured via a platform, visualized in real time and made available for further processing. These data make it possible to initiate performance-enhancing measures, reduce life cycle costs and develop effective strategies on preventative maintenance.

Page 74: For more information about business development in this segment, please refer to the Management Report.

Development of revenues
(in million EUR)



Visit **kapsch.net/kcc** for more information about Kapsch CarrierCom.

In this segment, Kapsch CarrierCom is also a member of Union Internationale des Transports Publics (UITP) and the American Public Transport Association (APTA). In the year under review, Kapsch CarrierCom joined the Smart Ticketing Alliance to help shape the ticket of the future.

Carriers. Kapsch CarrierCom is a globally active system integrator and service provider to operators of telecommunications networks. We enable our customers to access the market more quickly, optimize existing network infrastructures and support the introduction of IP and next-generation networks. The current focus of this business segment is on trendsetting technologies such as VoIP, security and policy solutions, CEM (Customer Experience Management), virtualized networks (SDN/NFV) and network signaling solutions. We have been able to establish strong partnerships that support us in the area of these current industry issues.

Success in established and new markets. In the fiscal year 2015/16, Kapsch CarrierCom started implementing numerous large contracts placed by railway and public transport companies in the prior year. New contracts were won in existing markets such as with the Polish railway company, Network Rail and Nexus in the United Kingdom and with the Irish telecommunications company eir in Ireland. CFL, the Luxembourgian railway operator, is a new customer of Kapsch CarrierCom in the reporting year with a contract to modernize the nationwide railway communication infrastructure.

In emerging markets where transportation occupies a key role as part of the overall economic process, Kapsch CarrierCom was able to acquire the bus operator Scania in Ghana and the bus operator UDA in Tanzania as new customers. Kapsch CarrierCom was commissioned with the implementation of an integrated ticketing and ITCS system in both countries.

Outlook. Kapsch CarrierCom will continue to invest heavily in research and development to defend its position as a market leader in the railway segment and to further develop the high-growth public transport segment. By the same token, the implementation of new carrier solutions such as CEM, SDN and NFV will be accelerated. The focus of our growth strategy is on markets in Central and Eastern Europe, North and South America, Africa and the Middle East.

Writing. Sharing. Connecting.

Keeping Mediaprint interfaced: ICT infrastructure by Kapsch.

The newspapers Kurier and Kronen Zeitung have a daily readership of over 2.7 million in Austria. The printing and logistics services of the two publishing houses are handled by Mediaprint, one of the largest media companies in the country. A secure and flexible IT system is of paramount importance when there are so many interfaces to editors and printers. That is why the company has outsourced this increasingly complex task to Austria's leading ICT partner. Kapsch BusinessCom took charge of the entire LAN and security infrastructure with several thousand network ports, as well as the management of the WAN providers for all locations. And it implemented a 24-hour monitoring system including service and support. This comprehensive service network is what makes up-to-date news possible in the first place.

Kapsch BusinessCom.

Business fields and strategy.

As a digitalization partner to national and international companies, Kapsch BusinessCom covers the entire life cycle of ICT solutions.

The extensive portfolio of Kapsch BusinessCom encompasses sustainable global solutions in the areas of information technology and telecommunications (ICT). With around 1,200 employees, we support companies and institutions of any size and from any industry in planning and implementing their digitalization projects. In doing so, we distinguish between three areas of business:

Business Services. We implement specific solutions and services with an industry focus based on innovative approaches such as M2M, predictive analytics, smart building and digital assistance systems. Our scope of services ranges from innovation workshops and pilot projects to the development of business services and entire outsourcing projects.

Technology Solutions. These ensure stable IT infrastructure including the necessary IT security. Powerful cloud-based services enable the efficient collaboration and communication with any device regardless of location.

Facility Solutions. These comprise all solutions for the building-related ICT infrastructure such as multimedia solutions or cabling, as well as video surveillance, access control and alarm management solutions.

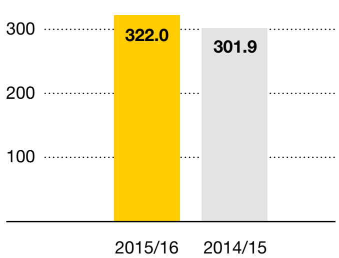
The portfolio is complemented by different services including consulting, project management, installation, training, support and operating as well as financing solutions.

"Operating ICT – Trust Kapsch." Through this service pledge, we ensure a forward-looking and holistic approach for our customers. Together with leading technology partners, we develop tailor-made ICT solutions for current and future challenges. The focus here is on the following issues:

- *Cloud.* Scalable ICT services are provided either in-house or from the cloud. The advantages: greater cost transparency and flexibility.
- *New World of Work.* Digitalization is penetrating all internal and external company processes, thereby creating new jobs and ways of working that require a corresponding level of technological equipment.
- *Big Data.* Exponentially rising data volumes need to be stored, processed and managed in a secure way. Analyzing and interpreting these data lead to valuable insights for business.
- *Internet of Things.* Networking machines or other smart devices optimize processes and increase productivity. The basis here is provided by intelligent ICT infrastructure.
- *Security.* Protecting sensitive data, ensuring the secure exchange of data and preventing cybercrime are essential functions of ICT solutions and applications.

Page 78: For more information about business development in this segment, please refer to the Management Report.

Development of revenue
(in million EUR)



Growth strategy 2016. As part of its five-year growth strategy to 2016, Kapsch BusinessCom aimed to grow at double the speed of the overall market every year or faster and to significantly increase the total volume of sales generated by the service business. These objectives were again achieved in the past fiscal year. As a digitalization partner, Kapsch BusinessCom entirely or partially assumes long-term responsibility for operating customer solutions. With this strategic direction in mind, it was also possible to secure additional operating projects in the fiscal year 2015/16.

With six branch offices in Austria and subsidiaries in the Czech Republic, Slovakia, Hungary, Romania, Poland and Turkey, we are always close to our customers and are on hand to support them during phases of expansion. This way, we also enlarge our own sphere of action on an ongoing basis – both geographically and technologically.

For Kapsch BusinessCom, ICT excellence is the top priority and a permanent objective: Consulting on and designing the right solutions for our customers as well as the operation of these, along with all the associated services that should be provided in premium quality.

Reliable ICT partner. In addition to system integration and ongoing optimization measures, Kapsch BusinessCom is increasingly taking charge of operating ICT solutions. In full accordance with the approach: Consult. Deploy. Operate. We act as a consultant, system supplier and service provider independent of manufacturers but together with leading technology partners such as Avaya, Cisco, EMC, Google, Hitachi, HP, Microsoft or Mitel. In a very dynamic technological environment, this strategy has enabled us to establish ourselves as a reliable, trustworthy and long-term partner and chief digital officer (CDO) to around 17,000 customers.

Our service technicians are Kapsch-certified. This certificate guarantees the transparent compliance with stringent and binding quality standards that can be chosen from four different categories by the customer. Kapsch BusinessCom is the only Austrian company in the ICT segment to operate in accordance with the global ITIL® standard for IT service management.

Outlook. The focus of Kapsch BusinessCom continues to be on digitalization in selected sectors such as manufacturing industries, retail, healthcare, public, utility and finance. The aim of this is to use ICT solutions to shape and develop the business processes of customers to a greater extent, particularly in cooperation with the various specialist departments. In the course of innovation workshops, its entire value-added chain and the role of IT in its existing processes and future business models is highlighted and possible business models identified together with its customers in accordance with a digitalization strategy.

Visit **kapsch.net/kbc** for more information about Kapsch BusinessCom.

Travelling. Sharing. Moving.

Keeping railway passengers moving between Mecca and Medina: railway communication by Kapsch.

Construction work on a project that, even in the Kingdom of Saudi Arabia, should be classified as particularly prestigious, began back in 2009. The aim is to transport around 160,000 passengers every day between the pilgrimage sites of Mecca and Medina across the desert using high-speed trains. It is nothing new for Saudi Arabia to be working on the future at high speed. What is new, however, is that Kapsch CarrierCom was called upon to contribute its expertise in the area of railway communication and GSM-R radio technology. Given the extreme climatic and topographical conditions, Kapsch implemented a multiple-secured network architecture designed to ensure smooth operations along the 444-kilometer-long stretch. This unique projects shows that Kapsch always finds ways to make superlatives possible.

New Business Segments.

Looking ahead.

The Kapsch Group is defining new paths – with its passion for technology.

In its company history, the Kapsch Group has often assumed a pioneering role and opened up new and profitable areas of business for itself. Ensuring a high degree of customer benefit during such expansion projects had and continues to have top priority.

An example here is the acquisition of Streetline, Inc., U.S.A., which we were able to conclude in April 2015. Streetline, based in California, is a leading provider of smart parking solutions that offers intelligent data and modern analytics to solve parking problems for customers around the world. The ground-breaking Streetline technology makes it easier for drivers to find the best parking space, thereby improving convenience and reducing CO_2 emissions. Kapsch TrafficCom will integrate the cutting-edge smart parking applications and the associated data analytics into its own intelligent transport systems (ITS) as well as its systems for electronic toll collection (ETC) and traffic management solutions (TMS).

The folder accompanying the annual report of Kapsch TrafficCom provides further details of the new company Kapsch TrafficCom Transportation.

Moreover, a major step – actually more of a leap – was achieved on the journey from the highway into cities through the acquisition of the transportation segment of Schneider Electric in April 2016. This company, formerly known under the name Telvent Tráfico y Transporte, is a leading provider of IT solutions in real time and intelligent traffic systems that perfectly complement the offering of Kapsch TrafficCom. This new part of the Kapsch TrafficCom Group will, in future, be known under the name Kapsch TrafficCom Transportation.

Another example is provided by the enlargement of the portfolio for local public transport operators, which was made possible by the successful integration of Prodata Mobility Systems. The platform from Prodata is an open system that offers a wide range of different functions for e-ticketing, vehicle position finding and tracking as well as for passenger information services.

A particularly exciting part of the public transport business segment is the field of machine-to-machine (M2M) communication. M2M stands for the automated exchange of information between devices such as machinery, vending machines, vehicles, containers or even buildings – among each other or with a central control center. This intelligent networking is generally performed via the internet or the telecommunications network, enabling entirely new application areas such as in the monitoring and automation of facilities, the maintenance of machinery or the tracking of deliveries. Ensuring reliable and secure communication between machines is one of the core competencies of the Kapsch Group.

The energy sector is also calling for intelligent solutions to connect systems and control energy consumption on a long-term basis. The Kapsch Group is addressing this sector with solutions that have been pooled into Kapsch Smart Energy.

Kapsch Smart Energy – intelligent energy systems.

Intelligent energy management systems offer not only demand-based management for energy providers but also more transparency for consumers.

At the subsidiary Kapsch Smart Energy, founded in 2010, we pool our extensive know-how in the field of intelligent energy management systems so as to be able to offer innovative, customer-specific solutions in the areas of smart metering and smart grids from a single source. Implementing such intelligent solutions to efficiently manage production facilities, transmission networks and customer systems is currently one of the main challenges facing energy supply companies. At the same time, intelligent systems provide end users with detailed information about their own energy consumption, enabling them to optimize their energy costs. In Austria, the introduction of smart metering is regulated by the Ordinance on the Introduction of Smart Meters *(Intelligente Messgeräte-Einführungsverordnung, IME-VO)* issued by the Federal Ministry of Science, Research and Economy. In accordance with this legislation, national grid operators are obliged to install smart meters in 95 % of the approximately five million households in Austria by 2019.

The portfolio of Kapsch Smart Energy covers the entire value-added chain of such systems. Starting with the delivery and implementation of infrastructure and multi-utility components, the scope of services offered ranges from the integration of external applications and the implementation of the in-house developed central metering data management system SEM (Smart Energy Management) to an end customer web portal for daily operations and maintenance work. Put another way: The combined solutions from Kapsch Smart Energy ultimately form a convenient end-to-end system that meets the latest standards – from the meter to the 'last mile' (e.g. via PLC), a backbone network (e.g. CDMA) and central smart metering data management to the customer portal. This portfolio is rounded off by creating individual solution architectures, providing continuous support services as well as project management and design, together with comprehensive advice.

As an independent system integrator, we work closely together with various manufacturers of smart meters. We can consequently offer end-to-end solutions which function independently of the various meter models. Together with our main partners in the area of metering and communication, Itron, Cisco and NES, we develop end-to-end smart metering solutions that guarantee almost 100 % data availability and the widest range of functions thanks to the in-depth technical and process-oriented integration into our system. Data are protected against unauthorized access and manipulation by means of high security standards employing state-of-the-art technology.

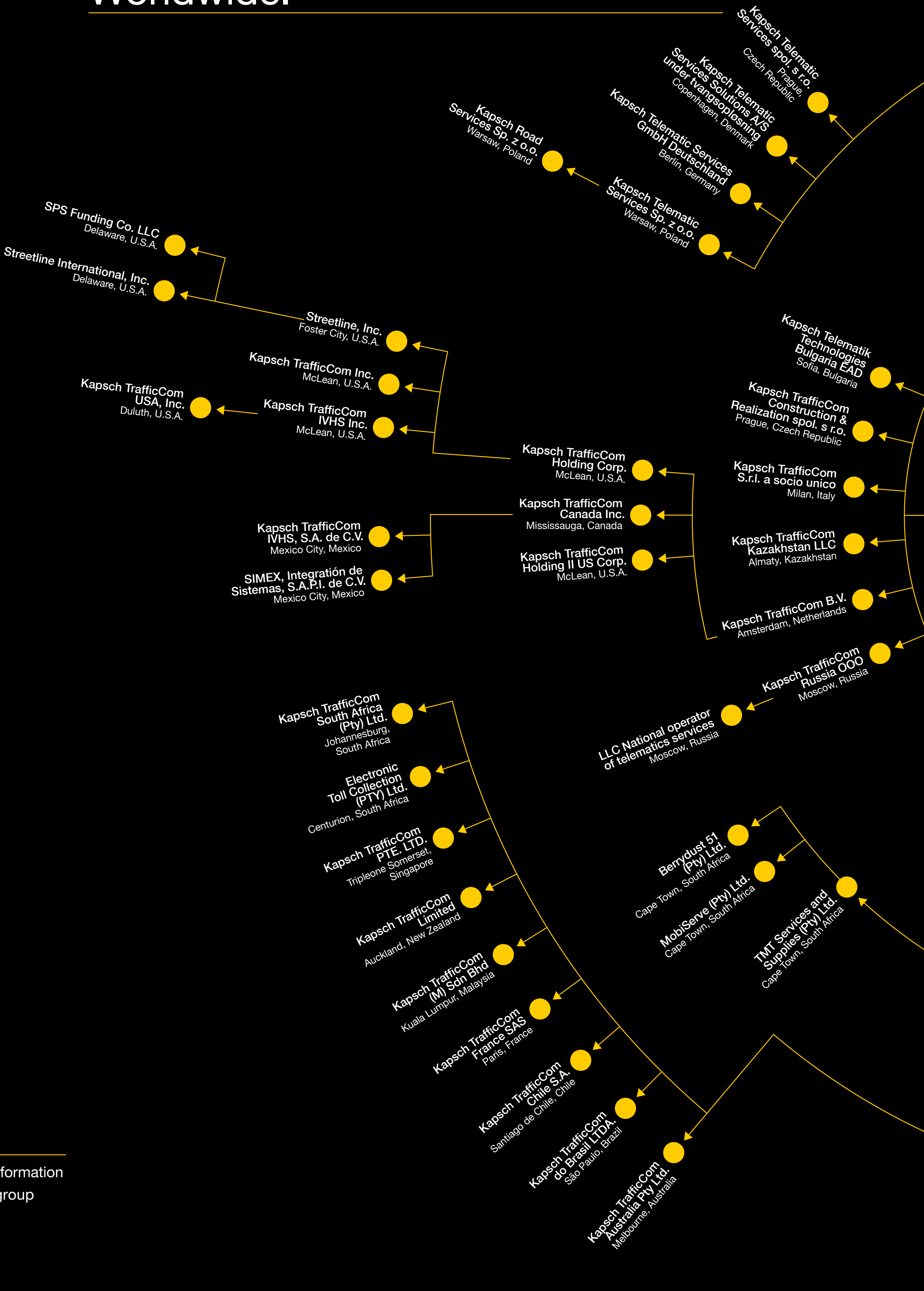
Visit **kapschsmartenergy.at** for more information about Kapsch Smart Energy.

Regulating. Sharing. Preserving.

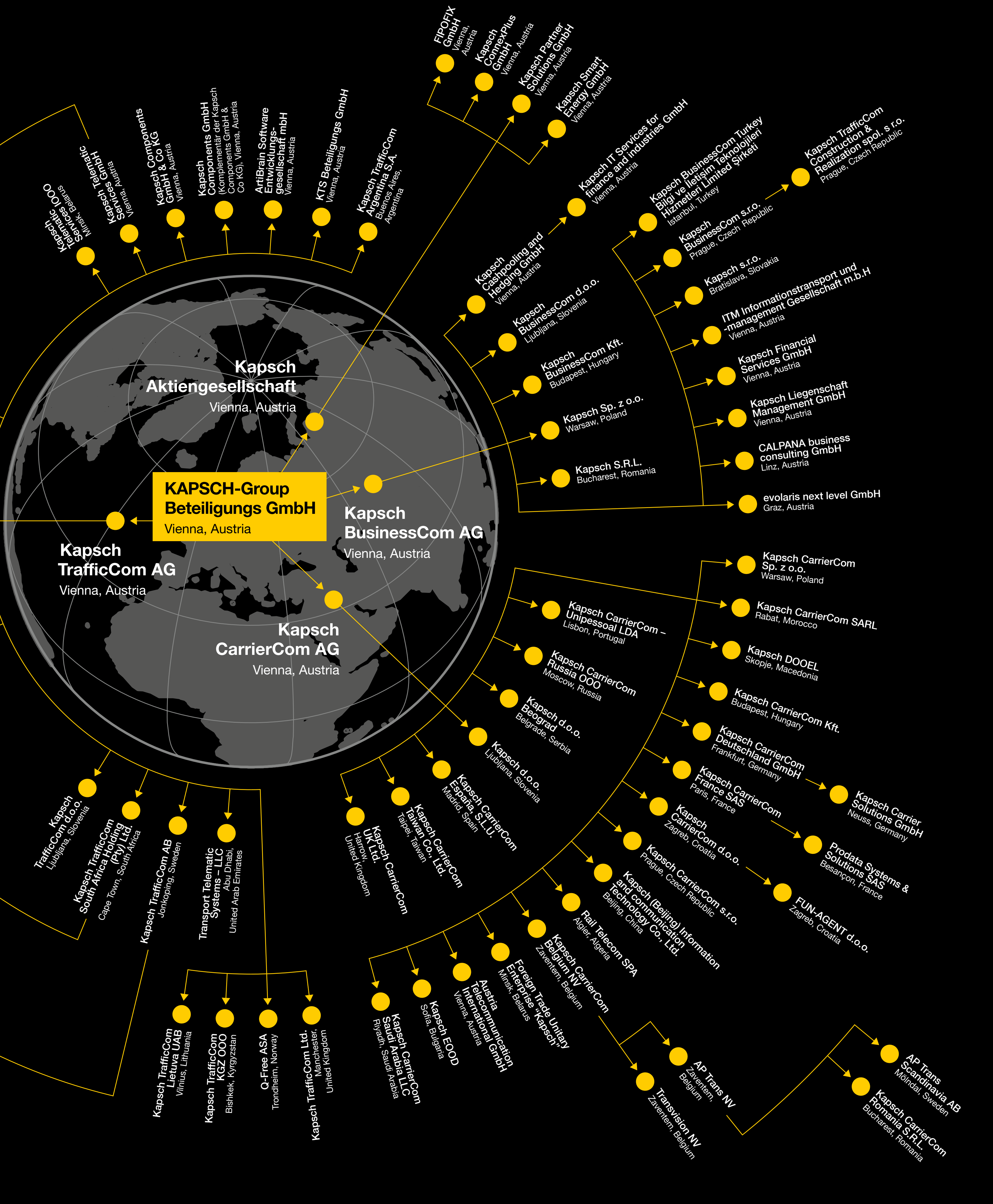
Keeping Italian cities attractive and livable: city access systems by Kapsch.

Barriers, checkpoints manned by the police and printed access permits: this is how the authorities attempted to protect city centers such as that of Bologna from descending into total traffic chaos in the 1970s. An immense effort on the part of the city administration and extremely impractical for car drivers. The call for smart solutions grew louder and louder as urbanization progressed. Kapsch TrafficCom has answered this call, implementing technology-supported access systems for numerous cities around the world. Today, these smart city access solutions reduce congestion and improve quality of life, protect historic towns and make an important contribution to funding the traffic infrastructure of modern cities. And they show that Kapsch knows how to safeguard mobility.

The Kapsch Group
Worldwide.



Page 102: Detailed information on the consolidated group can be found in the Management Report.



KAPSCH-Group Beteiligungs GmbH
Vienna, Austria
Kapsch Aktiengesellschaft
Vienna, Austria
Kapsch BusinessCom AG
Vienna, Austria
Kapsch TrafficCom AG
Vienna, Austria
Kapsch CarrierCom AG
Vienna, Austria
FIPOFIX GmbH
Vienna, Austria
Kapsch ConnexPlus GmbH
Vienna, Austria
Kapsch Partner Solutions GmbH
Vienna, Austria
Kapsch Smart Energy GmbH
Vienna, Austria
Kapsch IT Services for finance and industries GmbH
Vienna, Austria
Kapsch Cashpooling and Hedging GmbH
Vienna, Austria
Kapsch Telematic Services IOOO
Minsk, Belarus
Kapsch Telematic Services GmbH
Vienna, Austria
Kapsch Components GmbH & Co KG
Vienna, Austria
Kapsch Components GmbH
(Komplementär der Kapsch Components GmbH & Co KG), Vienna, Austria
ArtiBrain Software Entwicklungs-gesellschaft mbH
Vienna, Austria
KTS Beteiligungs GmbH
Vienna, Austria
Kapsch TrafficCom Argentina S.A.
Buenos Aires, Argentina
Kapsch BusinessCom Turkey Bilgi ve İletişim Teknolojileri Hizmetleri Limited Şirketi
Istanbul, Turkey
Kapsch TrafficCom Construction & Realization spol. s r.o.
Prague, Czech Republic
Kapsch BusinessCom s.r.o.
Prague, Czech Republic
Kapsch s.r.o.
Bratislava, Slovakia
ITM Informationstransport und -management Gesellschaft m.b.H
Vienna, Austria
Kapsch Financial Services GmbH
Vienna, Austria
Kapsch Liegenschaft Management GmbH
Vienna, Austria
CALPANA business consulting GmbH
Linz, Austria
evolaris next level GmbH
Graz, Austria
Kapsch BusinessCom d.o.o.
Ljubljana, Slovenia
Kapsch BusinessCom Kft.
Budapest, Hungary
Kapsch Sp. z o.o.
Warsaw, Poland
Kapsch S.R.L.
Bucharest, Romania
Kapsch CarrierCom Sp. z o.o.
Warsaw, Poland
Kapsch CarrierCom SARL
Rabat, Morocco
Kapsch DOOEL
Skopje, Macedonia
Kapsch CarrierCom Kft.
Budapest, Hungary
Kapsch CarrierCom Deutschland GmbH
Frankfurt, Germany
Kapsch Carrier Solutions GmbH
Neuss, Germany
Kapsch CarrierCom France SAS
Paris, France
Prodata Systems & Solutions SAS
Besançon, France
Kapsch CarrierCom d.o.o.
Zagreb, Croatia
FUN-AGENT d.o.o.
Zagreb, Croatia
Kapsch CarrierCom – Unipessoal LDA
Lisbon, Portugal
Kapsch CarrierCom Russia OOO
Moscow, Russia
Kapsch d.o.o. Beograd
Belgrade, Serbia
Kapsch d.o.o.
Ljubljana, Slovenia
Kapsch CarrierCom s.r.o.
Prague, Czech Republic
Kapsch (Beijing) Information and communication Technology Co., Ltd.
Beijing, China
Rail Telecom SPA
Algier, Algeria
Kapsch CarrierCom Belgium NV
Zaventem, Belgium
AP Trans NV
Zaventem, Belgium
Transvision NV
Zaventem, Belgium
AP Trans Scandinavia AB
Möindal, Sweden
Kapsch CarrierCom Romania S.R.L.
Bucharest, Romania
Foreign Trade Unitary Enterprise "Kapsch"
Minsk, Belarus
Austria Telecommunication International GmbH
Vienna, Austria
Kapsch EOOD
Sofia, Bulgaria
Kapsch CarrierCom Saudi Arabia LLC
Riyadh, Saudi Arabia
Kapsch CarrierCom España, S.L.U.
Madrid, Spain
Kapsch CarrierCom Taiwan Co., Ltd.
Taipei, Taiwan
Kapsch CarrierCom UK Ltd.
Harrow, United Kingdom
Kapsch TrafficCom d.o.o.
Ljubljana, Slovenia
Kapsch TrafficCom South Africa Holding (Pty) Ltd.
Cape Town, South Africa
Kapsch TrafficCom AB
Jonkoping, Sweden
Transport Telematic Systems – LLC
Abu Dhabi, United Arab Emirates
Kapsch TrafficCom Lietuva UAB
Vilnius, Lithuania
Kapsch TrafficCom KGZ OOO
Bishkek, Kyrgyzstan
Q-Free ASA
Trondheim, Norway
Kapsch TrafficCom Ltd.
Manchester, United Kingdom

Executive Board
And Supervisory Board.

The Executive Board and the Supervisory Board constitute the two-tier management and supervisory structure of the respective companies.

Interaction of the Executive Board and the Supervisory Board.

The Kapsch Group attaches particular importance to clear responsibilities and good corporate governance. For the purposes of transparency, the members of the Executive Board and Supervisory Board of Kapsch Aktiengesellschaft are presented below, together with the executive boards of all key subsidiaries of KAPSCH-Group Beteiligungs GmbH.

Given the fact that it is listed on the stock exchange, Kapsch TrafficCom publishes a detailed corporate governance report.

More information about the Corporate Governance Report of Kapsch TrafficCom can be found at **kapsch.net/ktc/investor_relations/corporate_governance**

Executive Board at Kapsch Aktiengesellschaft.

Georg Kapsch has been a member of the Executive Board of Kapsch Aktiengesellschaft since July 1989 and CEO since October 2001. Since October 2000, he has also been CEO of KAPSCH-Group Beteiligungs GmbH and he was appointed CEO of Kapsch TrafficCom AG in December 2002. Georg Kapsch, who graduated in business administration at the Vienna University of Economics and Business Administration in 1981, is General Manager of DATAX HandelsgmbH, Chairman of the Supervisory Board of Kapsch CarrierCom AG, Vice-Chairman of the Supervisory Board of Kapsch BusinessCom AG, a member of the Supervisory Board of Teufelberger Holding AG and a member of the Management Board of Wunderer, Mitterbauer and Tabor private foundations.

Since June 2012, Georg Kapsch has been President of the Federation of Austrian Industries (*Industriellenvereinigung Österreich*).

Kari Kapsch has been a member of the Executive Board of Kapsch Aktiengesellschaft since March 2001 and COO since 2002. He has also been a member of the Supervisory Board of Kapsch TrafficCom AG since June 2002 and Vice-Chairman since June 2005. Kari Kapsch has been COO of KAPSCH-Group Beteiligungs GmbH since December 2005. He has been CEO of Kapsch CarrierCom AG since April 2010. Kari Kapsch obtained his doctorate in physics at the University of Vienna in 1992.

Kari Kapsch also holds posts in various direct and indirect investments of Kapsch CarrierCom AG, Kapsch BusinessCom AG and Kapsch Aktiengesellschaft. He is a board member of Kapsch ConnexPlus GmbH and Kapsch Immobilien GmbH.

Furthermore, Kari Kapsch holds numerous functions outside the Kapsch Group and is active in several industry-related associations. He is Vice-President of the Vienna Economic Chamber, Vice-Chairman of the Professional Association Committee of the Electronics and Electrical Engineering Industry at the Austrian Economic Chamber (WKÖ), a member of the so-called Spartenkonferenz at the Austrian Economic Chamber/Industry Sector, a board member of the UAS Technikum Wien, a member of the Machinery and Metalware Industry Unit of the Austrian Economic Chamber, a member of the Machinery, Metalware and Casting Industry Unit of the Vienna Economic Chamber (WKW), a member of the Steering Committee of the

From the left:
Franz Semmernegg, Chief Financial Officer
Georg Kapsch, Chief Executive Officer
Kari Kapsch, Chief Operating Officer

Austrian Electrotechnical Association (OVE), a board member of the Railway Industry Association, a member of the JR Senate of the Christian Doppler research company, a board member of the Österreichisch Polnische Gesellschaft, a board member of the Austro-Arab Chamber of Commerce (AACC), a member of Österreichisch-Iranische Gesellschaft (OIG), a board member of Austria Telecommunication International GmbH, of Gezoge Beteiligungsverwaltungs GmbH, of KEGK Holdinggesellschaft m.b.H, of ADONARD Beteiligungs GmbH and of UKAL Handels- und Vermietungs GmbH.

Franz Semmernegg has been CFO of Kapsch Aktiengesellschaft since October 2001 and has also been CFO of KAPSCH-Group Beteiligungs GmbH since April 2005. He has also been CFO of Kapsch BusinessCom AG since March 2003 and CEO since April 2010. He has been a member of the Supervisory Board of Kapsch TrafficCom AG since June 2002 and Chairman of the Supervisory Board since June 2005. Franz Semmernegg obtained his doctorate in business administration in 1997 at Karl-Franzens-University in Graz.

Franz Semmernegg also holds posts in various direct and indirect investments of Kapsch BusinessCom AG and Kapsch Aktiengesellschaft. He is a member of the management team at Kapsch Liegenschaft Management GmbH, Kapsch Cashpooling and Hedging GmbH, Kapsch IT Services for finance and industries GmbH and a member of the advisory boards at a number of subsidiaries.

Franz Semmernegg also holds functions outside the Kapsch Group at enso GmbH, Speech Processing Solutions GmbH and INVEST AG.

Franz Semmernegg was a member of the managing board at Schrack BusinessCom AG from 1999 to September 2001. In 1998, he was responsible for the successful management buy-out of Schrack BusinessCom AG from Ericsson Austria AG. Previously, he carried out management functions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997).

Supervisory Board at Kapsch Aktiengesellschaft.

Veit Schmid-Schmidsfelden has been chairman of the Supervisory Board at Kapsch Aktiengesellschaft, KAPSCH-Group Beteiligungs GmbH and DATAX HandelsgmbH since September 2007. He is the managing director of Schmid-Schmidsfelden Beteiligungsgesellschaft mbH and the Fertinger Group. He is also the head of the Lower Austria Machinery and Metalware Industry Unit of the Austrian Economic Chamber (*WKÖ*), Deputy Head of the Industry Unit of the Austrian Economic Chamber in Lower Austria (*WKNÖ*), a board member of the Federation of Austrian Industries (*Vereinigung der österreichischen Industrie*), a board member of the Federation of Lower Austrian Industries (*Mitglied des Vorstandes der Industriellenvereinigung Niederösterreich*), a board member of the Lower Austrian Health Insurance Company (*NÖGKK*) and a member of the Supervisory Board of Austrian Airlines AG.

Christian Gassauer-Fleissner has been Vice-Chairman of the Supervisory Board of Kapsch Aktiengesellschaft, KAPSCH-Group Beteiligungs GmbH and DATAX HandelsgmbH since October 2000. He is a partner at the law firm Gassauer-Fleissner Rechtsanwälte GmbH. His advisory activities focus on providing comprehensive advice to businesses and business owners as well as their private foundations, including company law and M&A, intellectual property rights (patents and brands), the right to fair competition and general company and contract law. He is also active as an arbitrator and as a representative in national and international arbitration proceedings.

Karl-Heinz Strauss has been a member of the Supervisory Board of Kapsch Aktiengesellschaft, KAPSCH-Group Beteiligungs GmbH and DATAX HandelsgmbH since September 2007. He graduated with a degree in civil engineering before going on to study at Harvard University, the Business School in St. Gallen and completing an MBA program at IMADEC University. Until 2000, he was engaged in various positions at Raiffeisen Zentralbank – including in the area of construction and real estate. He then set up his own real estate development business, Strauss & Partner. Since September 2010, he has been CEO at and a co-owner of, PORR AG.

Elisabeth Kapsch has been a member of the supervisory boards of Kapsch Aktiengesellschaft, KAPSCH CarrierCom AG, DATAX HandelsgmbH and KAPSCH-Group Beteiligungs GmbH since September 2013. After studying business administration at the Vienna University of Economics and Business Administration and holding several leading positions at Kapsch Aktiengesellschaft, she has been General Manager of Kapsch Immobilien GmbH since 1998. As such, she has played a key role in the creation of EURO PLAZA, Vienna's most modern office park. With usable office space far exceeding 200,000 m², EURO PLAZA is already one of the largest and most successful projects of its kind. Primarily as a result of its diverse infrastructure, tailor-made range of services and, not least, its ideal location, a unique environment for business with exceptional standards has been created for numerous satisfied tenants.

Executive Board at Kapsch TrafficCom AG.

Georg Kapsch has been CEO of Kapsch TrafficCom AG since December 2002. He also holds functions in direct subsidiaries and external organizations (see page 50).

André Friedrich Laux has been a member of the Executive Board of Kapsch TrafficCom AG since 1 April 2010 and he also holds functions in some of its direct and indirect subsidiaries. He began his professional career in various sales and management positions both domestically and internationally (1988-1997) after completing a degree in business administration in Germany and England. In 1997, he became director of the German chip-maker ODS Landis & Gyr in Munich. In 2000, André Laux transferred within the group to become CEO of SKIDATA AG in Salzburg. In 2004, he took over as CEO of Winter AG in Munich.

Alexander Lewald has been a board member and CTO of Kapsch TrafficCom AG since November 2015. Following his degree in Electrical Engineering at the Munich University of Technology, Alexander Lewald worked for three years at DLR (the German Aerospace Center) in the Institute of Robotics and System Dynamics. He achieved his doctorate in the field of system dynamics of multi-axle robots at Ruhr University Bochum and continued his work on this topic at the Engineering School of Stanford University, Palo Alto, U.S.A.

Following his work at McKinsey & Company, Alexander Lewald has spent the past 15 years in management positions at Kappa IT Ventures, Gilde IT, SAP and Parametric Technology Corp., dealing particularly with the setting up of new business in the information and communication technology (ICT) industry.

Executive Board at Kapsch CarrierCom AG.

Kari Kapsch has been CEO of Kapsch CarrierCom AG since April 2010. He also holds functions in direct subsidiaries and external organizations (see page 50).

Thomas Schöpf has been a member of the Executive Board of Kapsch CarrierCom AG since 2002. His responsibilities as COO of Kapsch CarrierCom AG include sales as well as sales support and customer solution management. He studied at the Vienna University of Economics and Business Administration and in Fontainebleau, France. He started his career at the Kapsch Group as a trainee. For many years he was responsible for various projects in the fields of marketing, acquisitions and customer service.

Executive Board at Kapsch BusinessCom AG.

Franz Semmernegg has been CFO of Kapsch BusinessCom AG since March 2003 and CEO since April 2010. He also holds functions in direct subsidiaries and external organizations (see page 52).

Jochen Borenich joined the Executive Board of Kapsch BusinessCom AG on 1 September 2010. In this position, he is responsible for the areas of sales, marketing and international affairs. He graduated with a commercial degree from the Vienna University of Economics and Business Administration, collected his MBA at the University of Minnesota and has completed further courses at renowned business schools (INSEAD, Harvard, Stanford and MIT). His career path also included many years at T-Systems before joining Kapsch.

Supporting. Sharing. Cultivating.

Providing young art with a new stage: the Kapsch Contemporary Art Prize.

According to estimates, there are between 30,000 and 40,000 people active as artists in Austria. Whether author, visual or performing artist: art has a long tradition in Austria. In order to keep it this way, Kapsch launched the Kapsch Contemporary Art Prize together with the art museum mumok *(Museum moderner Kunst Stiftung Ludwig Wien)*. Young Austrian talent is thereby given the opportunity to have a solo exhibition for an international audience, as well as to win prize money of EUR 5,000. One work of art is also purchased by Kapsch for the mumok collection. After many years of supporting art and culture, the Austrian family-run company Kapsch once again demonstrates its social responsibility in a contemporary way. This is the only way that it is possible to live with and from art.

Group Management Report.

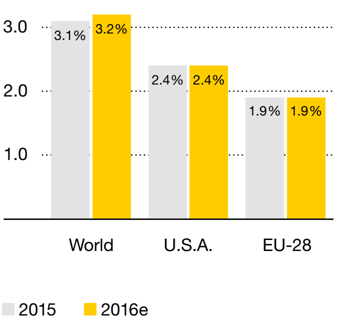
KAPSCH-Group Beteiligungs GmbH on the Consolidated Financial Statements as of 31 March 2016.

1 Economic Climate.

1.1 General economic situation

Global economy

GDP growth
(in %)



Source: IWF World Economic Outlook

Economic developments in the year 2015 lagged behind the previous year but remained robust with global economic growth of 3.1 % (2014: 3.4 %). While the developed economies gradually returned to a moderate growth path, the emerging and developing countries once again experienced low growth rates, although they were still responsible for roughly 70 % of global economic growth. In light of the weaker economic situation in 2015, global trade expanded by only 2.8 % after a growth of 3.5 % in the previous year. In 2016, however, growth in the internationally traded volume of goods and services is expected to be stronger again. The economic forecast for the coming years indicates a somewhat more dynamic development for the global economy: According to the International Monetary Fund (IMF), 2016 will see an expansion of 3.2 % and 2017 will see 3.5 %.

U.S.A.

The U.S. economy exhibited growth of 2.4 % in the year under review, identical with the previous year. At the end of 2015, the Federal Reserve (Fed) made the first direction change in the interest policy since 2006, raising the U.S. prime rate first to 0.25 % and then to 0.50 %. Due to the early announcement and generally staged "normalization" of the monetary policy, however, this hardly had any effect on the global economy. Economic optimism during the year under review was dampened by the strong dollar, which posed difficulties for the export business. Private consumption remained the main growth engine.

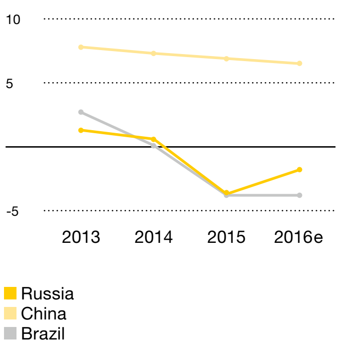
Emerging markets and developing economies

Economic growth slowed once again in the emerging and developing economies.

The emerging and developing economies experienced the lowest growth during the reporting year since the financial crisis of 2008/09 at 4.0 %. Economic development was further inhibited by the continuing low commodity, among other factors.

China's economic growth dropped below the 7 % mark in the reporting year to hit 6.9 %, the lowest value since 1990. The country is in a process of transformation from labor-intensive and export-oriented manufacturing to a more heavily technologized and service-based economy. For the coming years, a further slowdown in growth to 6.5 % in 2016 and 6.2 % in 2017 is expected. Overall, however, the situation in Asia is positive. India achieved an impressive rise in GDP of 7.3 % in 2015. The ASEAN-5 countries are seeing at least a gradual improvement in economic output. GDP growth increased from 4.6 % in the previous year to 4.7 % in 2015 and should expand still further according to the IMF.

GDP growth 2012-2016e
(in %)



Source: IWF World Economic Outlook

The Commonwealth of Independent States (CIS) continued to suffer during the reporting year from the Russia-Ukraine conflict, low oil prices and high inflation. As a consequence, economic output shrank by 2.8 %, following the moderate growth of 1.1 % achieved in 2014. The economically largest member of the CIS, Russia, was confronted with a GDP decline of 3.7 % in 2015. As in the previous year, the economic outlook was clouded by the fall in the oil price, the economic sanctions by the EU and the deterioration of the ruble.

In the region Latin America (including the Caribbean), economic output also declined in 2015, although only by a moderate 0.1 %. Larger economies in particular, such as Brazil, Venezuela and Argentina, experienced negative growth rates as a result of weak commodity prices, a decline in demand, high volatility on the financial markets and structural problems. Other economies, such as Peru, Mexico and Chile, were able to continue achieving low single-digit expansion rates.

The generally subdued economic development that prevailed during the year under review was also observed in sub-Saharan Africa and in the MENAP region (Middle East and North Africa, Afghanistan and Pakistan). A significant slowing of growth to 3.4 % (2014: 5.1 %) was registered in the countries south of the Sahara, while the MENAP region grew by only 2.5 % after achieving 2.8 % in the previous year.

Europe

In Europe, economic growth found firmer footing compared with the previous year, with the aggregated gross domestic product of the EU-28 rising by 1.9 %. The solid consumer demand was the main factor behind this development, while the willingness of companies to invest suffered from the slowing global economy. The various developments at the country level were also noteworthy. While GDP growth in the large economies of Germany (+1.7 %) and France (+1.1 %) was below the EU average, some countries, such as Ireland (+6.9 %) grew comparatively strongly. For 2016, economists expect the level of growth in Europe to remain unchanged due to difficult international conditions. However, the situation on the labor market may improve further. After unemployment in the EU-28 fell below the 10 % mark back in 2015, it hits its lowest level in seven years at 8.9 % at the start of 2016.

In the eurozone, economic growth remained lower than in the EU-28 despite a continuation of the expansive monetary policy.

Economic developments in the euro region were unable to keep up with the overall EU during 2015. Compared with 2014, the economic growth in the currency union amounted to 1.6 %. However, the predicted start of a deflationary phase was not observed in the majority of euro countries, although the target of an inflation rate just under 2 % was not achieved. The European Central Bank (ECB) therefore broadened its expansive monetary policy in the reporting year and extended the program for the purchase of government bonds and other securities until at least the end of March 2017. In addition, the prime rate was lowered to 0 % for the first time in history at the start of 2016 in order to further stimulate the real economy.

A slight improvement was observed in 2015 with regard to economic development in Central and Southeastern Europe. In comparison with the EU-28, this region continued along a path of economic recovery. The positive regional developments were overshadowed by the still precarious situation in Ukraine and Russia. The Czech Republic, Romania, Poland and the Slovak Republic nevertheless each achieved GDP rates over 3 %. In 2016, Central and Southeastern Europe should remain on a stable growth course overall.

Austria

Austria recorded GDP growth of only 0.9 % in 2015.

Austria's moderate economic recovery continued in the year under review. The gross domestic product grew in 2015 by 0.9 %. The growth contribution from foreign trade was lower than it has been in the past. In concrete terms, the nominal growth in goods exports was only 2.7 % as a result of the economic slowdown in the emerging markets and the EU sanctions against Russia. For 2016, economists nevertheless expect somewhat stronger GDP growth of 1.6 %.

1.2 Economic situation of the industry

Market for intelligent transportation systems

The segment Traffic addresses the market for intelligent transportation systems (ITS).

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

Market segmentation. The study "Intelligent Transportation Systems – A Global Strategic Business Report" from Global Industry Analysts, April 2014, describes the ITS market as a diversifying market with widely differing application and product segments. Thus, the market comprises the following three product segments:

Electronic Toll Collection (ETC) enables drivers to pay toll fees without stopping at toll stations.
Traffic Management Systems (TMS) monitor traffic, optimize signal timing and regulate the flow of traffic.
Other Intelligent Transportation Systems (OTH) comprise in particular:
- *Commercial vehicle operations (CVO)* encompassing systems for operating commercial vehicles in order to enhance freight carrier productivity and safety,
- *Public vehicle transportation management systems (PVTMS)* facilitating management of both local and long distance public transportation and
- *Advanced vehicle information systems (AVIS)* transmitting traffic-related vehicle information to travelers before or during the trip or provide navigation services.

Market volume and growth.

Global Industry Analysts estimated (April 2014) that the global volume of the ITS market would amount to USD 17.2 billion in 2015, with the expectation of further growth. The largest product segment in 2015 was Other Intelligent Transportation Systems, accounting for 38.8 % (USD 6.7 billion). Based on a worldwide volume of about USD 4.5 billion, ETC had an ITS market share of 26.0 %. The largest geographic region for ITS in 2015 was the U.S.A. at 38.2 %, followed by Europe at 30.3 %. According to the study, the ITS market will grow between 2012 and 2020 by an average of 8.7 % per year and should reach a global volume of USD 26.3 billion by 2020, of which ETC will make up USD 7.8 billion or 29.5 %. The strongest growth in all product segments is expected for ETC with annual growth of 11.5 %.

The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related segment of the ITS market. In accordance with Strategy 2020 and the effort to develop intelligent mobility solutions, vehicle- and user-related ITS will increasingly take center place. Kapsch TrafficCom also continuously observes the other developments in industry-related ITS.

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

Market situation and market drivers.

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

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

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

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

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

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

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

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

Technology

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

Intelligent mobility solutions

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

Public network operators

The segment Carrier addresses the market for public network operators, railways and public transport.

The existing UMTS networks (3G) are reaching their limits with the consistently growing volumes of mobile data traffic. Against the backdrop of this development, the LTE (4G) networks are being continuously expanded to cover all areas and public network operators continue to primarily invest in “fixed broadband” and “LTE rollouts”, with these thus also being at the center of attention of the big telecommunication suppliers and with regard to which a highly aggressive pricing policy is being pursued. In consequence, this puts a strain on system integration budgets – generally included in Kapsch’s Carrier segment – and thus also means a decline with regard to system maintenance and the support of any migration projects of customers in this segment.

Moreover, the trend towards using commercially available hardware and thus the potential generic use of virtualized server farms is on the rise. Renowned manufacturers are adjusting to this development by adapting their software to the requirements. In line with this trend, companies active in the IT sector still also see this trend as a means to enter the telecommunications market.

In spite of this difficult market environment, some trends and projects are however observable that provide a good approach to expand our revenue base with regard to existing and new customers. NFV (Network Function Virtualization) projects are, for example, frequently asked projects that are also already being partially implemented. In addition, SDN (Software Defined Networking) provides another technological approach to optimize the cost base and – in combination with big data – offers major potential as regards CEM (Customer Experience Management).

The key market players in this industry are Huawei, Nokia, Ericsson and ZTE who all also operate as system integrators. Given their corporate size, they are a threat to our business, yet there is still enough space for specific, manufacturer-independent system integration services rendered by Kapsch in our customer segment.

Kapsch is still actively addressing new network operators and offering its existing product and service portfolio to distribution system operators. Strong partnerships with established suppliers and new companies in the market are a sound basis for this strategy.

The first specific commercially viable projects have emerged in the M2M (Machine-to-Machine Communication) market. There are two reactions of network operators to the demand in this segment: They either offer special rates for machine-to-machine communication or they establish their own companies for this target market. Specific solutions tailored to the respective customer requirements in the vertical markets are critical success factors which is why this business is not really gaining momentum despite the media hype. The market for M2M applications remains fragmented. Although many studies and forecasts exist, there still is no standard application to serve as a starting point for the industry.

Railway companies

Although investments have been made in the railway environment and these investments have been adjusted to the general growth trend of public transport, it is still necessary to ensure an efficient infrastructure with the help of state-of-the-art technology (e.g. ERTMS – European Rail Traffic Management System). The prospects of suppliers in this segment are to be considered positive for the upcoming years.

Funding programs of the European Union that focus on ERTMS, defining GSM-R as an EU-wide standard, were confirmed for the 2016-2020 period. The opportunity to support and further develop this technology (which today is completely independent of GSM solutions used in public networks) for as long as required by the market also guarantees business potential in this safety-relevant market.

Today, GSM-R is used in and outside Europe and new GSM-R networks outside Europe are already operating or are about to be installed. In some markets, investments are declining over the short term due to global economic influences. This, however, will have no effect on the markets’ attractiveness over the medium term.

The European rail technology initiative Shift2Rail is a platform created for the overall promotion of research to make rail transport more attractive. Kapsch CarrierCom, as associated member, handles those topics that are of importance for the Company (adaptable communications for all railways, zero on-site testing and cyber security), thus having positioned itself favorably concerning the further development in this field.

Public transport

Public transport still plays an important role in society and several megatrends are based on the public transport’s ever growing importance. In Europe (EU-28), an estimated 60 billion trips with public means of transport are made per year, with the estimate including, for instance, local and regional busses, regional trains, subways and trams. More than 700,000 busses account for approximately 10 % of kilometers traveled in Europe per year. The economic value of public transport services in Europe is said to amount to EUR 130 to 150 billion per year, representing more than 1 % of GDP.

According to market studies, the public transport sector is currently undergoing a growth phase that will last for several years. Individual markets, however, may still be subject to temporary declines, particularly due to the political situation and local developments. The overall global market volume is estimated to grow by about 15 % per year in the coming years. The main growth drivers are urbanization, change in customer behavior (trend towards public means of transport) and growing need for public transport solutions in emerging countries, as well as the desire for sustainability.

Kapsch offers two technologies in this business area. TETRA is the most widely used technology for the implementation of communication networks for public transport, with Digital Mobile Radio (DMR) gradually gaining in competitiveness due to its low-cost deployment options. The ITCS (Intermodal Transport Control Systems) market is still considered to be diverse with some key and internationally operating participants and many smaller companies with a regional focus. With regard to AFC (Automated Fare Collection), the market increasingly demands for "smart" solutions, such as contactless cards and mobile ticketing for smartphones. However, these solutions can realistically replace paper tickets and magnetic strips only in specific regions in the foreseeable future. Regionally defined standards in some countries, predominantly in Europe, are nonetheless an obstacle for new suppliers wishing to enter the market, making the market even more attractive for already established suppliers.

ICT market

The segment Enterprise addresses the ICT-market.

The ICT market remains one of the economic drivers in Austria and even despite the rather subdued growth forecasts. While 2014 forecasts predicted the ICT market in Austria growing by approximately 3.4 % in 2015, current estimates by Pierre Audin Consultants (PAC, a company specialized in market analyses) have scaled back forecast growth to only 2 %.

Although the persistently weak Austrian economy within the EU presents a challenging situation, the Austrian ITC industry is still cautiously optimistic with regard to the next quarters, with this optimism being due to the increased demand in the digital transformation and cloud computing segments, as well as the increased need for information security.

IT departments are focusing on digitization in 2016. This focus is less about technologies or completely new topics and more about the pragmatic implementation and merging of trends of the past years according to PAC.

PAC mainly identifies two trends in digitization: First, activities for example in the field of marketing and distribution (customer experience) and, secondly, the emerging Internet of Things (IoT) with its diverse forms (such as Industry 4.0, connected cars, smart health, smart energy and smart cities). Using now mature technologies such as big data analytics, social media, mobility/connectivity and cloud computing paves the way for new products and services as well as business models, processes and value chains.

Cloud services mean more flexibility and offer greater economies of scale for companies, allowing for cost savings of 20 to 30 % in IT. PAC also identifies "mobile terminal devices" to be a great trend. Mobility is strongly connected with consumerization. In this context, appropriate security strategies have to be developed.

The ICT market will change in Austria and predominantly in the CEE countries over the next years. This will result in unusually high investments that will, in the long term, have to be distributed over the respective useful life with the help of modern financing and operating models.

With regard to software and IT services (including of hardware), higher growth rates are consistently predicted for the markets in Central and Eastern Europe, in which Kapsch is active in the segment Enterprise, in comparison to Austria. Moderate growth is predicted for the Czech Republic, Slovakia, Romania and Hungary.

2 Development of the Kapsch Group.

2.1 Overview of Group development

Revenues exceeded 1 billion Euro mark for the first time.

The Kapsch Group had a challenging and successful fiscal year 2015/16 with impressive performance and particularly with important decisions made with regard to sustained corporate success. For the first time in its corporate history, the threshold of one billion euro in revenues was exceeded. This fortunate development was even achieved with significant revenue increases in all segments and mainly without acquisition effects. In addition, all performance indicators were considerably improved in the fiscal year under review, reaching new record figures in the Group's history. In this regard, it is extremely positive that this success was made in a period when the market conditions were not ideal. The international growth strategy, pursued for years, was thus successfully continued. Furthermore, strategic steps were taken to foster growth also in the fiscal years to come.

Segments of the Kapsch Group.

The Kapsch Group operates in the following three main segments:

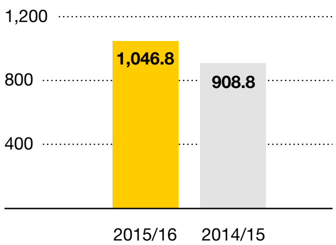
With regard to the **segment Traffic,** revenues exceeded the EUR 500 million threshold again after four years. This development was achieved on the one hand with existing major projects in Belarus and the U.S.A. and on the other hand by securing significant toll projects in the U.S.A., Chile and Australia, as well as by winning an order to further expand the toll road network in Belarus. It is also particularly noteworthy that Kapsch was commissioned both by the Dutch Rijkswaterstaat, responsible for the construction and maintenance of road infrastructure and Highways England, the English department responsible for operating and maintaining highways, to deliver the advanced traffic management system DYNAC for the cross-border program "CHARM". Moreover, Kapsch was commissioned, together with a consortium partner, to gather and evaluate traffic data in Prague, Czech Republic. In the Italian city of Prato (Tuscany), the system, installed by Kapsch TrafficCom to monitor areas where traffic has been reduced, was put into operation.

Also in the fiscal year 2015/16, an agreement was achieved with Schneider Electric SE, a company offering real-time IT solutions and intelligent traffic systems to be used in cities, on highways and in tunnels, on the acquisition of the global transportation business. This transfer enables Kapsch TrafficCom to offer an integrated combination of intelligent traffic solutions covering highways and cities to existing and future customers around the world. Reporting revenues of approximately EUR 125 million, this acquisition will help Kapsch to further expand its business volume in this segment and to strengthen the Strategy 2020 with regard to Intelligent Mobility Solutions (IMS). The transaction was completed on 1 April 2016.

The **segment Carrier** achieved a very good increase in revenues from EUR 191 million to EUR 233 million, thus continuing its positive development of the previous year. An increase in revenues of almost 50 % in railways and the further stabilization of revenues achieved with public network operators are particularly of note. It can thus be concluded that new topics have been successfully positioned, although the core business in this segment is on the decline in the same way that the general market environment is. In addition, it is very encouraging that the order intake has continued to develop favorably in the fiscal year under review, thus resulting in a persistently high order level (as of 31 March 2016, the order level stood at almost EUR 243 million). Having integrated the acquired Belgian company Prodata Mobility Systems NV in the public transport business of the Kapsch CarrierCom Group in July 2014, the Kapsch Group underpins the ongoing continuation of its global growth strategy and also strengthens its position with local public transport customers.

Kapsch was able to markedly exceed revenues of EUR 300 million in the **segment Enterprise,** proving once again that Kapsch is a reliable partner for its customers in Austria and in Central and Eastern Europe when it comes to the selection and implementation of state-of-the-art ICT solutions and all related services. Kapsch particularly excelled as an outsourcing partner in the reporting period.

Significant revenue growth in the fiscal year 2015/16
(in million EUR)



An overview of the Kapsch Group		2015/16	2014/15	Change	
Revenues	in million EUR	1,046.8	908.8	138.0	15 %
EBITDA	in million EUR	102.3	77.4	24.9	32 %
EBIT adjusted	in million EUR	72.3	43.5	28.8	66 %
EBIT	in million EUR	72.3	6.6	65.7	996 %
Total assets	in million EUR	942.3	943.7	-1.4	0 %
Equity	in million EUR	304.3	290.4	13.8	5 %
Net debt	in million EUR	-77.5	-156.6	79.1	-51 %
Capital employed	in million EUR	533.5	556.8	-23.3	-4 %
Free cash flow	in million EUR	100.1	37.3	62.8	168 %
Investments	in million EUR	23.0	31.0	-8.0	-26 %
R&D expenditure	in million EUR	98.2	88.2	10.0	11 %
Employees	as of 31 March	5,838	5,734	104	2 %

2.2 Earnings situation

In the fiscal year 2015/16, the Kapsch Group generated revenues of EUR 1,046.8 million, thus significantly exceeding the prior-year figure of EUR 908.8 million by EUR 138.0 million or 15 %. It is encouraging that all segments contributed to this growth, which shows and confirms that the Group has a sound basis to be able to utilize growth opportunities in all business areas. This positive growth is supported by the strategic development of the Kapsch Group that has been pursued for many years and has also reported healthy results in the fiscal year under review. Management still sees enormous future potential and is continuing along the same path.

When considering the development of revenues at regional level, it can be seen that the Kapsch Group once again successfully further promoted international diversity in the fiscal year 2015/16. Revenues in all reporting regions improved; thus all economic regions covered made a significant contribution to the Group's revenues, with each region contributing more than EUR 100 million per year for the first time. At 72 %, the share of revenues generated abroad was further improved.

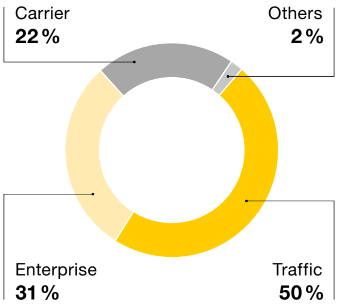
Revenues also rose in the local Austrian market by EUR 18.2 million or 7 % to EUR 294.6 million. At EUR 377.1 million, the strongest revenue growth in absolute numbers was reported (EUR +77.6 million or 26 %) in Central and Eastern Europe. This development was due to the fact that some GSM-R projects carried out in this area were settled and that also the expansion of the nationwide toll system in Belarus already contributed to revenues. With regard to the economic area of the Americas, revenues also considerably improved by EUR 25.9 million or 28 % to EUR 119.3 million. In addition to the product-related increase in the U.S.A. (EUR +17.5 million), Canada, Brazil, Mexico and particularly Puerto Rico also contributed to this positive development. Moreover, a considerable improvement on the previous year was also reported in Western Europe (increase to EUR 135.9 million by EUR +8.1 million or 6 %) due to a rise in the segment Carrier and the "CHARM" projects as well as in the rest of the world (increase to EUR 119.9 million by EUR +8.1 million or 7 %) which was mainly due to increases in Australia, Thailand and Algeria.

Revenue growth in all regions.

Revenues by region (share in revenues)		2015/16		2014/15		Change	
Austria	in million EUR	294.6	28 %	276.4	30 %	18.2	7 %
Central and Eastern Europe	in million EUR	377.1	36 %	299.5	33 %	77.6	26 %
Western Europe	in million EUR	135.9	13 %	127.7	14 %	8.1	6 %
Americas	in million EUR	119.3	11 %	93.4	10 %	25.9	28 %
Rest of the World	in million EUR	119.9	11 %	111.8	12 %	8.1	7 %
Group	in million EUR	**1,046.8**	**100 %**	**908.8**	**100 %**	**138.0**	**15 %**

Since revenues improved across all segments, the relative contributions made by the individual segments to the Group's revenues remain mainly unchanged. Traffic remains the strongest segment in terms of revenues with an increase of EUR +69.7 million or +15 % to EUR 526.1 million and a share of around 50 %. The segment Carrier succeeded to increase revenues even more strongly in terms of percentage, showing a rise to EUR 233.1 million (EUR +42.5 million or +22 %). Also the third segment, Enterprise, achieved new record figures with an increase of EUR +20.1 million or 7 % to EUR 322.0 million.

Stable segment distribution
(in % of total revenue)



Revenues by segment (share in revenues)		**2015/16**		**2014/15**		**Change**	
Traffic	in million EUR	526.1	50 %	456.4	50 %	69.7	15 %
Carrier	in million EUR	233.1	22 %	190.6	21 %	42.5	22 %
Enterprise	in million EUR	322.0	31 %	301.9	33 %	20.1	7 %
Others	in million EUR	19.8	2 %	17.4	2 %	2.4	14 %
Elimination	in million EUR	-54.3	-5 %	-57.5	-6 %	3.3	-6 %
Group	in million EUR	**1,046.8**	**100 %**	**908.8**	**100 %**	**138.0**	**15 %**

The operating performance was improved to EUR 1,068.6 million compared to the previous year (EUR +96.9 million or +10 %). The positive revenue developments are countered by a decline in other operating income (EUR -4.8 million) as well as particularly by a decline in inventories (EUR -37.6 million). Own work capitalized slightly rose on the previous year (EUR +1.3 million).

As announced in the last annual report, the results were substantially improved in the fiscal year under review. Market growth as well as internally adopted measures to increase profitability accounted for this positive development. Although Management primarily focuses on the medium-term and long-term aspects to secure sustained corporate growth and respective success, Management will of course also in the future keep an eye on the current earnings level and aims to achieve further improvements in this area.

In line with the development of revenues, also the expenses for material and purchased services rose by EUR 65.2 million or 14 % to EUR 514.8 million compared to the previous year.

Based on the assumption of the Group's sustained growth, the headcount rose once more in the fiscal year under review to now 5,838 members of staff (+104 members of staff or 2 %) despite ongoing measures to improve efficiency. Personnel expenses thus also increased by EUR 5.8 million or 2 % to EUR 310.9 million.

The increased headcount was due to the takeover of staff from our previous main supplier in connection with a major project in the segment Traffic. The number of staff in the segment Carrier basically remained unchanged and even slightly declined in the segment Enterprise.

Page 25: more information on Kapsch as an employer.

At EUR 30.1 million, depreciation, amortization and impairment more than halved in the period under review (EUR 40.7 million or -58 %). This decrease is basically due to impaired goodwill in the amount of EUR 36.9 million in the previous period. Depreciation and amortization fell on the previous year by EUR 3.8 million or 11 %.

Overall, amortization, depreciation and impairment break down as follows:

Depreciation and Amortization		2015/16	2014/15	Change	
Property, plant and equipment	in million EUR	14.2	15.1	-0.9	-6 %
Intangible assets	in million EUR	15.7	18.7	-3.0	-16 %
Investment property	in million EUR	0.2	0.2	0.1	34 %
Impairment charge	in million EUR	0.0	36.9	-36.9	-100 %
Total	in million EUR	**30.1**	**70.8**	**-40.7**	**-58 %**

Other operating expenses rose by EUR 1.0 million or 1 % to EUR 140.6 million year on year. Legal and consulting expenses, travel expenses, maintenance and rental expenses showed a particularly strong increase. In contrast, cost savings were achieved with regard to valuation allowances on receivables, events of damage, vehicle expenses, advertising expenses and communication expenses. Moreover, reorganization costs such as those incurred in the previous year were no longer incurred in the reporting period 2015/16.

The Group increased its research and development activities by another EUR +10.0 million to EUR 98.2 million, continuing to invest around 10 % of its revenues in this long-term and strategically highly important area.

Earnings figures reached a record level.

As a result, earnings before interest, taxes, depreciation and amortization (EBITDA) was considerably improved also in the reporting period by EUR 24.9 million or 32 % to now EUR 102.3 million. The EBITDA margin thus rose from 8.5 % to 9.8 %.

At EUR 72.3 million, the operating result (EBIT) too was significantly up by EUR 65.7 million or 996 % on the previous year (EUR 6.6 million). The EBIT margin rose strongly from 0.7 % to 6.9 %. This extraordinary improvement in results is, among other things, due to impaired goodwill in the amount of EUR 36.9 million in the previous year. Even by comparing the operating result of the fiscal year 2015/16 with the operating result excluding impairment (EBIT adjusted), the Kapsch Group was able to generate a significant increase of EUR 28.8 million or 66 %.

Earnings figures of the Kapsch Group		2015/16	2014/15	Change	
EBITDA	in million EUR	102.3	77.4	24.9	32 %
EBITDA margin	in %	9.8	8.5		
EBIT adjusted	in million EUR	72.3	43.5	28.8	66 %
EBIT margin adjusted	in %	6.9	4.8		
EBIT	in million EUR	72.3	6.6	65.7	996 %
EBIT margin	in %	6.9	0.7		
Profit/loss before tax	in million EUR	59.7	-12.8	72.5	-568 %
Profit/loss for the period	in million EUR	39.4	-20.8	60.2	-290 %

The financial result was also significantly improved by EUR 7.3 million or 37 % to EUR -12.6 million. This is primarily attributable to a decline in expenses with regard to other participating interests in the amount of EUR 17.0 million. (In the previous year, impairment losses in the amount of EUR 12.2 million as a result of the persistently detrimental performance of the participating interest in Q-Free ASA, Norway, resulted in reclassification from other comprehensive income to the financial result.) Positive effects in the amount of EUR 3.4 million also resulted from the disposal of securities. In contrast to this, unrealized foreign exchange losses from financing rose to EUR 9.7 million, which was particularly due to the development of the euro against the US dollar or the South African rand.

Profit before tax of EUR 59.7 million (EUR +72.5 million or +568 %) and the profit for the period of EUR 39.4 million (EUR +60.2 million or +290 %) were also well above the level of the fiscal year 2014/15 and would even have significantly exceeded the prior-year level if no impairment loss had been recorded in the previous year.

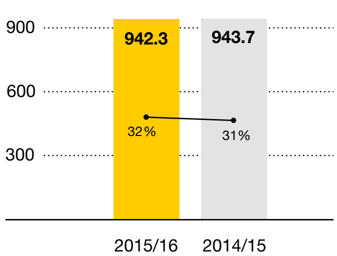
Other comprehensive income fell in the past reporting period by EUR 10.1 million or 258 % to EUR -6.2 million. This was, on the one hand, due to unrealized fair value losses of available-for-sale financial assets and, on the other, there was a positive effect in the previous year in the amount of EUR 12.2 million as a result of a necessary reclassification due to the impairment of the participating interest in Q-Free ASA. If this had not occurred in the previous period, the other comprehensive income would have been even slightly higher compared to the previous year.

Total comprehensive income rose considerably by EUR 50.1 million or 297 % to EUR 33.2 million.

2.3 Assets and liabilities

Statement of financial position figures of Kapsch Group		2015/16	2014/15	Change	
Total assets	in million EUR	942.3	943.7	-1.4	0 %
Equity	in million EUR	304.3	290.4	13.8	5 %
Equity ratio	in %	32.3	30.8		
Net debt	in million EUR	-77.5	-156.6	79.1	-51 %
Capital employed	in million EUR	533.5	556.8	-23.3	-4 %
Net working capital	in million EUR	371.2	376.1	-4.9	-1 %

Total assets (in million EUR) **remain stable, equity ratio** (in %) **increased**



Total assets of the Kapsch Group as of 31 March 2016 remained almost stable, falling slightly by EUR -1.4 million or 0 % to EUR 942.3 million.

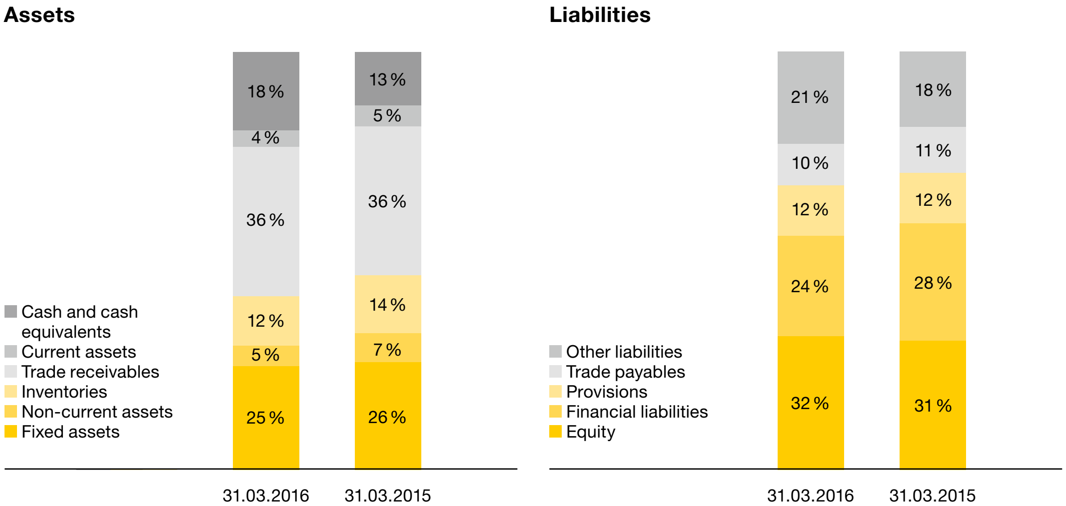
It is particularly pleasing that it was possible to achieve this stability although non-current assets dropped by EUR 31.6 million or 9 % to EUR 314.3 million. This is particularly due, on the one hand, to the fact that depreciation and amortization of property, plant and equipment and intangible assets resulted in declines. On the other hand, deliveries and services rendered in connection with a major Traffic project particularly reduced other non-current assets (EUR -7.0 million). Other non-current financial assets and participating interests also declined (EUR -4.7 million) mainly due to changes in the fair value of the participating interest in Q-Free ASA, Norway, as well as due to deferred tax assets (EUR -8.2 million) that mainly result from the utilization of capitalized loss carry-forwards.

In contrast, current assets rose by EUR 30.2 million or 5 % to EUR 628.0 million. This development is due to the rise in cash on hand and at banks (EUR +46.6 million) which more than compensated the decline in inventories of EUR 16.0 million. At EUR 334.8 million, receivables almost retained their high prior-year level. However, other current assets experienced a considerable drop (EUR -5.2 million) as a result of the disposal of securities.

The positive total comprehensive income resulted in a rise in equity to EUR 304.3 million (EUR +13.8 million or +5 %) despite dividend payments made to shareholders in the amount of EUR 3.0 million as well as EUR 9.1 million to non-controlling interests. This in turn increased the equity ratio to 32.3 %, highlighting the stable and healthy financial situation of the Group.

Non-current liabilities rose slightly on the previous year to EUR 271.5 million (EUR +4.7 million or 2 %). This is, on the one hand, due to the Group having been able to enter into long-term agreements for part of its financial liabilities (EUR +8.0 million). On the other hand, however, non-current liabilities arising from finance leases (EUR -0.5 million), employee benefit obligations (EUR -0.8 million), non-current provisions (EUR -0.4 million) as well as deferred tax liabilities (EUR -0.2 million) fell slightly.

Structure of the balance sheet.



Current liabilities were reduced to EUR 366.6 million (EUR -19.9 million or -5 %), owing to a decline in trade payables (EUR 11.4 million) and particularly to repayments of current financial liabilities (EUR -45.2 million). An increase was reported with regard to other current liabilities and deferred income (EUR +27.2 million) as well as with current provisions (EUR +8.3 million).

Net debt was massively reduced.

Net debt improved significantly on the previous year by EUR 79.1 million or 51 % to EUR 77.5 million. At EUR 533.5 million, the capital employed was below the prior-year figure by EUR 23.3 million or 4 %.

The net working capital was below the prior-year figure by EUR 4.9 million or 1 %, standing at EUR 371.2 million.

2.4 Cash flow

The liquidity situation of the Group improved in the reporting period.

Clearly positive free cash flow.

Cash flow of Kapsch Group		2015/16	2014/15	Change	
Cash flow from operating activities	in million EUR	118.9	59.3	59.6	101 %
Cash flow from investing activities	in million EUR	-11.4	-36.9	25.5	-69 %
Cash flow from financing activities	in million EUR	-55.8	2.9	-58.7	<-500 %
Total	in million EUR	**51.8**	**25.3**	**26.5**	**105 %**

At EUR 118.9 million, the cash flow from operating activities doubled compared to the previous year (EUR +59.6 million or +101 %). This shows that the existing business in all segments led to positive cash flows and that hardly any major projects required advance payments. The free cash flow thus rose from EUR 37.3 million to EUR 100.1 million (EUR +62.8 million or +168 %).

The cash flow from investment activities stood at EUR -11.4 million, down on the previous year by EUR 25.5 million or 69 %. This is particularly attributable to the fact that the fiscal year under review saw no significant acquisitions (in the previous year, the segment Carrier reported the acquisition of Prodata Mobility Systems NV, Belgium).

The cash flow from financing activities amounted to EUR -55.8 million and thus was well below the prior year by EUR 58.7 million. This is particularly due to the decrease in financial liabilities (EUR -37.2 million), with this change consisting of prepayments in the amount of EUR -75.3 million as well as an increase in liabilities in the amount of EUR 39.4 million. The cash flow from financing activities also shows the dividend payments totaling EUR 12.1 million, of which EUR 3.0 million of dividends was paid to the Company's shareholders and EUR 9.1 million to non-controlling interests.

Further substantial increase in cash and cash equivalents.

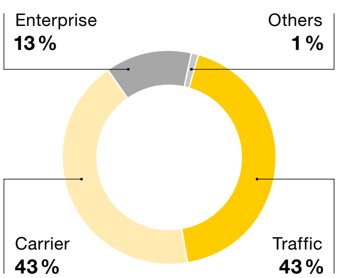
Cash and cash equivalents at the end of the reporting period stood at EUR 167.3 million, well up on the previous year by EUR 46.6 million or 39 % in spite of the considerable reduction in financial liabilities.

2.5 Investments

Investments in property, plant and equipment and intangible assets amounted to EUR 23.0 million in the fiscal year 2015/16 and thus were below the prior-year figure by EUR 8.0 million or 26 %. In addition, fixed assets rose by EUR 1.3 million in connection with company acquisitions. In total, however, fixed assets fell to EUR 231.2 million (EUR -11.7 million or -5 %) due to amortization and depreciation as well as due to disposals of fixed assets.

Investments of the Kapsch Group	Property, plant and equipment	Intangible assets	Investment property	2015/16	2014/15
Carrying amount as of 31 March of prior year	**64.2**	**174.5**	**4.2**	**242.9**	**264.6**
Addition resulting from company acquisition	1.3	0.0	0.0	1.3	24.9
Investments (additions)	12.6	10.4	0.0	23.0	31.0
Divestments (disposals)	-3.0	-1.6	0.0	-4.6	-9.2
Depreciation/amortization	-14.2	-15.7	-0.2	-30.1	-33.9
Impairment charge	0.0	0.0	0.0	0.0	-36.9
Currency translation differences	-1.1	-0.1	0.0	-1.2	2.4
Reclassifications	0.0	0.0	0.0	0.0	0.0
Carrying amount as of 31 March of fiscal year	**59.8**	**167.5**	**3.9**	**231.2**	**242.9**

Investments 2015/16 by segments



Breaking investments down by segment shows that the majority of investments (43 % each) was attributable to the two segments Traffic (EUR 10.0 million) and Carrier (EUR 9.8 million). The major part of investments in the segment Carrier was spent on research and development for public transport. The remaining 13 % of investments were made in the segment Enterprise (EUR 3.1 million).

3 Business Segments.

The Kapsch Group operates in the following four main segments:
- Segment Traffic
- Segment Carrier
- Segment Enterprise
- Segment Others

3.1 Segment Traffic

This segment is represented by Kapsch TrafficCom AG as well as all direct and indirect subsidiary companies (subgroup Traffic). KAPSCH-Group Beteiligungs GmbH owns a 63.3 % stake in this company.

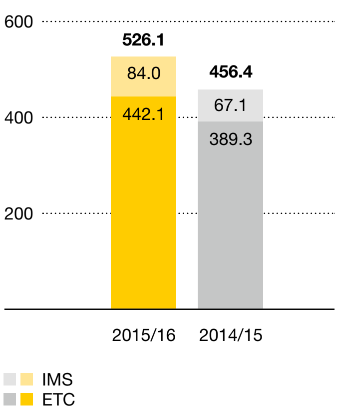
New business divisions in the segment Traffic.

In the segment Traffic, the Group offers worldwide integral technologies, solutions and services for the intelligent transportation systems (ITS) market. With the adaptations to the strategy and structure of the Kapsch TrafficCom Group in the fiscal year 2015/16, the segment Traffic is divided into the following two divisions:

- **Electronic Toll Collection (ETC)**
  The area Electronic Toll Collection (ETC) reflects projects for the installation, maintenance and operation of systems for electronic collection of tolls without stopping at a toll station as well as manual toll systems. These are generally projects awarded based on invitations to tender by public agencies or private concessionaires. The systems cover either individual road sections or nationwide road networks. After installation, additional deliveries of components frequently take place for the expansion or adaptation of the systems.

- **Intelligent Mobility Solutions (IMS)**
  The division Intelligent Mobility Solutions (IMS) reflects projects for the installation, maintenance and 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 are also assigned to this segment as are systems and services for operational monitoring of public transportation and environmental installations.

Significant increases in both areas
(in million EUR)



Within both divisions, a differentiation is made between projects for installation (Design & Build), projects for technical and commercial operation of the systems, including maintenance (Operations) and deliveries of components (Components). Components encompass the three product families of on-board units and transponders, transceivers and readers as well as cameras and sensors.

In the fiscal year 2015/16, the Kapsch Group achieved revenues of EUR 526.1 million in the segment Traffic, thus reporting an increase of EUR 69.7 million or 15 % year on year. It is encouraging that this revenue growth was reported in both segments, meaning that revenues were still distributed evenly between both segments (84 % Electronic Toll Collection (ETC) and 16 % Intelligent Mobility Solutions (IMS)).

Segment Traffic revenues by area		2015/16	2014/15	Change	
ETC	in million EUR	442.1	389.3	52.9	14 %
IMS	in million EUR	84.0	67.1	16.8	25 %
Segment Traffic total	in million EUR	**526.1**	**456.4**	**69.7**	**15 %**

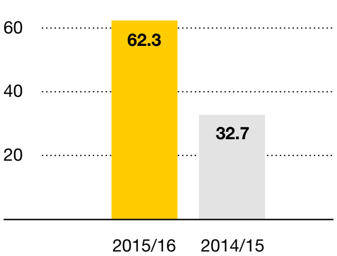
The effects of Program 2020 can be seen in the improved profit and particularly in the new strategy.

Revenues rose by 13.6 % from EUR 389.3 million to EUR 442.1 million in ETC, with the respective nationwide operations projects in the Czech Republic, Poland, Belarus and South Africa representing the largest share. This enabled the Group to overcompensate also declines in revenues as a result of fewer maintenance orders for operations projects in Chile and Australia. With regard to implementation projects, the further expansion of the truck toll system in Belarus, the managed lane systems in Texas and New York (for the York State Thruway Authority), U.S.A., as well as the project to implement an electronic toll system in Sydney, Australia (WestConnex; newly gained project in the previous year) contributed significantly to the rising revenues. Moreover, the year-on-year increase in on-board units sold in France, the Czech Republic, the Americas, Thailand and Australia significantly propelled component revenues. On the other hand, however, revenues declined in Chile in the period under review. Overall, 9.5 million on-board units (previous year: 7.4 million on-board units) were sold in the fiscal year under review.

In the fiscal year 2015/16, revenues rose by 25.1 % from EUR 67.1 million to EUR 84.0 million in the IMS segment. The implementation projects awarded to the Group in the previous year contributed significantly to the increase in revenues, such as the project concerning the expansion of the traffic management system in the Czech capital Prague and the cross-border program “CHARM” (in the course of which the advanced traffic management system DYNAC is being implemented in England as well as in the Netherlands). In other countries, revenues significantly lagged behind the prior-year figures due to the advanced stage of completion of many projects. With regard to operations projects, the traffic management systems in South Africa, the Czech Republic, as well as projects from the newly acquired company Streetline, Inc., U.S.A., and newly commissioned maintenance projects contributed significantly to revenues. Revenues generated from operating traffic monitoring systems in Australia and New Zealand remained stable compared to the previous year. Production and delivery concerning GSM-R projects of Kapsch CarrierCom, however, declined on the previous year in the field of components. In turn, component revenues increased as a result of the sale of on-board units used to monitor commercial vehicles in the U.S.A.

At about 50 %, the CEE region continued to report the largest share of total revenues in the fiscal year 2015/16, rising by EUR 29.8 million or 15 % to EUR 223.5 million. This development is mainly attributable to Phase 3 in Belarus as well as the increased revenues in the Czech Republic. Revenues in Western Europe rose by EUR 3.2 million or 8 % to EUR 43.5 million, particularly owing to the “CHARM” projects. In the Americas, revenues rose considerably by EUR 25.6 million or +28 % to EUR 118.2 million, with the increase being particularly due to the projects taken over in the previous year from KTC USA, Inc., as well as the progress made in the implementation of the project carried out for the New York State Thruway Authority. The expansion projects in Chile also contributed to the positive revenue development. With regard to the rest of the world, revenues rose by EUR 9.4 million or +10 % to EUR 101.0 million. Drivers of this growth were in particular higher revenues in Australia and the sale of components to Thailand.

EBIT increases by 90.4 %
(in million EUR)



Earnings before interest, taxes, depreciation and amortization (EBITDA) significantly improved also in the fiscal year under review to EUR 76.9 million, up EUR +15.4 million or +25 % on the previous period. This is particularly due to a considerable decline in personnel expenses in relation to revenues compared to the previous period. This development was particularly due to the profitability-increasing measures of the “Top Fit” project, which led to the planned cost savings at the European parent companies. The increase in overall personnel expenses on the previous period is particularly due to the further expansion of the Polish operating company and the acquisition of Streetline, Inc., U.S.A. At EUR 99.6 million, other operating expenses also rose in proportion to revenues only to a moderate extent. The EBITDA margin of 14.6 % thus exceeded the previous period (2014/15: 13.5 %).

The operating result (EBIT) of the Kapsch TrafficCom Group stood at EUR 62.3 million and almost doubled on the prior year (+90 % or EUR +29.6 million). The EBIT margin rose to 11.9 % (previous year: 7.2 %) and thus exceeded expectations.

Even when comparing the operating result with the operating result adjusted for the impairment of goodwill (EBIT adjusted) of the previous year, the operating result considerably improved on the previous year by EUR +17.3 million or +38 % to EUR 62.3 million. At 11.9 %, the adjusted EBIT margin was also well above the previous year (9.9 %).

The financial result also improved considerably compared with the previous year.

The financial result improved as well, rising from EUR -13.1 million in the fiscal year 2014/15 to EUR -7.6 million because no major impairment losses were reported in the fiscal year 2015/16 unlike in the previous period. Unrealized foreign exchange gains or losses resulting from the translation of intra-group funding of subsidiaries in South Africa by the parent company, however, exerted a stronger influence on the financial result compared to the previous year.

Profit before tax thus rose considerably by EUR 34.9 million or 175 % to EUR 54.8 million (previous year: EUR 19.9 million).

The profit for the period also more than trebled, up by EUR 25.1 million or 220 % to EUR 36.5 million (previous period: EUR 11.4 million).

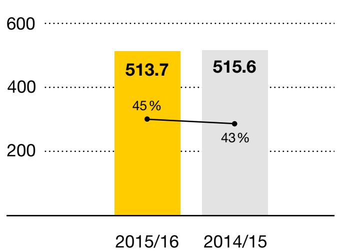
Segment Traffic earnings figures		**2015/16**	**2014/15**	**Change**	
EBITDA	in million EUR	76.9	61.5	15.4	25 %
EBITDA margin	in %	14.6	13.5		
EBIT adjusted	in million EUR	62.3	45.1	17.3	38 %
EBIT margin adjusted	in %	11.9	9.9		
EBIT	in million EUR	62.3	32.7	29.6	90 %
EBIT margin	in %	11.9	7.2		
Profit before tax	in million EUR	54.8	19.9	34.9	175 %
Profit for the period	in million EUR	36.5	11.4	25.1	220 %

In the fiscal year 2015/16, total assets remained almost unchanged on the previous year in the segment Traffic, standing at EUR 513.7 million (EUR -1.9 million or -0 %).

Notable increase in liquid funds in the segment Traffic.

With regard to the **assets side** of the statement of financial position, in addition to the increase in cash and cash equivalents (EUR +44.0 million) a further significant change was reported with regard to inventories which fell by EUR 11.9 million to EUR 35.8 million as of 31 March 2016. This change is mainly due to storage optimization and clearance in the fiscal year. In this context, it is particularly of note that inventories in Austria, Poland, the Czech Republic and Belarus were reduced.

Equity ratio again increased in the segment Traffic



Other non-current assets fell by EUR 9.3 million. This is mainly the result of the contractually agreed repayments regarding the Belarusian implementation project over a period of 36 months (starting as of August 2013) and the related reclassification to current trade receivables. Intangible assets declined by EUR 6.3 million, with the major part of this amount relating to amortization. Trade receivables and other current assets fell in total by EUR 5.9 million, with trade payables being down by EUR 21.3 million due to fluctuations at the reporting date. In contrast, receivables from construction contracts rose by EUR 14.4 million compared to the previous year.

Other current financial assets dropped by EUR 5.2 million to EUR 0.1 million due to the disposal of co-ownership shares (ESPA Cash Asset-Backed).

Equity thus also rose by EUR 11.3 million or 5 % to EUR 230.7 million. The equity ratio was significantly improved to 44.9 %.

On the **liabilities side** of the statement of financial position, the most significant change was reported for financial liabilities that fell by EUR 30.9 million or 22 % to EUR 107.1 million. This reduction is due to the partial redemption of the corporate bond of EUR 4.2 million and particularly to the repayment of funding of EUR 20.3 million for the implementation of the nationwide electronic truck toll system in Belarus. In this context, the presentation of the funding for the Belarusian project changed as well from non-current to current as result of its term, meaning that EUR 14.5 million are recognized under current financial liabilities as of 31 March 2016 that were reported as non-current in the fiscal year 2014/15. The non-current financial liabilities declined by EUR 3.3 million to EUR 85.7 million. In line with the increased level of cash and cash equivalents, net debt changed into net assets of EUR 33.8 million (2014/15: net debt of EUR 35.9 million). The net working capital also fell to EUR 183.7 million (EUR -26.2 million or 12 %).

Other current liabilities and deferred income stood at EUR 79.3 million as of 31 March 2016 and were thus up on the previous year by EUR 13.8 million (previous year: EUR 65.5 million). This is mainly due to an obligation in the amount of EUR 6.2 million borne by TMT Services and Supplies (Pty) Ltd., South Africa, vis-à-vis the non-controlling interests. In addition, the current liabilities to employees rose by EUR 3.3 million and liabilities from construction contracts increased by EUR 2.6 million on the previous year. Trade payables amount to EUR 52.0 million, thus remaining stable compared to the previous year (EUR 48.4 million) and the business volume.

In addition to the assets of the subgroup Traffic, goodwill is also allocated to the same segment from KAPSCH-Group Beteiligungs GmbH in the amount of EUR 37.7 million. In the course of an impairment test carried out, no need for impairment was established with regard to this goodwill.

Other key figures for the segment Traffic		**2015/16**	**2014/15**	**Change**	
Total assets	in million EUR	513.7	515.6	-1.9	0 %
Equity	in million EUR	230.7	219.4	11.3	5 %
Equity ratio	in %	44.9	42.5		
Net debt (-) / net assets (+)	in million EUR	33.8	-35.9	69.7	-194 %
Capital employed	in million EUR	337.7	357.3	-19.6	-5 %
Net working capital	in million EUR	183.7	209.9	-26.2	-12 %
Free cash flow	in million EUR	90.7	68.2	22.5	33 %
Investments	in million EUR	10.0	8.4	1.6	19 %
R&D expenditure	in million EUR	56.6	49.0	7.6	15 %
Employees	as of 31 March	3,716	3,545	171	5 %

Clearly positive cash flow from operating activities in the segment Traffic.

The cash flow from operating activities amounted to EUR 97.9 million (previous year: EUR 75.2 million). This increase is due to the decline in non-current and current receivables and assets as well as to the sound operating result. This was offset by the decline in non-current assets. While the cash flow from investing activities improved to EUR +0.6 million (previous year: EUR -7.4 million) as a result of the disposal of securities and the cash inflow from the acquisition of the shares in Streetline, Inc., U.S.A., the cash flow from financing activities however amounted to EUR -49.6 million due to the payment of dividends and particularly to the repayment of financial liabilities. The total cash flow improved from EUR 35.9 million to EUR 48.9 million. This led to an extremely positive development in terms of the free cash flow, which amounted to EUR 90.7 million (previous period: EUR 68.2 million).

As of 31 March 2016, cash and cash equivalents reached record levels in the segment Traffic, standing at EUR 140.8 million (31 March 2015: EUR 96.8 million). The decrease in non-current financial liabilities and the increase in cash and cash equivalents as of 31 March 2016 led to a net asset amounting to EUR 33.8 million compared to a net debt at the end of the previous year (2014/15: EUR -35.9 million).

Segment Traffic cash flow		2015/16	2014/15	Change	
Cash flow from operating activities	in million EUR	97.9	75.2	22.7	30 %
Cash flow from investing activities	in million EUR	0.6	-7.4	8.0	-108 %
Cash flow from financing activities	in million EUR	-49.6	-31.9	-17.7	55 %
Total	in million EUR	**48.9**	**35.9**	**13.0**	**36 %**

At EUR 10.0 million, investments in the segment Traffic exceeded the prior-year figure of EUR 8.4 million.

Expenses for research and development amounted to EUR 56.6 million. This means an increase of EUR 7.6 million and shows that investments continue to be fully maintained in this area that is key for the Company's future. Expenses for research and development represent approximately 11 % of revenues.

The number of people employed in the segment Traffic saw another substantial increase of 171 employees or 5 % to 3,716 employees as of 31 March 2016.

3.2 Segment Carrier

Representatives of this segment are Kapsch CarrierCom AG, Vienna and all direct and indirect subsidiary companies (subgroup Carrier). KAPSCH-Group Beteiligungs GmbH holds 100 % of the shares in Kapsch CarrierCom AG.

With regard to the segment Carrier, Kapsch is a leading and globally operating manufacturer, supplier and system integrator of public traffic and telecommunication solutions. The Company offers innovative security-relevant complete solutions – critical for success and business – to railway operators, local public transportation companies, carriers and distribution system operators. Kapsch is a reliable partner to its customers who benefit from the extensive service portfolio and direct 24 hours customer service. The Kapsch CarrierCom Group counts among the key know-how holders in its markets given the innovative power bundled in its nine research and development centers in Europe and Asia as well as due to its strategic partnerships.

In July 2014, Kapsch acquired Prodata Mobility Systems NV, a division of Prodata Technology Group with its headquarters in Zaventem, Belgium and has been making good progress with its integration in the public transport sector. This integration enables Kapsch to offer end-to-end solutions in this segment to local public transport operators. Customers are offered an integrated portfolio of applications and services with regard to Automated Fare Collection (AFC) systems and Intermodal Transport Control Systems (ITCS). The generally strong revenue growth in this segment (+22 %) compared to the previous year, which is particularly due to the successful railways projects, shows that Kapsch is able to successfully implement projects even in the current integration phase and in a consistently challenging international market environment.

The segment Carrier operates in the divisions Carriers, Railways and Public Transport.

The segment Carrier is divided into the following three areas:

▸ **Carriers (CRS)**
With regard to Carriers, Kapsch does not only support its long-standing customers (customer segment public network operators) but also to an increasing extent new customers with a view to continuously optimizing and further developing their systems and networks. Kapsch particularly addresses customers in Austria, Germany, Central and Eastern Europe, France, Belgium and Taiwan in this area. Among the customers in this area are companies of the Telekom Austria Group, eircom (Ireland), Électricité de France (France), Chunghwa Telecom (Taiwan), BICS (Belgacom International Carrier Services, Belgium) as well as a continuously growing number of operators of proprietary communications networks in Germany, supported by Kapsch Carrier Solutions GmbH, Germany.

▸ Railways (RLW)

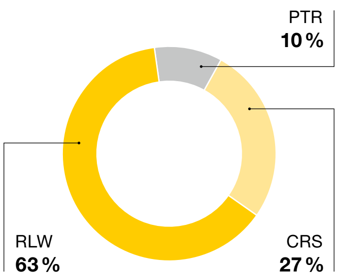
In the railways area, Kapsch has been developing, producing, installing and supporting Railway Dedicated Networks (RDN) for almost 20 years, using the GSM-R standard. As the leader in this industry, we deliver telecommunications solutions for around 80,000 kilometers of railway tracks in Europe, Africa and Asia. Kapsch's end-to-end solutions cover the entire range of requirements with respect to voice and data communication. The existing expertise and the commitment to support its solutions even over a longer period of time underpin Kapsch's position as a strategic partner to major national railway companies.

As an associated member in the European rail technology initiative Shift2Rail, Kapsch has also created an excellent position for the shift in technology expected in the years after 2020.

▸ Public Transport (PTR)

Investments made in the partnership with regard to TETRA and the distribution activities to establish the business field of public transport, which is of strategic importance for Kapsch, show initial signs of success. In the reporting period, Kapsch was able to further integrate Prodata Mobility Systems NV, Belgium, and its subsidiary companies, thus expanding its portfolio and positioning Kapsch on the ITS market (Intelligent Transportation Systems). While solutions for individual transport are offered in the segment Traffic, Kapsch focuses on local public transport solutions in the segment Carrier. With regard to AFC solutions, public traffic sector customers can choose from a broad range of distribution channels, covering integrated and independent POS solutions and ticketing machines, as well as online solutions and mobile platforms. State-of-the-art ITCS solutions enable operators to locate vehicles in real time and to monitor the operating procedure. The extensive possibilities to evaluate data from operating procedures serve as the basis to improve operating efficiency and performance.

Significant revenue increase in the fiscal year 2015/16 in the sector Railways



Segment revenues increased by EUR 42.5 million or 22 % to EUR 233.1 million in the fiscal year 2015/16. Breaking revenues down by area shows that the railways area is responsible for this positive development. Revenues remained almost at prior-year levels in the areas public transport and carriers.

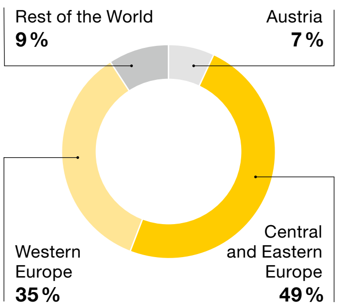
Segment Carrier revenues by area		2015/16	2014/15	Change	
RLW	in million EUR	147.4	103.8	43.6	42 %
PTR	in million EUR	23.4	23.3	0.2	1 %
CRS	in million EUR	62.3	63.6	-1.3	-2 %
Segment Carrier total	in million EUR	**233.1**	**190.6**	**42.5**	**22 %**

At EUR 147.4 million, revenues in the railways (RLW) area were well up on the previous year by 42 %. The main drivers of this development were successful projects in the entire CEE region that – due to the financial support of the European Union – reported a surge in investments. This further strengthens the position of RLW as the strongest part of this segment in terms of revenues. Important projects were won and implemented or still are in the implementation phase, for example in the Czech Republic, Slovakia, Hungary, Poland, Slovenia, Great Britain, Bulgaria, Romania, Saudi Arabia, Algeria, China, Turkey, France and Germany. The order intake and the order levels also continued their positive development. In the coming years, the focus will remain on the Central and Eastern European, North African, Arab and Asian markets. In addition, Kapsch expects a further expansion and necessary renewals of the GSM-R networks in many Western European countries.

In the fiscal year 2015/16, public transport (PTR) reported revenues of EUR 23.4 million, meaning that this area generally lagged behind the expected figures. On the one hand, this is due to further investments that had to be made with regard to the area's distribution capacity and, on the other, to the still ongoing integration phase. Both issues are being closely monitored by Management on an ongoing basis.

CRS was able to stabilize revenues after significant drops in previous years and reported EUR 62.3 million in the fiscal year under review. Kapsch remains a well-established company in the service industry with existing customers who, among other things, appreciate the competence and reliable support provided by Kapsch. The Company is also increasingly successful in acquiring new customers and also addressing new fields of solutions. Another positive development that is worth mentioning is the persistently strong business development of Kapsch Carrier Solutions GmbH, Germany. The key markets for public operating network operators are Austria, France, Central and Eastern Europe, Taiwan and Belgium.

Revenues by region in the segment Carrier 2015/16
(as % of total revenue)



Broken down to the regional level, segment revenues developed as follows: EUR 16.6 million (EUR -5.2 million or -24 %) in Austria, EUR 114.3 million (EUR +52.1 million or +84 %) in Central and Eastern Europe, EUR 82.0 million (EUR -3.7 million or -4 %) in Western Europe and EUR 20.2 million (EUR -0.7 million or -4 %) in the rest of the world. The strongest countries in terms of revenues are the Czech Republic, Germany, France, Austria, Slovenia, Hungary and Great Britain.

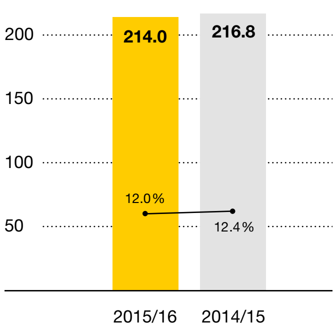
Earnings before interest, taxes, depreciation and amortization stood at EUR 10.1 million (EUR +3.0 million or +42 %) in the fiscal year under review, thus again representing a significant increase after having declined in the fiscal year 2014/15. The EBITDA margin, however, hardly improved compared to the previous year (3.8 %), standing at merely 4.4 %. Although the recent business was profitable, this development is due to provisions made for expected losses from a railways project in Hungary, slow project realization and relating additional costs arising from a project with a major Belgian public transport customer.

The operating result (EBIT) amounted to EUR +0.7 million and turned positive again in the fiscal year 2015/16 after a loss in the previous year (EUR -7.3 million). Besides the positive effects with regard to the operating result, attention has to be drawn to the fact that the prior-year figure also included impairment of goodwill in the amount of EUR 2.1 million.

Loss before tax (EUR -1.9 million) and the loss for the period (EUR -0.6 million) were still negative, but also improved significantly on the previous year.

Segment Carrier earnings figures		2015/16	2014/15	Change	
EBITDA	in million EUR	10.1	7.2	3.0	42 %
EBITDA margin	in %	4.4	3.8		
EBIT adjusted	in million EUR	0.7	-5.2	5.9	114 %
EBIT margin adjusted	in %	0.3	-2.7		
EBIT	in million EUR	0.7	-7.3	8.0	110 %
EBIT margin	in %	0.3	-3.8		
Loss before tax	in million EUR	-1.9	-11.2	9.3	83 %
Loss for the period	in million EUR	-0.6	-10.8	10.2	95 %

Stabilization of total assets and equity ratio in the segment Carrier



Stronger revenue development in the public transport area, continued strong revenues in the railways area and stable revenues in the carriers area are expected in the next fiscal year. Overall, this is expected to continue to lead to a positive development with regard to revenues, with the satisfactory order levels underpinning these expectations.

Taking all this into account, the Carrier subgroup thus shows a stable balance sheet. Total assets again slightly fell to EUR 214.0 million (EUR -2.8 million or -1 %) in the fiscal year 2015/16, after having experienced a strong improvement in the previous year. This decline is due to a drop in current assets and slightly increasing non-current assets because development costs in the public transport area are still being capitalized. At EUR 9.4 million, cash on hand and at banks remained at the prior-year level.

The financial liabilities remained at the prior-year level (EUR 62.7 million) in spite of ongoing investments. Trade payables fell on the previous year, standing at EUR 27.0 million (EUR -8.4 million). Inventories and receivables experienced a decline. Other current liabilities and current provisions rose, which is basically due to provisions made for follow-up costs with regard to projects particularly in the railways area.

Other key figures for the segment Carrier		**2015/16**	**2014/15**	**Change**	
Total assets	in million EUR	214.0	216.8	-2.8	-1 %
Equity	in million EUR	25.7	26.9	-1.3	-5 %
Equity ratio	in %	12.0	12.4		
Net debt (-) / net assets (+)	in million EUR	-53.3	-54.1	0.8	-1 %
Capital employed	in million EUR	88.4	90.2	-1.9	-2 %
Net working capital	in million EUR	112.4	108.3	4.1	4 %
Free cash flow	in million EUR	1.1	-25.5	26.6	-104 %
Investments	in million EUR	9.8	14.7	-4.9	-33 %
R&D expenditure	in million EUR	40.6	38.6	2.1	5 %
Employees	as of 31 March	802	805	-3	0 %

Net debt was thus slightly reduced and the net working capital rose by EUR 4.1 million or 4 % to EUR 112.4 million. Equity fell by EUR 1.3 million or 5 % to EUR 25.7 million as a result of the loss for the period and the equity ratio declined slightly to 12.0 %.

As a result of the impairment required in the previous year, no additional goodwill is available from KAPSCH-Group Beteiligungs GmbH in the segment Carrier.

Clear improvement in the cash flow from operating activities.

The cash flow from operating activities in the segment Carrier stood at EUR 10.8 million (previous year: EUR -14.4 million) and thus shows a significantly positive development after the cash outflow in the previous period. This is particularly due to the positive business development with regard to railways. After heavy investments in the fiscal year 2014/15 (EUR -26.0 million), the cash flow from investing activities stabilized in the reporting period (EUR -9.8 million). Therefore, the cash flow from financing activities was neutral in the fiscal year under review (EUR -0.6 million). The entire cash flow amounted to EUR 0.4 million (previous year: EUR -11.8 million) and thus also showed a slightly positive figure.

Segment Carrier cash flow		**2015/16**	**2014/15**	**Change**	
Cash flow from operating activities	in million EUR	10.8	-14.4	25.3	-175 %
Cash flow from investing activities	in million EUR	-9.8	-26.0	16.2	-62 %
Cash flow from financing activities	in million EUR	-0.6	28.6	-29.2	-102 %
Total	in million EUR	**0.4**	**-11.8**	**12.3**	**-104 %**

At EUR 9.8 million, investments in the segment Carrier were well below the prior-year level of EUR 14.7 million.

Research and development ratio in the segment Carrier at 17 % of the segment revenue.

Research and development expenses amounted to EUR 40.6 million, meaning an increase of EUR 2.1 million or 5 % year on year. This shows that research and development are decisive for the Company's success in the medium and long-term even in this segment. Research and development expenses accounted for more than 17 % of revenues despite the strong growth in revenues.

The headcount of the segment Carrier was 802 as of 31 March 2016 and thus remained basically unchanged compared to the previous period.

3.3 Segment Enterprise

This segment is represented by Kapsch BusinessCom AG and its direct and indirect subsidiary companies (subgroup Enterprise). KAPSCH-Group Beteiligungs GmbH holds 94.9 % of the shares in this company.

With its 1,210 employees and reported revenues of more than EUR 322.0 million, the Kapsch BusinessCom Group is one of the leading service partners for ICT solutions. This success is built on the foundation of the current ICT challenges faced by Kapsch's customers.

The overall solution portfolio breaks down into ICT Facility Solutions, Technology Solutions and Business Services, with these segments providing companies with a stable ICT equipment, including the necessary IT security, powerful cloud services and an efficient collaboration and communication with any terminal device. Compliance management is in place to help identify the appropriate level of information security.

Kapsch is an excellent service partner to its customers for all questions concerning communications and information technology and takes on long-term responsibility for the partial and full operation of customer solutions. In line with this strategic orientation, the position as a sought-after service partner was further strengthened in Austria and Central and Eastern Europe in the fiscal year under review and many successful operating projects were won.

With six branches in Austria and companies in the Czech Republic, Slovakia, Hungary, Romania, Turkey, Slovenia and Poland, Kapsch is where its customers are. In line with the "follow the customer" strategy, Kapsch also supports its customers in their expansion activities, thereby continuously expanding Kapsch's own business.

In addition to system integration and continuous optimization measures, Kapsch is increasingly assuming responsibility for the complete operation of ICT solutions. Independent of manufacturers yet together with leading technology partners (e.g. Avaya, Cisco, EMC, Hitachi, HP, Microsoft or Mitel), Kapsch offers consultancy services, supplies systems and renders services. In doing so, Kapsch is a reliable, trust-worthy and long-term partner to its almost 17,000 customers in a rapidly changing technological environment.

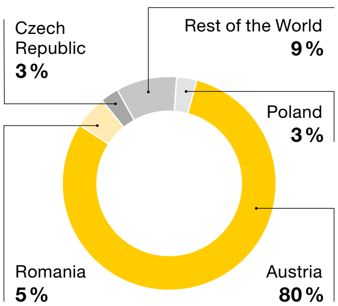
All service technicians are "certified by Kapsch", meaning that they are certified according to specific and transparent quality standards and that they comply with the international ITIL® standard regarding IT service management in the field of ICT.

Standard services are offered as presented in the Kapsch service catalogue so as to be able to offer the best possible support to its customers and the implemented solutions during operation. This catalogue comprises all standardized, recurring Kapsch services in a precise and transparent manner. From managed services, such as maintenance and troubleshooting, to functional services, such as providing variable storage space: All services are modular in their structure and therefore all customer could put them together on their own needs.

Service Level Agreements clearly define the respective service included and what a customer can expect from Kapsch. This offers customers a transparent overview and an excellent service quality.

Segment revenues rose by EUR 20.1 million or 7 % to EUR 322.0 million in the fiscal year under review, thus representing another record level in this segment.

Revenues in Austria increased significantly



A breakdown of revenues by region shows the highly heterogeneous development: While the Austrian market position was once again significantly improved and revenues rose again by EUR 20.2 million or 9 % year on year, the region Central and Eastern Europe (particularly Poland, the Czech Republic and Hungary) reported declines of EUR 3.1 million or 6 %.

Revenues by region		**2015/16**	**2014/15**	**Change**	
Austria	in million EUR	256.7	236.5	20.2	9 %
Central and Eastern Europe	in million EUR	51.1	54.2	-3.1	-6 %
Other	in million EUR	14.1	11.2	2.9	26 %
Total	in million EUR	**322.0**	**301.9**	**20.1**	**7 %**

A detailed analysis by business area shows an increase in revenues in both areas: service, maintenance and operation contributed EUR 8.8 million or 7 % to revenue growth and the project business reported an increase of EUR 11.3 million or 6 %.

Revenues by area		**2015/16**	**2014/15**	**Change**	
Project business	in million EUR	195.9	184.6	11.3	6 %
Service, maintenance and operation	in million EUR	126.1	117.4	8.8	7 %
Total	in million EUR	**322.0**	**301.9**	**20.1**	**7 %**

With regard to the portfolios, the increase in revenues is particularly attributable to Technology Solutions (EUR +6.0 million or +3 %), Facility Solutions (EUR +6.5 million or +20 %), Business Services (EUR +3.8 million or 10 %) and Others (EUR +3.9 million or 28 %). The largest projects in Technology Solutions (OMV, Allianz, UPC, Wiener Krankenanstaltenverbund), Facility Solutions (Erste Group, Austrian Federal Ministry of Defense, Lidl, OENB) and Business Services (Allianz, Volksbanken Finanzgruppe, Sberbank, Gas Connect Austria) account for the greatest share of revenue growth.

EBIT in the segment Enterprise more than tripled.

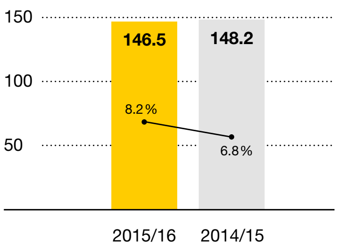
Although the segment Enterprise not only achieved stronger revenues in the fiscal year under review but also a significant increase in results, it has to be mentioned that the margins in this segment remain at a low level. Earnings before interest, taxes, depreciation and amortization thus rose to EUR 11.7 million (EUR +3.8 million or +49 %) and EBIT to EUR 6.0 million (EUR +4.1 million or +213 %). These positive effects result, on the one hand, from revenue growth in absolute terms and, on the other hand, from a successful re-orientation in the fiscal year under review.

At EUR 4.3 million (EUR +4.0 million), profit before tax also improved significantly year on year. The profit for the period amounts to EUR 2.2 million (EUR +2.0 million or +731 %).

Earning figures segment Enterprise		**2015/16**	**2014/15**	**Change**	
EBITDA	in million EUR	11.7	7.8	3.8	49 %
EBITDA margin	in %	3.6	2.6		
EBIT	in million EUR	6.0	1.9	4.1	213 %
EBIT margin	in %	1.9	0.6		
Profit before tax	in million EUR	4.3	0.3	4.0	>500 %
Profit for the period	in million EUR	2.2	0.3	2.0	>500 %

Total assets in the segment Enterprise declined slightly by EUR 1.7 million or 1 % to EUR 146.5 million in the fiscal year 2015/16.

Total assets remain stable, equity ratio increased in the segment Enterprise



While non-current assets decreased by EUR 4.5 million to EUR 41.2 million due to amortization and depreciation, current assets rose by EUR 2.7 million to EUR 105.2 million. This increase was attributable to receivables and other current assets (EUR +5.5 million), while there was an opposite effect in the decline in inventories (EUR -2.1 million). Cash on hand and at banks remained below the prior-year level (EUR 7.1 million), standing at EUR 6.5 million (EUR -0.7 million).

The decline in non-current liabilities to EUR 47.5 million (EUR -0.9 million or -2%) is due to a decrease in non-current financial liabilities of EUR 0.6 million (current financial liabilities dropped by EUR 0.7 million as well) and to the increase in employee benefit obligations of EUR 0.2 million. Current liabilities fell in total by EUR 2.8 million to EUR 86.9 million.

Equity rose particularly because of the profit for the period and other comprehensive income to EUR 12.1 million (EUR +2.0 million), leading to a corresponding increase in the equity ratio from 6.8 % to 8.2 %.

Other figures for the segment Enterprise		**2015/16**	**2014/15**	**Change**	
Total assets	in million EUR	146.5	148.2	-1.7	-1 %
Equity	in million EUR	12.1	10.1	2.0	19 %
Equity ratio	in %	8.2	6.8		
Net debt (-) / net assets (+)	in million EUR	-39.5	-40.6	1.1	-3 %
Capital employed	in million EUR	41.9	41.2	0.7	2 %
Net working capital	in million EUR	80.0	68.1	11.9	18 %
Free cash flow	in million EUR	1.1	-1.2	2.2	-193 %
Investments	in million EUR	3.1	2.7	0.3	12 %
R&D expenditure	in million EUR	0.2	0.1	0.2	313 %
Employees	as of 31 March	1,210	1,273	-63	-5 %

Net debt fell by EUR 1.1 million to EUR 39.5 million and the net working capital rose by EUR 11.9 million to EUR 80.0 million. This positive development is due to the increase in revenues and the resulting higher level of receivables as of 31 March 2016. The capital employed rose by EUR 0.7 million to EUR 41.9 million.

In addition to the assets of the subgroup Enterprise, the segment has goodwill allocated to the segment Enterprise from KAPSCH-Group Beteiligungs GmbH in the amount of EUR 17.6 million. An impairment test performed with regard to this goodwill revealed no need for impairment.

Clearly improvement in the cash flow from operating activities in the segment Enterprise.

The cash flow from operating activities was well above the prior-year level of EUR 0.5 million and amounted to EUR 3.1 million. This is particularly due to the increase in current receivables and in other current assets and was offset by the increase in other current liabilities. Both the cash flow from investing activities and the cash flow from financing activities fell year on year: the cash flow from investing activities was EUR -2.0 million compared to EUR -1.2 million and the cash flow from financing activities was EUR -1.7 million compared to EUR 0.8 million. Total cash flow fell by EUR 0.6 million to EUR -0.6 million. In contrast, the free cash flow amounted to EUR 1.1 million, up on the previous year (EUR -1.2 million).

Segment Enterprise cash flow		**2015/16**	**2014/15**	**Change**	
Cash flow from operating activities	in million EUR	3.1	0.5	2.6	>500 %
Cash flow from investing activities	in million EUR	-2.0	-1.2	-0.8	64 %
Cash flow from financing activities	in million EUR	-1.7	0.8	-2.5	-326 %
Total	in million EUR	**-0.6**	**0.0**	**-0.6**	**<-500 %**

At EUR 3.1 million, investments made in the segment Enterprise exceeded the prior-year level of EUR 2.7 million.

The number of people employed in the segment Enterprise fell by 63 or 5 % to 1,210 as of 31 March 2016.

3.4 Segment Others

This segment mainly comprises the companies relevant for corporate control (KAPSCH-Group Beteiligungs GmbH, Kapsch Aktiengesellschaft and Kapsch Partner Solutions GmbH), as well as all activities of Kapsch ConnexPlus GmbH and Kapsch Smart Energy GmbH.

Figures for the segment Others		2015/16	2014/15	Change	
Revenues	in million EUR	19.8	17.4	2.4	14 %
EBITDA	in million EUR	3.1	2.1	1.0	48 %
EBIT	in million EUR	3.1	1.6	1.5	91 %
R&D expenditures	in million EUR	0.7	0.5	0.2	32 %
Employees	as of 31 March	110	111	-1	-1 %

Centralized functions.

These central companies handle the strategic and operational management of the Group companies, corporate marketing, corporate legal services, corporate accounting and controlling, central financial planning and financing as well as internal audit. They also provide all personnel-related services such as personnel administration, recruiting and personnel development, as well as travel management services for the entire Group. Personnel training is additionally offered to both internal and external customers.

Kapsch ConnexPlus GmbH has operated a car park since July 2014, offering parking spaces to interested contract parkers.

Kapsch Smart Energy.

Through Kapsch Smart Energy GmbH, the Group offers intelligent energy management, smart metering and smart grid solutions to energy grid operators. These areas represent important factors in achieving the goals of the European directive on energy efficiency and energy services. This company combines the extensive know-how of the Kapsch Group in intelligent transportation systems (ITS) and information and communication technology (ICT) with the competence of highly specialized providers of components such as smart meters. The core of the solutions, for which Kapsch Smart Energy can handle the entire planning, implementation and operation, is the internally developed, flexible and meter-independent meter data management software SEM. In addition to extensive analysis, reporting and alarm management functions, this software also offers expansion options for optimized meter network operation and smart grids.

4 Other Corporate Disclosures.

4.1 Research and development

Research and development activities are a high priority for the Group in pursuing its strategic goals. Successful research is the foundation for the ongoing improvement of existing products and systems as well as the continuous reduction of production, installation, operating and maintenance costs and for the early identification of new trends. Knowledge and the use of entirely new technologies, based on national and international standards, form the basis for successful business development and enable Kapsch to enter new markets.

The development departments for all strategic business fields ensure strong innovation.

To ensure the continued innovative strength of the Company, all the strategic business areas of the Kapsch Group have development departments that focus specifically on solutions for the needs of customers. The research and development activities are complemented in some areas by joint projects and close cooperation with universities, public and private institutes as well as technology and research companies.

Kapsch has faced these challenges for many years and continued to invest in research and development in the fiscal year 2015/16 in order to ensure the long-term growth of the Group.

Development activities are particularly dynamic in the segments Traffic and Carrier:

In the **segment Traffic,** the Kapsch Group has a global network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Buenos Aires (Argentina), Mississauga (Canada), Kingston, Duluth, Pleasanton and San Mateo (U.S.A.).

The Research and Development department has the end-to-end responsibility for development, including responsibility for the system architecture and final internal approval of the developed solutions. On 31 March 2016, Kapsch employed roughly 430 engineers (previous year: 470) for its research and development activities in this segment.

The following focal areas were defined in the segment Traffic in the past fiscal year:

- The developments in the direction of a modern platform for ETC back office solutions were continued. Special attention was paid here to the integration and application of new technologies (e.g. data analytics tools, open source standard components).
- The various roadside platforms of Kapsch TrafficCom were improved and a program was started to gradually merge the various product lines. The new developments are capable of increasing the measurement accuracy, thereby optimizing the overall performance of our solutions.
- For the Italian market, Kapsch TrafficCom is developing DSRC components (on-board unit and transceiver), that support the special Italian radio standard ETSI-TS 102 708, HDR (High Data Rate). The basic development and certification of the transceiver have been completed and the on-board unit is planned for fiscal year 2016/17.
- The satellite-based toll system of Kapsch TrafficCom is gaining in importance due to changes in the toll market. By integrating smartphones and other devices in addition to GNSS on-board units, the scope of functionality as well as the range of applications for our satellite-based toll solution have been expanded. The modernization of the technologies employed ensures that Kapsch TrafficCom has a future-proof solution that can live up to the requirements of a combined ETC/ITS market through modularity and flexibility.

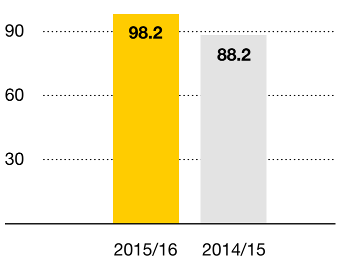
- In cooperative systems (V2X), the focus lay in part on further development of the Kapsch traffic management solutions for vehicle-to-vehicle and vehicle-to-infrastructure integration within the scope of the research project “European Corridor”. Participation in research projects in cooperation with the automotive industry led to close contact with leading automotive manufacturers and first tier automotive suppliers. The activities in the area of V2X vehicle equipment and the available products were also improved further. In addition to developing a product and solution portfolio for cooperative systems, Kapsch TrafficCom is also taking an active part in the required standardization process in the U.S.A. and in Europe.
- In the area of smart parking, the subsidiary Streetline, Inc., U.S.A., invested in a new procedure for inexpensive collection of parking space data that reduces the number of required field sensors to a minimum.

In the **segment Carrier,** the Kapsch Group has a network of research and development centers in Vienna (Austria), Paris (France), Friedrichshafen (Germany), Zagreb (Croatia), Aveiro (Portugal) and, since July 2014, also in Zaventem (Belgium). Moreover, there has also been collaboration with outsourcing partners in Bangalore and Mumbai (India), Nizhny Novgorod (Russia) and Istanbul (Turkey). Thus, it is possible to offer customers a broader product portfolio and maintain the customer base in the long term. In the segment Carrier, the individual research and development centers are organized as competence centers and coordinated centrally by the product management.

In addition to leading technological GSM-R developments, which are also shown in some patents, customer-oriented development activities and first steps towards a prototype for emergency call applications of the future railway communication system are made. In doing so, Kapsch not only responds to specific customer demands but also pushes innovations that – as a product – can be offered to a broader customer base in the medium term.

As at 31 March 2016, Kapsch employed in this segment more than 300 experts in its own research and development centers, including project management, quality assurance and testing, documentation and certification. If necessary, another 150 developers employed by partners in Russia, India and Turkey are available to work on Kapsch research and development projects. In addition, the research and development capacity of the segment Carriers was increased significantly through the acquisition of Prodata Mobility Systems NV, Belgium, particularly in the public transport sector.

Research and development costs remain on a high level



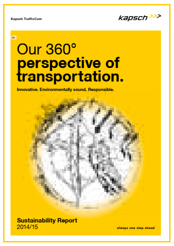
Besides classic development services, 2nd and 3rd level support services are also provided to customers in the Carrier as well as the Enterprise segments and a training center is operated for intensive know-how transfer. In these segments group-internal developments are increasingly part of application solutions.

Research costs are generally recognized as expenses. The same applies to development costs, unless the IFRS criteria for recognition as intangible assets are satisfied. Since the total-cost method is used, the research and development costs are reported within various items of the statement of comprehensive income, in particular in the costs of material and other production services, staff costs and other operating expenses.

In the fiscal year 2015/16 research and development costs increased by EUR 10.0 million or 11 % to EUR 98.2 million (2014/15: EUR 88.2 million). The generally high ratio of research and development expenses to the Group’s revenues was thus maintained at almost 10 % in spite of the massive revenue growth.

4.2 Non-financial performance indicators

Sustainable management



Sustainability Report 2014/15

Kapsch sees itself as particularly committed to the central aspects of sustainability, not least due to the business model of the Company. Securing the long-term stability of the Company in consideration of all economic, environmental and social perspectives is an overarching goal in this area and Kapsch is committed to a consistent focus on sustainability. The focus here is on the conservative and sparing use of all types of resources, safeguarding profitability and innovative thinking, as well as ensuring equal opportunities and fairness towards all the relevant stakeholders.

Kapsch makes an important contribution to the development of society and to improving environmental and climate protection by means of innovative products and services. Correspondingly high is the value placed on research and development activities that are intended to ensure future corporate successes and which serve to drive development in the current business segments.

Environmental issues

The various subsidiaries of the Kapsch Group have certified environmental management systems according to ISO 14001, the aim of which is to minimize environmental impacts and resource use on a continual basis, among others. In addition, these companies comply with legal obligations relating to waste disposal and there also exist memberships of Altstoff Recycling Austria AG and UFH (Umweltforum Haushalt).

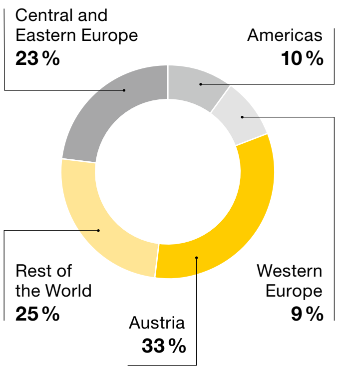
The commercial activities of the Kapsch Group are associated with the consumption of raw materials and climate-relevant emissions. Kapsch works hard to minimize such factors and their effects by implementing targeted measures to improve both environmental and climate protection. The majority of the climate-relevant effects result from the operations of the subsidiary Kapsch Components GmbH & Co KG, which is responsible for production, as well as from the vehicle fleet of the entire Group. Through measures to increase energy efficiency, but also influenced by a lower production volume, Kapsch Components was able to reduce its energy consumption by 9.5 % in fiscal year 2015/16 following a reduction of 7 % in the previous year. The waste volume per ton of product has increased by 28.1 % to 173 kg and the nitrogen consumption sank by 3.8 %.

Employees

It is of particular importance for the Kapsch Group to be an attractive and responsible employer. As of 31 March 2016, the Kapsch Group had a headcount of 5,838 which is an increase of 104 or 2 % year on year. This rise is attributable to the increase in the segment Traffic to 3,716 employees (+171 employees or +5 %), with the aforementioned increase being particularly due to the Polish employees taken over. The segment Enterprise reported a decline to 1,210 employees (-63 employees or -5 %). The headcount in Carrier and Others remained almost unchanged (Carrier: 802 employees, -3 employees or -0 %; Others: 110 employees)

Employees by segment	2015/16		2014/15		Change	
Traffic	3,716	64 %	3,545	62 %	171	5 %
Carrier	802	14 %	805	14 %	-3	0 %
Enterprise	1,210	21 %	1,273	22 %	-63	-5 %
Others	110	2 %	111	2 %	-1	-1 %
Group	**5,838**	**100 %**	**5,734**	**100 %**	**104**	**2 %**

Employees per region



At regional level, the headcount was in some countries even drastically increased, for example in the U.S.A. (+44 or +21 %), Australia (+7 or +21 %) and particularly in Poland (+237 or +51 %), which was basically due to projects and acquisitions. In contrast, in South Africa (-23 or -2 %) or even in Austria (-116 or -6 %), the number of employees decreased. With a headcount of 1,926, Austria still has the largest workforce.

The Kapsch Group believes that the qualification, above-average dedication and the ability of its employees to find solutions are important factors for success. This means that the Kapsch Group places particularly high value on the measures in place to ensure continuous professional development. For example, the Kapsch University offers an individualized training plan which is composed of professional and personality-based courses and seminars. A job rotation program has been implemented to encourage multinational employee exchanges and a trainee management program prepares selected employees for their future duties. Furthermore, a two-year graduate trainee program is also offered, during which the trainees can familiarize themselves with various companies and departments within the Kapsch Group.

The personnel management of the Kapsch Group also concentrates on encouraging a focus on performance by means of performance-based remuneration systems, by making ongoing improvements to occupational health and safety and by ensuring equal opportunities.

In order to underscore its reputation as an attractive and responsible employer, the Kapsch Group has enabled its employees to participate in the success of the Company for many years. In addition to this, contributions are paid into an external pension fund according to a defined contribution scheme for employees of Group companies in Austria.

Promoting opportunities for women is an active goal within the Kapsch Group.

In addition, Kapsch has a strong commitment to promoting women, who are supported at Kapsch in particular with flexible working hours so they can combine a professional and family life. Kapsch also cooperates with schools, universities of applied sciences and universities, which aim to increase the proportion of women employed in all areas of the Company. Kapsch is also involved in special programs to promote women in the workplace, such as “techNIKE”. The Kapsch Group has also established a committee for equal opportunities.

Quality management

Ensuring high standards for quality, safety and robust processes is a top priority in every business unit of the Kapsch Group. Kapsch defines its processes in an integrated management system for health and safety, security, environment and quality (HSSEQ). This system is based on certifications according to ISO 9001 Quality Management (since 2002) as well as OHSAS 18001 Occupational Health and Safety Management and ISO 14001 Environmental Management (since 2005). Kapsch has integrated the necessary actions into its internal processes and monitors them continuously. The certificate pursuant to ISO 27001 ensures the necessary level of information security management. High service quality is ensured in the area of technical operation with ISO 20000 for IT service management. The so-called HSSEQ Circle meets once per quarter in order to discuss the status of the objectives and actions in the areas of health and safety, quality, environment and information security and in order to optimize business processes and the exchange of information. These aspects are documented in a quarterly report to the Executive Board.

Social responsibility

Social responsibility also includes ethically, morally and legally correct behavior.

Alongside statutory requirements and internal guidelines, the code of conduct of the Kapsch Group defines binding principles for ethically, morally and legally correct behavior that apply therefore to all corporate units – and therefore to all employees of Kapsch. The code of conduct can be found on the website www.kapsch.net.

Additionally, within the scope of internal risk management, all business units over which Kapsch has primary influence are audited with regard to their corruption risks and the employees of the first and second management levels are trained in anti-corruption policy and anti-corruption processes.

Cultural and social responsibility

The Kapsch Group acknowledges its social responsibility, supporting selected cultural and social institutions and projects around the world. In doing so, Kapsch is well aware of the sustainable and long-term role of its support. For instance, a general partnership with the Vienna Concert House has existed since 1992 and the contemporary music festival "Wien Modern" has been a recipient of support since 1989. With the establishment of the Kapsch Contemporary Art Prize in cooperation with the mumok (museum of modern art in Vienna) in 2016, another initiative to promote young artists was started, enabling young artists to present their works to an international audience for the first time. The Kapsch Group also has a strong awareness of its social responsibility, which is reflected in its support for numerous organizations and institutions. These include "Doctors without Borders", Caritas Socialis, the St. Anna Children's Cancer Research Institute or Concordia social projects.

Risk management

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

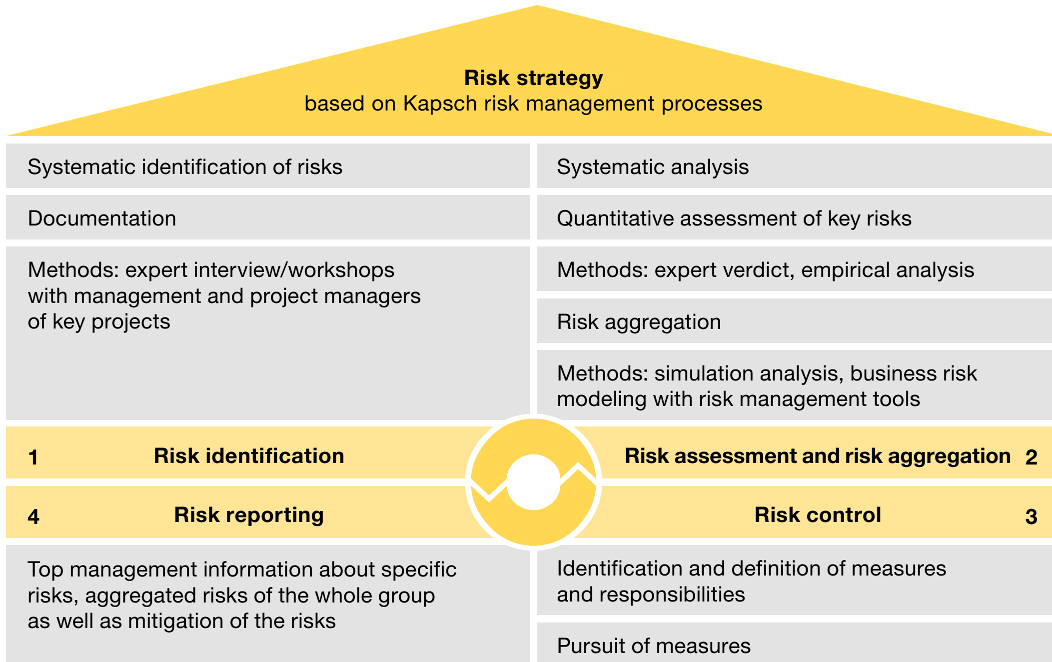
As a technology corporation, the Kapsch Group operates in a very dynamic environment. Risks are therefore an integral part of everyday business. For the Company, risk means the possibility of deviating from corporate targets, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system.
The Kapsch Group has initiated numerous processes to make its risk management more effective and establish best practice standards. The position of risk manager has been established in the three main companies (finance department) and the defined processes are based on the COSO ERM – Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission and ONR 49000/ISO 31000 Risk Management Systems, a set of rules laid down by the Austrian Standards Institute.

The main focus of risk management is on project risk management and enterprise risk management (ERM):

Project risk management covers both external customer projects as well as internal development projects, beginning in the bid or initiation phase. Using institutionalized processes allows for an analysis of all relevant opportunities and risks pertaining to the Group's projects, thereby providing the basis for the timely planning and implementation of risk-mitigating activities.

Enterprise risk management (ERM) analyses not only the Kapsch Group's significant project-related risks but also strategic, technological, organizational, financial, legal and IT risks. Reports are sent to the Executive Board, the Audit Committee of the Supervisory Board and the first reporting level on a quarterly basis. The goal of the ERM approach is early identification, analysis and control of those risks which may significantly affect meeting the Company's strategic and operational objectives. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the corporate management.



An overview of the major risks faced by the Group, together with the respective risk management measures, can be found below:

Industry-specific risks

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

Volatility of new orders. A major portion of the revenues of the Kapsch Group is generated from project business and is therefore subject to high volatility. In connection with large projects in the segment Traffic in particular, the Kapsch Group regularly participates in tenders for the implementation and operation of large electronic toll collection systems. On the one hand, there is a risk that tenders in which the Kapsch Group participates or plans to participate could be delayed or withdrawn, for instance as a result of political changes, appeals or legal actions by unsuccessful bidders. On the other hand, there is a risk that the Kapsch Group may not win with its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from maintenance agreements and from technical operations also depend on the successful participation in tenders for systems. In the past, this repeatedly led to years with revenue peaks.

In addition, the strategy of the Kapsch Group aims at adequately counteracting volatility in incoming orders and therefore also in the sales performance, respectively, in the cash flow from operating activities. This is achieved, on the one hand, through activities in three different business segments and, on the other hand, by increasing geographical diversification, broadening the customer base and product portfolio and by constantly increasing the share of revenue from technical operation, including maintenance of systems as well as the general increase in the share of revenues from services. Furthermore, becoming involved in the commercial operation of toll systems, the significant growth in the components business in the segment Traffic and the increase in the services part of other segments have also contributed to increasing the share of regular and recurring revenues and cash flows.

Technical challenges and tight schedules result in typical project risks.

Project execution risks. In connection with the execution of the projects outlined above, which are very often sophisticated and complex technical systems, product and system defects can occur due to the limited time available for implementation and testing. Unexpected project modifications, a shortage of skilled workers, quality problems, unexpected technical issues and performance problems with suppliers or consortium partners may have a negative effect on the adherence to delivery deadlines. If the contractual services are not fulfilled or if deadlines are exceeded, penalties usually have to be paid, often also damages, in some cases even damages for lost profits of the customer. Deadlines that are missed are often covered by contract clauses that allow the customer to terminate the contract prematurely. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or even failure in the implementation of a project would also reduce the chances of success for future tenders for systems. There is also the risk that Kapsch projects cannot be realized at the previously calculated costs. Additionally, the Group is often contractually obliged to provide performance and deadline guarantees when implementing systems. Moreover, in the segment Traffic, the implementation of a toll collection system may have a negative effect on cash flows and revenues of the operations projects due to the toll system being started late or in a limited way if there is strong social opposition.

Kapsch employs project management methods and project risk management procedures based on the IPMA (International Project Management Association) standards in order to guard against risks associated with projects. Moreover, during internal project controlling, ongoing projects are subject to constant planning and analysis to minimize project risk.

Additionally, given the variety of projects undertaken in the segment Enterprise, the following standards must be applied to minimize risks when executing projects:

- In the bidding phase, a comprehensive risk evaluation is carried out according to defined standards as part of the opportunity qualification process. The project execution is carried out by project managers certified according to IPMA standards.
- The creditworthiness of the customer must be checked as part of the contract acquisition process. In case of credit rating risk, the customer is asked to provide additional collateral.

Long-term contracts with public authorities. In many cases, contracts are awarded by public agencies or government-related companies. Framework agreements and service contracts especially in connection with toll projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous for the Kapsch Group. Some multi-year contracts contain demanding requirements regarding the targeted performance of the implemented systems, components and processes. If these requirements are not met, this may result in substantial penalties, liability for damages or termination of contract. Then again, under some contracts substantial bonus payments may be earned in the case of over-performance. Moreover, in the case of long-term contracts, the margins earned 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 the Kapsch Group 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.

Customer dependency risk. Although this risk has already been reduced significantly in the past years, in particular by means of regional diversification and continued growth via new customers, the sizes of the projects in the segments Traffic and Carrier result in a certain dependency on individual customers. However, since these customers are often closely associated with public authorities, there is generally also a high degree of stability and security. The Kapsch Group will continue striving to keep this risk at a minimum by increasing the number of customers.

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

Strategic risks

Innovative power. The strong market position of the Kapsch Group is based to a large extent on its ability to develop state-of-the-art, efficient and reliable systems, components and products. In this context, the Kapsch Group is committed to an ongoing and consistent innovation process. In order to maintain its high technological standards, the Kapsch Group 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, this can be disadvantageous to the competitive position of the Kapsch Group. Since 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 effects on the Kapsch Group.

In addition, any failures in protecting these technologies may have a negative impact on the competitive position of the Kapsch Group. However, it is possible that systems, components, products or services could infringe upon the intellectual property rights of third parties. The Kapsch Group places great emphasis on protecting technologies and the Company's internal know-how, such as patents and non-disclosure agreements with contractual parties. In order to avoid legal action and court proceedings, the Kapsch Group constantly monitors potential infringements of intellectual property rights. However, the time-to-market principle always lies at the heart of all considerations.

International growth is opening up new opportunities but also poses risks.

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

Country risk. Following the strong expansion of business activities in Eastern European countries (outside of the EU) and states outside of Europe, the Kapsch Group is exposed to a heightened degree of political risk. 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 and/or withdraw them again. Infringements upon the intellectual property rights of the Kapsch Group or problems with business practices and activities may also arise. The Kapsch Group includes these risks in the evaluation of such projects.

Financial risks

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

The main instruments used to monitor and minimize risks are standardized planning and controlling processes, company-wide guidelines and regular reports.

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

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

Liquidity risk. Sufficient financial resources have to be available for the Kapsch Group to meet its payment obligations at all times. Medium and long-term financing must be available in order to carry out major projects (such as implementing a national toll collection system under 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 collateralize bid obligations (bid bonds) or possible warranty claims (performance bonds).

In financing agreements, the Kapsch Group is subject to the usual limitations of its business policy, such as, for instance, with regard to taking on additional borrowings, the use of assets as collateral or the provision of guarantees/sureties in favor of third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of the Kapsch Group and the results of operations. A lack of liquid assets (even if the Group is otherwise essentially solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch Group and the results of operations.

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

Credit risk. The Kapsch Group is exposed to the risk of default by customers. Since the main customers are large public or formerly public network operators, the bad debt risk is considered to be very low. Nevertheless, the creditworthiness of new and existing customers is checked regularly. For some project-specific default risks and damages, insurance is taken out. In addition, the Kapsch Group 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 (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the need to impair receivables can have an extremely adverse impact on the net assets and financial position of the Kapsch Group and the results of operations.

Personnel risk

Kapsch addresses personnel risk through attractive offers for employees.

The success of the Kapsch Group depends heavily on key personnel with many years of experience in the individual business segments. Moreover, the Kapsch Group's ability to recruit qualified staff, integrate them into the Company and retain them over the long term is crucial in the current growth phase. The loss of key personnel and difficulties in recruiting personnel can adversely affect the success of the Group.

The Kapsch Group has implemented a number of measures to deal with personnel risks, such as incentive schemes, training and further education opportunities, etc. in order to mitigate that risk.

Legal risks

In connection with participating in the tenders of public authorities, the construction of infrastructure for ITS solutions (such as toll stations) and the operation of toll collection systems, but also the increasingly complex requirements in the other segments, a number of regulations and legal requirements have to be observed. Assessing and adhering to legal regulations and requirements can result in considerable administrative and technical expense. If applicable regulations or official requirements cannot be met or fulfilled, this can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

As a result of the increased expansion of the business activity into new regions and into selected new fields, the risk of patent infringements or violations of intellectual property rights tends to increase. The Kapsch Group has implemented active intellectual property (IP) management as a separate function. In order to avoid claims and lawsuits, the Kapsch Group regularly monitors potential violations of intellectual property rights prior to entering into new markets or regions.

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. The Kapsch Group attempts to counteract this risk as far as possible by performing an evaluation of possible IPR violations prior to entry into new markets or regions, for example. However, it is not possible to completely avoid this risk.

IT risks

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

In this context, Kapsch not only prioritizes greater IT security but also takes a holistic view of this crucial area. For example, building and infrastructure security were also increased and regular training courses are held to raise employee awareness of security issues.

Opportunities

The early identification of opportunities opens up new potential.

The enterprise risk management approach of the Kapsch Group not only deals with risks but also with the regular identification, measurement and management of opportunities in its markets. The aim of these efforts is to manage the strategic orientation of the product portfolio and market activities through the early identification and exploitation of suitable opportunities.

Particularly in the segment Traffic, market opportunities exist in geographic diversification as well as in increasing expansion of the customer and product portfolio, driven in part by the following factors:

Due to the increasing financing requirements of infrastructure projects and the growing need to relieve state budgets, there exists an opportunity to develop new markets, especially in emerging and developing countries, as well as an opportunity to expand the activities in 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 employed as controlling instruments of environmental and traffic policy. This is creating opportunities in both the ETC and ITS segments 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 also exist to win new customers outside the public sector, such as in the area of fleet management or to offer new parking management concepts to public authorities as well as to end customers.

In addition, numerous market opportunities arise in all segments as a result of the geographic diversification, the broadening of the customer and product portfolio and from strategic partnerships. Constant innovation and technical advancements also create opportunities for Kapsch 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 systems offered.

Overall assessment of the Kapsch Group's risk position

From today's perspective, no risks have been identified that could endanger the continued operations of the Kapsch Group. Increasing geographic and technological diversification and the constant broadening of the product portfolio are planned to further reduce the concentration of risks in the future. By the same token, constantly striving to maintain its strong technology position, offering high-standard products and innovative solutions should ensure that our customers in all segments feel that Kapsch is a partner that will continue to provide reliable long-term support and optimal solutions in the future.

Internal control system (ICS)

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

The Kapsch Group began back in the 2009/10 fiscal year to analyze and document accounting-related internal control processes in the segment Traffic. The results to date were presented to the Supervisory Board for evaluation and discussion in the quarterly meetings of the Audit Committee. During the regular field reviews carried out by Internal Audit, one of the focal points is checking the reliability and functionality of the internal control system. In this way, the Internal Audit department makes an important contribution to ensuring that every company implements a reliable and functional control system.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting, compliance with relevant legal regulations and safeguarding the Company's assets.

The processes for Group accounting and reporting are based on an accounting manual that is issued and regularly updated by KAPSCH-Group Beteiligungs GmbH. This manual sets forth the main accounting and reporting requirements for the Group based on IFRS. Group guidelines, working instructions and defined procedures constitute another important cornerstone of ICS.

Internal control systems are locally implemented and centrally monitored.

The ICS guidelines follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission). The accounting of all Group transactions is managed by means of 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. Companies submit reporting packages to the head office on a quarterly basis containing all accounting data pertaining to the statement of comprehensive income, the statement of financial position, the cash flow statement and cost accounting reports in the form of a contribution margin analysis directly through the central consolidation and reporting system (Hyperion Financial Management). The financial information is verified on a Group-wide basis by the subsidiary and participation controlling department and subsequently forms the basis for the Group reports issued 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 and 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.

In line with the decentralized structure of the Kapsch Group, local management is responsible for implementing and monitoring the internal control system. The general managers 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 terms of accounting procedures as well as for ensuring compliance with the group-wide rules and guidelines in this respect.

In order to provide better support to the management teams of the individual Group companies, an ICS officer was established at the parent companies of the three key companies. This person is responsible for standardizing and constantly developing ICS throughout the individual company, monitoring the compliance and effectiveness of controls as well as for addressing weaknesses identified and reporting periodically to the Audit Committee of the Supervisory Board. To exploit synergies here throughout the entire Group and share experiences, regular meetings are held by the Group Governance Committee, in which the ICS officers of the individual companies and Internal Audit regularly coordinate and promote relevant topics and developments.

5 Material events after the balance sheet date.

Strategic acquisitions support the growth course of the Kapsch Group.

On 14 December 2015, Kapsch TrafficCom concluded an agreement with Schneider Electric S.E. concerning the acquisition of its global transportation business. The closing was on 1 April 2016.

The transportation segment, which previously operated under the name Telvent Tráfico y Transporte, is a provider of real-time IT solutions and intelligent traffic systems for use in cities, on highways and in tunnels. The portfolio also includes tolling and transit solutions. This acquisition will enable Kapsch TrafficCom to offer existing and future customers an integrated portfolio of intelligent transportation solutions from the highway into the city.

On 21 April 2016, the Kapsch TrafficCom Holding Corp., U.S.A., acquired non-controlling interests in ParkJockey Global, Inc., U.S.A., approximately amounting to EUR 2.4 million.

Under the condition precedent of a still pending contractually defined consent, Kapsch Telematic Services GmbH, Austria, has acquired 48 % in Kapsch Telematic Services spol. s r.o., thus holding 100 % shares in the company that operates the toll system in the Czech Republic.

With a view to refinance the corporate bond and to finance future growth, Kapsch TrafficCom AG prepares a promissory note bond (“Schuldscheindarlehen”) addressing institutional investors in the public market. It was distributed on 1 June 2016. This transaction is planned to be completed in the course of the first quarter of the 2016/17 fiscal year.

On 24 May 2016, Kapsch BusinessCom AG, Vienna, acquired 25.1 % of shares in CSE-NETWORK GmbH, Vöcklabruck.

On 15 June 2016, Kapsch BusinessCom AG, Vienna, acquired 25 % of shares in evolaris next level GmbH, Graz.

6 Outlook.

In the coming 2016/17 fiscal year, the Kapsch Group is still optimistic regarding the developments in its markets and expects to continue the current growth course into another successful year thanks to its strategies pursued in the individual areas and the sound structure of its statement of financial position. This is expected to be seen in another increase in revenues and the Group will also further pursue measures to improve efficiency.

In the **segment Traffic,** the share of Kapsch TrafficCom Transportation's contribution in the revenues and results of the Kapsch TrafficCom Group will on the one hand be evident – including the integration costs – and on the other, the implementation of the newly awarded projects will also make an increasing contribution. This particularly pertains, amongst others, to the cross-border program “CHARM” and the ETC projects in Chile and Australia. Kapsch also expects decisions concerning further projects: A nationwide toll system is currently being re-tendered in Austria, the tender for a new toll system was launched in Bulgaria. The Czech contract will expire at the end of 2016, meaning that the further course of action of the Prague government is expected to be determined in the near future. Moreover, the bid phase for several projects in the U.S.A. is still ongoing. Kapsch also increasingly recognizes potentials in Asia. Negotiations are currently underway for a nationwide project similar in structure to the already successfully implemented project in Belarus.

In the coming years, the main focus will be on further developing the strategy. Kapsch plans to expand the portfolio to include intelligent mobility solutions in order to offer customers an extraordinary experience when using these solutions. Systems and data will increasingly be interconnected and vehicles will be connected with the environment. The acquisition of the transportation division of Schneider Electric represents a major step towards the city, as Kapsch wants to carefully integrate this division and thus contribute to the design of future smart cities.

After a very strong project-related rise in revenues in the **segment Carrier** in the fiscal year 2015/16, figures similar to the revenues in the reporting period are expected in the 2016/17 fiscal year and are planned to increase in the fiscal years thereafter. The public transport area is a key driver of this positive development, as a sound basis for such growth is planned to be created by completing the integration of Prodata Mobility Systems NV, Belgium, as well as by investing in the distribution structure. Revenues generated from network operators (telecommunications and energy supply) are also expected to slightly increase once again not least by concentrating on a defined core portfolio and a focused cultivation of defined core markets. In addition, Kapsch plans to grow even further by further focusing on end-to-end communication solutions for railway operators and increasing investments in research and development, as well as by entering into strategic partnerships in the field of new technologies. With its leading market position in the area of railway defined networks and the broad customer base of public network operators, many promising opportunities arise for the Company. The integration of Prodata Mobility Systems NV, Belgium, also creates possible synergies with regard to machine-to-machine applications in the public transport area. Synergies in already existing competences of the Group in the railway sector and the local public transport still seem obvious and promising. Kapsch is going to continue its commitment with regard to initiatives started to make railway travel more attractive and to prepare for the upcoming technology change in the railway sector and the related standardization activities. The roadmap in the field of public transport will be further developed based on the core portfolio of Prodata Mobility Systems NV, Belgium, towards the thematic focal points “mobility as a service”, “micropayment”, “handsfree travelling” and “generic mode of transportation integration”.

In the **segment Enterprise,** Kapsch plans to expand its business with existing customers and the portfolio segments Technology Solutions, Business Services and ICT Facility Solutions. Based on an improved IT strategy, Kapsch is going to even further strengthen its position as an attractive service partner for ICT solutions. The continuous development work of the past years have been effective – Kapsch is gradually securing attractive major projects in the newly developed portfolio segments. Moreover, Kapsch will position itself as key partner in the field of digitization in the future. This new business area as part of business services considers management to be the key growth driver of the future. Also with regard to outsourcing, Kapsch continues to see high potential, with Kapsch having already positioned itself as an innovative and flexible partner in the past years. Given the cost pressure on the customer side as well as increasing demand for scalable solutions and cloud computing, customers will also demand major outsourcing projects which will secure service revenues in the long term. But also with regard to the cost structure, cost optimization measures are implemented on an ongoing basis by improving efficiency. These optimizations however result in a disproportionate rise in costs (particularly personnel costs) in relation to the increase in revenues. Achieving the desired success in line with the ICT-Excellence strategy requires a sound portfolio mix as well as innovative and customer-oriented staff, who remain up to date over the years and take part in extensive practical and further training programs. Based on the presented strategy and the development of the past months of the fiscal year 2015/16, Kapsch assumes an improved earnings situation in this segment in the 2016/17 fiscal year.

In all segments, Kapsch will continue to implement the strategy of expanding its market position through targeted acquisitions in existing and future areas of business.

Selective measures to optimize individual companies and enhance synergies will also be taken throughout the entire Kapsch Group.

Vienna, 21 June 2016

Georg Kapsch	Kari Kapsch	Franz Semmernegg
Managing Director	Managing Director	Managing Director

Consolidated Financial Statements as of 31 March 2016.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2015/16	2014/15
Revenues	(1)	**1,046,773,433**	**908,801,798**
Other operating income	(2)	31,227,999	36,015,763
Changes in finished and unfinished goods and work in progress	(3)	-16,424,842	21,206,013
Other own work capitalized		6,980,558	5,679,097
Cost of materials and other production services	(4)	-514,762,884	-449,576,816
Staff costs	(5)	-310,869,153	-305,110,528
Amortization and depreciation	(6)	-30,076,052	-33,920,269
Impairment charge	(6)	0	-36,874,448
Other operating expenses	(7)	-140,596,754	-139,627,619
Operating result		**72,252,305**	**6,592,990**
Finance income	(8)	15,411,536	16,270,181
Finance costs	(8)	-28,007,641	-36,123,134
Financial result		**-12,596,104**	**-19,852,953**
Results from associates and joint ventures	(15)	91,858	498,342
Result before income taxes		**59,748,059**	**-12,761,621**
Income taxes	(9)	-20,310,480	-8,041,835
Result for the period		**39,437,579**	**-20,803,456**
Result attributable to:			
Equity holders of the company		22,696,138	-29,080,960
Non-controlling interests		16,741,441	8,277,503
		39,437,579	**-20,803,456**
Other comprehensive income for the period:			
Items subsequently reclassified to the result for the period:			
Currency translation differences		1,547,387	-10,956,587
Currency translation differences from net investments in foreign operations		-2,334,164	9,045,070
Available-for-sale financial assets:			
Fair value gains/losses recognized in other comprehensive income		-4,851,876	2,557,706
Reclassification of cumulated net losses to the result for the period (impairment)		1,237,309	12,185,425
Reclassification of cumulated net gains to the result for the period (sale of available-for-sale financial assets)		-3,317,930	0
Income tax relating to items subsequently reclassified to the result for the period		1,484,181	-2,521,722
Total items subsequently reclassified to the result for the period		**-6,235,093**	**10,309,892**
Items subsequently be reclassified to the result for the period:			
Remeasurements of liabilities from post-employment benefits		39,077	-8,234,253
Income tax relating to items that will not be reclassified to the result for the period		-10,614	1,854,862
Total items subsequently reclassified to the result for the period		**28,463**	**-6,379,392**
Other comprehensive income for the period net of tax	(10)	**-6,206,630**	**3,930,500**
Total comprehensive income for the period		**33,230,949**	**-16,872,957**
Total comprehensive income attributable to:			
Equity holders of the company		17,298,227	-27,381,258
Non-controlling interests		15,932,722	10,508,302
		33,230,949	**-16,872,957**

The consolidated financial statements of KAPSCH-Group Beteiligungs GmbH as of 31 March 2016 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Consolidated balance sheet.

All amounts in EUR	Note	31 March 2016	31 March 2015
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	59,814,238	64,206,025
Intangible assets	(13)	167,464,313	174,508,518
Investment properties	(14)	3,939,031	4,154,868
Interests in associates and joint ventures	(15)	3,587,962	3,612,946
Other non-current financial assets and investments	(16)	24,187,063	28,903,984
Other non-current assets	(17)	22,028,189	29,064,518
Deferred tax assets	(24)	33,312,224	41,472,456
		314,333,019	**345,923,315**
Current assets			
Inventories	(18)	117,744,750	133,792,131
Current tax receivables	(19)	7,596,846	6,716,750
Trade receivables and other current assets	(19)	334,833,126	330,822,224
Other current financial assets	(16)	568,972	5,767,975
Cash and cash equivalents	(20)	167,257,769	120,662,814
		628,001,463	**597,761,894**
Total assets		**942,334,482**	**943,685,209**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(21)	726,728	726,728
Capital reserve		66,222,590	66,222,590
Retained earnings and other reserves		141,263,230	132,789,999
		208,212,548	**199,739,317**
Non-controlling interests		**96,041,423**	**90,672,632**
Total equity		**304,253,971**	**290,411,949**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(22)	172,782,836	164,738,153
Non-current liabilities from finance lease	(23)	15,571,448	16,113,450
Liabilities from post-employment benefits to employees	(25)	67,745,192	68,594,013
Non-current provisions	(28)	5,355,703	5,796,302
Other non-current liabilities	(26)	3,477,138	4,794,636
Deferred income tax liabilities	(24)	6,526,584	6,738,903
		271,458,900	**266,775,457**
Current liabilities			
Trade payables		89,536,067	100,956,168
Current liabilities from finance lease	(23)	541,360	536,301
Other liabilities and deferred income	(27)	173,877,160	146,718,018
Current tax payables		3,763,314	2,462,796
Current financial liabilities	(22)	56,456,806	101,686,237
Current provisions	(28)	42,446,906	34,138,285
		366,621,612	**386,497,806**
Total liabilities		**638,080,512**	**653,273,263**
Total equity and liabilities		**942,334,482**	**943,685,209**

The consolidated financial statements of KAPSCH-Group Beteiligungs GmbH as of 31 March 2016 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Consolidated statement of changes in equity.

All amounts 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 31 March 2014	**726,728**	**66,222,590**	**19,904,088**	**140,898,444**	**89,654,207**	**317,406,058**
Effects from increase in shares of subsidiaries			-1,050,506		-2,154,599	-3,205,105
Effects from initial consolidation of subsidiaries					4,900	4,900
Dividends				0	-6,920,948	-6,920,948
Result for the period				-29,080,960	8,277,503	-20,803,456
Reversal of historical negative non-controlling interests				419,231	-419,231	0
Other comprehensive income for the period:						
Currency translation differences			-2,209,078		-1,963,707	-4,172,785
Fair value gains/losses on available-for-sale financial assets			9,289,764		5,192,913	14,482,677
Remeasurements of liabilities from post-employment benefits			-5,380,984		-998,408	-6,379,392
Carrying amount as of 31 March 2015	**726,728**	**66,222,590**	**20,553,284**	**112,236,715**	**90,672,632**	**290,411,949**
Effects from acquisition in shares of subsidiaries					21,006	21,006
Effects from increase in shares of subsidiaries			-5,863,794		-1,397,000	-7,260,794
Effects from decrease in shares of subsidiaries			38,797		-38,797	0
Effects from deconsolidation of subsidiaries					-58,019	-58,019
Dividends				-3,000,000	-9,091,120	-12,091,120
Result for the period				22,696,138	16,741,441	39,437,579
Other comprehensive income for the period:						
Currency translation differences			-1,607,050		1,403,814	-203,236
Fair value gains/losses on available-for-sale financial assets			-3,876,862		-2,154,994	-6,031,857
Remeasurements of liabilities from post-employment benefits			86,001		-57,538	28,463
Carrying amount as of 31 March 2016	**726,728**	**66,222,590**	**9,330,377**	**131,932,853**	**96,041,423**	**304,253,971**

Share capital. The registered share capital of the parent company amounts to EUR 726,728. The share capital is fully paid in.

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, effects from the acquisition and sale of non-controlling interests as well as reserves from other comprehensive income, for example currency translation differences, fair value gains/losses on available-for-sale financial assets after deduction of deferred taxes and remeasurements of liabilities from post-employment benefits after deduction of deferred taxes.

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

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

The effects from **acquisition of subsidiaries** in the fiscal year 2015/16 result from the acquisition of shares in Streetline International, Inc., Delaware, U.S.A.

The effects from the **increase in shares of subsidiaries** in the fiscal year 2015/16 result from the acquisition of the remaining shares in TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa. In the fiscal year 2014/15, the effects from the increase in shares of subsidiaries result from the acquisition of further shares in Kapsch TrafficCom AG, Vienna.

Consolidated cash flow statement.

All amounts in EUR	**Note**	**2015/16**	**2014/15**
Cash flow from operating activities			
Operating result		72,252,305	6,592,990
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	30,076,052	33,920,269
Impairment charge	(6, 12, 13)	0	36,874,448
Increase/decrease in obligations for post-employment benefits	(25)	-2,418,185	1,393,393
Increase/decrease in other non-current liabilities and provisions	(26, 28)	-1,419,396	1,084,409
Increase/decrease in trade receivables (non-current)	(17)	22,504,259	46,377,824
Increase/decrease in other non-current receivables and assets	(17)	-12,171,385	4,342,933
Increase/decrease in trade payables (non-current)	(26)	-630,044	-913,975
Other (net)		-1,125,502	-3,004,160
		107,068,102	**126,668,132**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(19)	-3,431,021	11,716,095
Increase/decrease in inventories	(18)	16,047,381	-14,563,827
Increase/decrease in trade payables and other current payables	(27)	11,280,600	-27,771,339
Increase/decrease in current provisions	(28)	8,308,621	-16,333,821
		32,205,582	**-46,952,891**
Cash flow from operations		**139,273,684**	**79,715,240**
Interest received	(8)	2,977,683	3,186,945
Interest payments	(8)	-9,015,610	-10,206,547
Net payments of income taxes		-14,299,570	-13,377,910
Net cash flow from operating activities		**118,936,187**	**59,317,729**
Balance brought forward		118,936,187	59,317,729

All amounts in EUR	Note	2015/16	2014/15
Balance brought forward		118,936,187	59,317,729
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-12,610,722	-18,326,730
Purchase of intangible assets	(13)	-10,383,737	-8,331,091
Purchase of securities, investments and other non-current financial assets	(16)	-175,693	-441,961
Payments for investment properties	(14)	0	-4,316,319
Payments for the acquisition of companies (net of cash acquired) and for asset-deals	(30)	2,542,784	-15,000,000
Payments for the acquisition of shares in at-equity-consolidated entities		-279,961	0
Proceeds from the disposal of property, plant and equipment and intangible assets		4,115,141	8,948,407
Proceeds from the sale of securities and other financial assets		5,158,565	130,144
Dividends received from associates and joint ventures	(15)	259,293	424,083
Net cash flow from investing activities		**-11,374,331**	**-36,913,466**
Cash flow from financing activities			
Contributions from shareholders		0	4,900
Dividends paid to company's shareholders		-3,000,000	0
Dividends paid to non-controlling shareholders		-9,091,120	-6,920,948
Payments for the acquisition of non-controlling shares		-7,260,794	-3,205,106
Increase in non-current financial liabilities	(22)	21,396,306	51,118,943
Increase in current financial liabilities	(22)	18,052,466	35,181,590
Decrease in current financial liabilities	(22)	-75,338,277	-72,754,265
Decrease in liabilities from finance lease	(23)	-536,944	-528,883
Net cash flow from financing activities		**-55,778,363**	**2,896,233**
Net increase/decrease in cash and cash equivalents		**51,783,493**	**25,300,496**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(20)	120,662,814	91,933,442
Net increase/decrease in cash and cash equivalents		51,783,493	25,300,496
Currency translation differences on cash and cash equivalents		-5,188,538	3,428,876
Cash and cash equivalents at end of year	(20)	**167,257,769**	**120,662,814**

Notes to the Consolidated Financial Statements.

General information.

The Kapsch Group operates mainly in the areas of telecommunications and traffic-control systems and related areas. It holds shares in domestic and foreign companies. The group's main markets include Austria and Europe, as well as in the carrier segment also Asia and North Africa. In the traffic segment Kapsch operates worldwide and serves customers on all other continents, especially in North and South America. The parent company is headquartered in Vienna.

The business activities of the Kapsch Group are subdivided into the following four segments:

- Traffic (Intelligent Transportation Systems – ITS solutions)
- Carrier (communication solutions for mobile and fixed network operators and railway operators)
- Enterprise (speech, data and IT solutions for business customers including public authorities)
- Others

The segment Traffic relates to the worldwide development, installation and operation of Intelligent Transportation Systems solutions. Furthermore, services for maintenance and operation and components in the area of ITS solutions are provided.

The segment Carrier relates to operators of public communications networks and also provides communication solutions for railway operators (GSM-R) in Europe, Asia and North Africa. The range covers the complete area of modern communication networks based on our own products and integrated solutions of partners.

The segment Enterprise relates to the system-integration business of corporate IT and communication solutions in Central and Eastern Europe.

The segment Others relates to all tasks for managing the group as well as to solutions for intelligent energy management.

Group structure.

The parent company (reporting entity) of this group is KAPSCH-Group Beteiligungs GmbH, Vienna. Immediate parent company of the reporting entity is DATAX HandelsgmbH, Vienna, which is the sole shareholder of KAPSCH-Group Beteiligungs GmbH, Vienna. DATAX HandelsgmbH, Vienna, is the controlling entity of the reporting entity and the ultimate parent of Kapsch Group.

The Group currently holds 63.28 % of shares in Kapsch TrafficCom AG, Vienna (31 March 2015: 63.13 %). Since 26 June 2007, the free float shares of Kapsch TrafficCom AG, Vienna, have been listed in the Prime Market segment of the Vienna Stock Exchange.

Consolidated group.

The parent company, KAPSCH-Group Beteiligungs GmbH (internal designation KGB), is a public limited company incorporated and domiciled in Vienna, Austria. The address of its registered office is 1120 Vienna, Am Europlatz 2.

As of 31 March 2016 the consolidated group consists of 95 entities (31 March 2015: 94 entities). The consolidated group changed as follows:

	2015/16	2014/15
Number of entities at the beginning of the fiscal year	**94**	**88**
Initial consolidation	4	10
Mergers	-1	-3
Deconsolidation	-2	-1
Number of entities in the consolidated group	**95**	**94**

In the fiscal year 2015/16 Streetline Inc., Delaware, U.S.A., Streetline International, Inc., Delaware, U.S.A. as well as SPS Funding Co. LLC, Delaware, U.S.A., were acquired. Kapsch CarrierCom Saudi Arabia LLC, Riad, Saudi Arabia, was newly founded.

After the acquisition, Streetline Inc. was merged into KTCSL Merger Corp. and since then trades under the name Streetline Inc.

In the fiscal year 2015/16 Kapsch Telematic Services Kft. “v.a.”, Budapest, Hungary, as well as Kapsch CarrierCom Hongkong Ltd., Hongkong, People’s Republic of China, were liquidated and therefor deconsolidated.

The regional distribution of our subsidiaries is as follows:

	2015/16	2014/15
Austria	19	19
Central- and Eastern Europe (excl. Austria)	28	29
Western Europe	18	18
Rest of the world	30	28
Total	**95**	**94**

Further information on interests in subsidiaries see note 31.

Accounting policies.

The accounting policies applied in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of 31 March 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of 31 March 2016 have been prepared under the historical cost convention, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date. Pertinent explanations can be found within the scope of the corresponding accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date as well as income and expenses recorded during the reporting period. Although these estimates are made by the management board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity as well as areas where assumptions and estimates are material to the consolidated financial statements are disclosed in note 26.

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

1.1 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2015/16

New/adopted IFRSs		Published by the IASB (adopted by the EU)	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statement
IAS 19	Employee Benefits (Amendment)	November 2013	1 July 2014	None
Annual improvement to IFRSs, 2010–2012				
IFRS 2	Share-based Payment	December 2013	1 July 2014	None
IFRS 3	Business Combinations	December 2013	1 July 2014	None
IFRS 8	Operating Segments	December 2013	1 July 2014	None
IFRS 13	Fair Value Measurement	December 2013	1 July 2014	None
IAS 16	Property, Plant and Equipment	December 2013	1 July 2014	None
IAS 24	Related Party Disclosures	December 2013	1 July 2014	None
IAS 38	Intangible Assets	December 2013	1 July 2014	None
Annual improvement to IFRSs, 2011–2013				
IFRS 1	First-time Adoption to International Financial Reporting Standards	December 2013	1 July 2014	None
IFRS 3	Business Combinations	December 2013	1 July 2014	None
IFRS 13	Fair Value Measurement	December 2013	1 July 2014	None
IAS 40	Investment Property	December 2013	1 July 2014	None

1.2 Standards, interpretations and amendments to published standards that are not yet effective and that have not been prematurely adopted by the group

New/adopted IFRSs		Published by the IASB (adopted by the EU)	Applicable to financial years beginning on or after	Material impact on group's consolidated financial statement
IFRS 14	Regulatory Deferral Accounts	January 2014	1 January 2016	None
IFRS 11	Joint Arrangements (Amendment)	May 2014	1 January 2016	None
IAS 16 IAS 38	Amendments to Property, Plant and Equipment and Intangible Assets	May 2014	1 January 2016	None
IAS 16 IAS 41	Amendments to Property, Plant and Equipment and Agriculture	June 2014	1 January 2016	None
IAS 27	Separate Financial Statements (Amendment)	August 2014	1 January 2016	None
IAS 1	Presentation of Financial Statements (Amendment)	December 2014	1 January 2016	None
Annual improvement to IFRSs, Cycle 2012–2014				
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	September 2014	1 July 2016	None
IFRS 7	Financial Instruments	September 2014	1 July 2016	None
IAS 19	Employee Benefits	September 2014	1 July 2016	None
IAS 34	Interim Financial Reporting	September 2014	1 July 2016	None
IAS 12	Income Taxes (Amendments)	January 2016	1 January 2017	impact will be assessed
IAS 7	Statement of Cash Flows (Amendments)	January 2016	1 January 2017	impact will be assessed
IFRS 15	Revenue from Contract with Customers	May 2014	1 January 2018	impact will be assessed
IFRS 9	Financial Instruments	July 2014	1 January 2018	impact will be assessed
IFRS 16	Leases	January 2016	1 January 2019	impact will be assessed

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

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

2 Consolidation.

2.1 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.

2.2 Transactions with non-controlling interests

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

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

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

2.3 Joint arrangements

The group applies IFRS 11 to all joint arrangements. As at balance sheet date of 31 March 2016 the group has an interest in an Algerian joint venture which is a jointly controlled entity.

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

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

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

2.4 Associates

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

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

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

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

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

3 Business combinations.

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

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

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

Any contingent consideration to be transferred by the group is recognized at fair value as at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is measured in accordance with IAS 39 and a resulting profit or loss recognized in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Any contingent consideration included in the financial statements resulting from business combinations prior to the application of IFRS 3 (2008) is still treated in accordance with the requirements under IFRS 3 (2004).

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

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

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

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

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

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

4 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 the Kapsch group's presentation currency.

4.1 Translation of financial statements in foreign currencies

In accordance with IAS 21, financial statements of foreign subsidiaries which are included in the consolidated financial statements are translated as follows:

The statement of comprehensive income of foreign entities (except for foreign entities from hyperinflationary countries) that have a functional currency different from the euro are translated into the group's presentation currency at average exchange rates of the fiscal year, balance sheets at the prevailing mean exchange rate at the balance sheet date. The reference rates of the European Central Bank (ECB) and Deutsche Bundesbank, which are accessible via the Austrian Central Bank's (Österreichische Nationalbank) website, serve as the basis for the translation. If no current exchange rates are available, this will result in the exchange rates as disclosed by the national banks being used. Differences arising from the currency translation of foreign operations into euro are recognized under other comprehensive income and collected under equity.

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

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

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

	Average exchange rate		Exchange rate as at the balance sheet date	
Exchange rates to the euro	**2015/16**	**2014/15**	**2015/16**	**2014/15**
AUD	1.497	1.452	1.481	1.415
CAD	1.443	1.440	1.474	1.374
CZK	27.164	27.580	27.051	27.533
PLN	4.224	4.181	4.268	4.085
SEK	9.324	9.213	9.225	9.290
USD	1.101	1.265	1.139	1.076
ZAR	15.148	13.950	16.787	13.132

In the fiscal year 2011/12, Kapsch Telematic Services IOOO, Minsk, Republic of Belarus, was founded. As at the balance sheet date of 31 March 2016, the Republic of Belarus is still classified as a hyperinflationary economy. The group analyzed whether IAS 29 (Financial reporting in hyperinflationary economies) had to be applied to the subsidiary. Since the euro and not the Belorussian ruble (BYR), is the functional currency, the classification of the Republic of Belarus as a hyperinflationary economy has no impact on the accounting of the Belorussian subsidiary and thus also does not affect the present consolidated financial statements. IAS 29 is therefore not applied.

4.2 Foreign currency transactions

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

Foreign exchange gains and losses which are attributable to cash and cash equivalents as well as borrowings are presented in the statement of comprehensive income within finance income or cost. All other foreign exchange gains and losses are presented in the statement of comprehensive income in other operating income or other operating expenses.

This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations as part of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold. In the fiscal year 2013/14, two USD loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the management board of the Kapsch TrafficCom AG does not plan for a redemption of these loans in the foreseeable future and since such redemption is not likely to occur. The exchange rate differences arising from these loans are recognized in other comprehensive income (see note 10).

5 Risk management.

The group's activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group does not employ hedge accounting as envisaged by IAS 39.

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

5.1 Foreign exchange risk

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

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

If the exchange rate of the stated currencies (resulting from current and non-current receivables and payables) as of 31 March 2016 (31 March 2015) had increased by the percentage rate ("volatility") stated below, the result before tax, provided all other variables had remained unchanged, would have been higher (+) or lower (-), respectively, by the following amounts:

	Effect on the equity in TEUR			
	2015/16		2014/15	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
AUD	-138	169	-107	131
CAD	-416	509	-1,702	2,080
CZK	-319	390	-207	253
EUR	4,225	-5,163	4,099	-5,010
PLN	-141	172	-331	404
SEK	-430	525	-415	507
USD	-4,292	5,245	-3,772	4,611
ZAR	-951	1,162	-826	1,009

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

	Effect on the equity in TEUR			
	2015/16		2014/15	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
NOK	-1,348	1,647	-1,754	2,143

5.2 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 approximately one third of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2016, this, as in the prior year, would not have had any material impact on the result of the group.

Interest rate swaps exist in the group to minimize interest rate risk of financial liabilities as well as finance lease contracts which are based on a variable interest rate (see note 23).

5.3 Credit risk

As part of the group's risk management policy, the group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the group sells only to customers with appropriate credit histories. In addition, the group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain group policies limit the amount of its credit exposure to individual financial institutions, depending on the rating of the institution. There is usually a credit risk in the implementation phase of large toll collection projects. With the exception of the toll collection projects in America, the Czech Republic, South Africa, Poland and the Republic of Belarus (see note 19), there is no concentration of credit risk relating to trade receivables, since the group generally has a large number of customers worldwide. Based on the group's experiences, the default risk for trade receivables can be considered low.

The maximum credit risk is similar to book values:

All amounts in TEUR	**2015/16**	**2014/15**
Other non-current financial assets and investments	24,187	28,904
Other non-current assets	22,028	29,065
Current securities	569	5,768
Trade receivables and other current assets	342,430	337,539
Cash and cash equivalents	167,258	120,663
	556,472	**521,938**

5.4 Liquidity risk

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

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

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

The Kapsch group endeavors to reduce the payment default risk of customers as far as possible by mandatory creditworthiness checks prior to the signing of orders and additionally for major projects by securing payments through guarantees. It cannot be completely ruled out, however, that some defaults might still occur, which would then have a major negative impact on the development of the results and liquidity of the Kapsch group.

The Kapsch group avoids becoming dependent on individual banks by making sure that the financial structure is always distributed over several partner banks. Major repayment obligations (pertaining as a rule to long-term contracts, e.g. in the case of corporate bonds or long-term loans with redemption at maturity) are monitored on an ongoing basis. At an early stage, measures are taken to ensure that the agreed-upon payment obligations are met (either by checking the income from operational cash flow or through timely refinancing activities).

Kapsch employs a risk-averse investment strategy. Liquid funds are held such that they are generally available in the short term and can therefore be used quickly whenever needed. When it comes to securities, conservative securities funds, which are actively managed on an ongoing basis and include an appropriate share of bonds, are used as a rule for the coverage and hedging of pension obligations. In the event of international financial market turbulence, however, the financial investments made might still develop unfavorably or individual securities might even become untradeable. This might result in reductions in value and impairments, which in turn have a negative impact on the financial result and equity of the Kapsch group. 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 poor performance of these entities might also necessitate an impairment, which in turn leads to the mentioned negative impact on the financial result and equity.

5.5 Equity price risk

The group is exposed to equity securities price risk resulting from a material investment, since a Norwegian investment (Q-Free ASA), is classified as available for sale on the consolidated balance sheet. The Q-Free ASA investment is traded on the Oslo Stock Exchange.

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

ISIN	Volatility	Effect on equity in TEUR	
		2015/16	2014/15
NO0003103103	+10 %	1,482	1,929
NO0003103103	-10 %	-1,482	-1,929

5.6 Commodity price risk

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

6 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. The Kapsch group's capital management strategy aims among other things to ensure that the group companies' capital resources comply with local requirements. Furthermore, the group focuses on maintaining the gearing ratio on an annual average within a range from 25 % to 35 % in order to still be able to borrow at reasonable cost. The group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. As at 31 March 2016 the gearing ratio amounted to 25 % and was therefore within the target range.

In the reporting year, all external capital requirements resulting from the project financing of the nationwide truck toll collection system in the Republic of Belarus as well as from financing on the level of KAPSCH-Group Beteiligungs GmbH were fulfilled.

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

All amounts in TEUR	**2015/16**	**2014/15**
Non-current financial liabilities	172,783	164,738
Current financial liabilities	56,457	101,686
Liabilities from finance lease	16,113	16,650
Total financial liabilities	**245,352**	**283,074**
Cash on hand and at banks	167,258	120,663
Current securities	569	5,768
Net assets/Net debt	**-77,526**	**-156,643**
Equity	304,254	290,412
Net gearing	**25 %**	**54 %**

7 Fair value measurement.

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

To the greatest extent possible, the group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of three 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).

8 Borrowing costs.

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

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

In the fiscal year 2015/16, none of the assets recognized by the group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

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

9 Property, plant and equipment.

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

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

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

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

10 Intangible assets.

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

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. If the carrying value of a CGU exceeds the recoverable amount, an impairment is to be recognized. First, goodwill is amortized by the amount of the impairment. If the impairment exceeds the carrying value of goodwill, the carrying values of the remaining assets of this CGU are proportionately reduced.

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

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

The impairment loss of goodwill is recognized in the statement of comprehensive income. Write-ups on goodwill are not made.

10.2 Concessions and rights

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

10.3 Research and development costs

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

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

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

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

11 Investment property.

Investment property is property held to earn rental income or for capital appreciation. This includes property that is under construction and intended to serve such purposes.

Investment property is recognized at acquisition and production costs, including transaction costs, upon addition. The group applies the cost model pursuant to IAS 40.56 to investment property. Depreciation is charged on a straight-line basis over the expected useful lives of the assets in accordance with group policies. With respect to a multi-story car park built using solid construction methods, the normal useful life for investment property is 40 years. The assets’ useful lives and residual values are reviewed and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount as at the reporting date. The fair value is determined internally in accordance with generally accepted valuation principles.

Investment property is derecognized upon disposal or whenever it is no longer to be used continuously or a future economic benefit is no longer expected to be achieved through the disposal. The difference between the proceeds from the disposal of investment property and the carrying amount is recognized as profit or loss in the result from operating activities.

12 Impairment of non-financial assets.

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

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Assets, with the exception of goodwill, that have been subject to an impairment adjustment in the past are reviewed for possible reversal of the impairment at each subsequent reporting date.

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

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

13 Financial instruments.

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

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

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

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

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

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

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

13.1 Securities

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

Available-for-sale securities (AFS)

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

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

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

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

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

Financial assets at fair value through profit and loss

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

13.2 Other investments

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

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

13.3 Derivative financial instruments

For accounting purposes, derivative financial instruments are treated as stand-alone derivatives (i.e. as independent transactions and not as hedging transactions). Therefore they qualify as held-for-trading financial instruments and are valued at fair value through profit or loss as attributable as at the date of contract conclusion. 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 market values at the balance sheet date are recognized under financial assets and negative market values under other liabilities.

Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other income or expense or the financial result, depending on the derivative financial instrument's purpose.

The group does not employ hedge accounting as envisaged by IAS 39.

13.4 Loans and receivables

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

At each balance sheet date, the group assesses whether there is objective evidence of impairment. Evidence of impairment may include the following: indications that the debtors or a group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset´s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate.

The amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the event was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

14 Leases.

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

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

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

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

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

15 Government grants.

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

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

16 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.

17 Construction contracts.

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

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

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

18 Trade receivables.

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

19 Cash and cash equivalents.

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

20 Provisions.

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

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

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

21 Employee benefits.

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

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

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

The projected unit credit method is used for the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19. According to this method, post-employment costs for employee benefits are recognized in the statement of comprehensive income in such a way that scheduled costs are spread over the employees’ years of service on the basis of an expert opinion by a qualified actuary, who completely re-measures 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.

22 Current and deferred income tax.

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

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

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

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

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

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

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

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

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

23 Liabilities.

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

24 Contingent liabilities.

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

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

25 Revenue recognition.

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

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

Revenues from sales of maintenance relate to the services under the single maintenance contracts rendered in the respective reporting period.
Revenue for construction contracts (mainly toll collection projects) is recognized in accordance with the percentage-of-completion method provided the conditions under IAS 11 are met.

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

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

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

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

26.1 Percentage-of-completion method for contract work

The group uses the percentage-of-completion method in accounting for its construction contracts. At the balance sheet date of 31 March 2016, the amounts due from customers for contract work amounted to TEUR 126,237 (2014/15: TEUR 121,634) and the amounts due to customers for contract work amounted to TEUR 20,340 (2014/15: TEUR 17,786). The use of the percentage-of-completion method requires the group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by Management of KAPSCH-Group Beteiligungs GmbH indicate that the operating result would fluctuate by TEUR 11,996 (2014/15: TEUR 11,614) and the total comprehensive income for the period would fluctuate by TEUR 8,867 (2014/15: TEUR 8,710) if the actual margin of the significant projects deviated by 10 % from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been reliable up to now.

26.2 Estimated impairment of goodwill

In accordance with the accounting policy stated in note 3, 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 13.

26.3 Further assumptions and estimates

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

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

27 Critical judgments in the application of accounting policies.

As a non-financial entity, the group does not have a major investment portfolio and currently holds only one significant AFS financial instrument (Q-Free ASA, Norway); refer to note 16. Against this backdrop, no fixed rates or time bands were defined to establish whether a “significant” or a “prolonged” decline in accordance with IAS 39.61 exists. As a consequence, the Group measures equity instruments classified as “available for sale” on an individual basis, taking particularly into account qualitative criteria (e.g. volatility of equity instruments held, trading volume or adverse developments of the issuer). It is especially with instruments of lower liquidity and/or high volatility that higher percentages (of up to 30 %) are used to establish whether a decline in value is considered to be “significant”.

28 Segment information.

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

Notes to the Consolidated Financial Statements.

Figures in the notes are presented in euro thousands (TEUR) unless otherwise stated.

1 Segment information.

As of 31 March 2016, the group has four operating segments (see section "General information"):

- Traffic (Intelligent Transportation Systems – ITS solutions)
- Carrier (communication solutions for mobile and fixed network operators and railway operators)
- Enterprise (speech, data and IT solutions for business customers including public authorities)
- Others

The segment information follows the same principles and same accounting policies as applied in these consolidated financial statements.

The segment results for the fiscal year ended 31 March 2016 are as follows (in EUR million):

	Traffic	Carrier	Enterprise	Others	Group
Total segment revenues	526.1	233.1	322.0	19.8	1,101.0
Inter-segment revenues	-10.8	-2.3	-26.8	-14.4	-54.3
Revenues from external customers	515.3	230.8	295.2	5.4	1,046.8
Operating result	62.3	0.7	6.0	3.1	72.3
Operating result adjusted [1]	62.3	0.7	6.0	3.1	72.3

1 Complies with the operating result excluding impairment

The segment results for the fiscal year ended 31 March 2015 are as follows (in EUR million):

	Traffic	Carrier	Enterprise	Others	Group
Total segment revenues	456.4	190.6	301.9	17.4	966.3
Inter-segment revenues	-15.0	-2.2	-27.2	-13.1	-57.5
Revenues from external customers	441.4	188.4	274.7	4.3	908.8
Operating result	32.7	-29.7	1.9	1.6	6.6
Operating result adjusted [1]	45.1	-5.2	1.9	1.6	43.5

1 Complies with the operating result excluding impairment

Transfers and transactions between segments are recorded at the same conditions offered to third parties.

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

	Traffic	Carrier	Enterprise	Others	Elimination	Group
Segment assets	549.4	213.9	156.9	277.2	-258.7	938.7
Investments in associates and joint ventures	1.9	0.1	1.6	0.0	0.0	3.6
Total segment assets	**551.3**	**214.0**	**158.5**	**277.2**	**-258.7**	**942.3**
Total segment liabilities	**283.0**	**188.4**	**134.4**	**80.5**	**-48.3**	**638.1**
Capital expenditure	10.0	9.8	3.1	0.1	0.0	23.0
Depreciation, amortization and impairment charge	14.5	9.4	5.6	0.5	0.0	30.1
Other non-cash-effective positions	0.6	0.1	0.2	0.0	0.0	0.9

The segment assets include property, plant and equipment, intangible assets, investment properties, other non-current financial assets and investments, other non-current assets, deferred tax assets, inventories, current tax receivables, trade receivables and other current assets, other current financial assets as well as cash and cash equivalents.

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

The segment assets and liabilities as of 31 March 2015 as well as capital expenditure, depreciation, amortization and impairment charge and other non-cash-effective positions for the period then ended are as follows (in EUR million):

	Traffic	Carrier	Enterprise	Others	Elimination	Group
Segment assets	551.2	216.8	158.6	273.4	-259.9	940.1
Investments in associates and joint ventures	2.0	0.0	1.6	0.0	0.0	3.6
Total segment assets	**553.2**	**216.8**	**160.2**	**273.4**	**-259.9**	**943.7**
Total segment liabilities	**296.2**	**189.9**	**138.1**	**79.1**	**-50.0**	**653.3**
Capital expenditure	8.4	14.7	2.7	4.6	0.5	31.0
Depreciation, amortization and impairment charge	28.8	36.9	5.9	0.5	-1.3	70.8
Other non-cash-effective positions	1.2	-0.1	0.4	1.4	0.0	3.0

The eliminations result from consolidation effects (mainly from capital consolidation and the consolidation of receivables and payables between the segments).

In the fiscal year 2015/16 as well as in the fiscal year 2014/15 no customer contributed more than 10 % of the group revenue.

Information by region

Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

The figures for the fiscal year ended 31 March 2016 are as follows (in EUR million):

	Austria	Central and Eastern Europe (excl. Austria)	Western Europe	Rest of the World	Group
Revenues	294.6	377.1	135.9	239.2	1,046.8
Non-current non-financial assets	81.2	33.3	51.2	65.2	230.9

The figures for the fiscal year ended 31 March 2015 are as follows (in EUR million):

	Austria	Central and Eastern Europe (excl. Austria)	Western Europe	Rest of the World	Group
Revenues	276.4	299.5	127.7	205.2	908.8
Non-current non-financial assets	131.9	9.9	72.1	28.4	242.3

Revenues per category

Revenues are classified into the following categories (in EUR million):

	2015/16	2014/15
Sales of goods	410	364
Sales of services	495	481
Sales of maintenance	129	130
Accrued/deferred sales, license sales and discounts on invoiced sales	12	-66
	1,047	**909**

2 Other operating income.

	2015/16	2014/15
Exchange rate gains on operative activities	11,192	14,297
Income from research tax credits	8,190	7,928
Income from the sale of non-current assets	47	2,109
Sundry operating income	11,799	11,682
	31,228	**36,016**

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

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

	2015/16	2014/15
Change in unfinished goods and work in progress	-10,817	24,141
Change in finished goods	-5,607	-2,935
	-16,425	**21,206**

4 Cost of materials and other production services.

	2015/16	2014/15
Cost of materials	292,804	267,239
Cost of purchased services	221,959	182,338
	514,763	**449,577**

5 Staff costs.

	2015/16	2014/15
Wages, salaries and other remunerations	247,522	240,468
Expenses for social security and payroll-related taxes and contributions	53,858	55,116
Expenses for termination benefits (see note 25)	1,023	1,013
Expenses for pensions (see note 25)	608	777
Contributions to pension funds and other external funds (see note 25)	1,852	1,395
Fringe benefits	6,006	6,343
	310,869	**305,111**

As of 31 March 2016, the number of staff amounted to 5,838 persons (31 March 2015: 5,734 persons) and averaged 5,655 persons in the fiscal year 2015/16 (2014/15: 5,693 persons).

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

	2015/16	2014/15
Depreciation of property, plant and equipment	14,157	15,084
Amortization of intangible assets	15,703	18,675
Depreciation of investment properties	216	161
Impairment charge (see note 12, 13)	0	36,874
	30,076	**70,795**

7 Other operating expenses.

	2015/16	2014/15
Legal and consulting fees	22,883	16,700
Rental expenses	22,051	21,550
Communication and IT expenses	17,937	18,752
Automobile expenses	12,634	14,089
Travel expenses	12,184	10,667
Exchange rate losses on operative activities	11,567	11,208
Marketing and advertising expenses	9,288	10,229
Maintenance	6,281	5,503
Insurance costs	4,500	4,697
Office expenses	4,024	3,712
Taxes and charges	2,941	3,187
License and patent expenses	2,201	2,444
Transport costs	2,171	1,802
Warranty costs and project financing	1,630	1,796
Training costs	1,513	1,667
Bank charges	1,451	1,496
Membership fees	819	622
Commissions and other fees	753	1,108
Adjustment of provisions for warranties	-699	-1,012
Losses on disposal of non-current assets	557	896
Allowance and write-off of receivables	326	2,111
Remuneration to supervisory board	193	109
Damages	181	1,716
Restructuring costs	0	1,760
Other	3,212	2,819
	140,597	**139,628**

The increase in legal and consulting fees by TEUR 6,183 can be attributed mainly to current legal cases and consulting fees for acquisitions.

The item “Other” includes other administrative and selling expenses.

8 Financial result.

	2015/16	2014/15
Finance income:		
Interest income	2,812	3,042
Income from securities	165	145
Income from interest accretion of non-current receivables	3,739	5,956
Gains from the disposal of financial assets and investments	3,368	2
Gains from changes of the fair value of derivative financial instruments	0	98
Exchange rate gains from financing activities	5,327	7,027
	15,412	**16,270**
Finance costs:		
Interest expense	-9,011	-10,171
Expense from interest accretion of non-current payables	-291	-275
Losses from changes of the fair value of derivative financial instruments	-345	-525
Impairment of other investments	-1,513	-18,525
Expenses from the disposal of financial assets and investments	-5	-563
Expenses from the disposal of subsidiaries	-221	0
Exchange rate losses from financing activities	-15,027	-3,972
Interest expense from liabilities from post-employment benefits to employees (see note 25)	-1,428	-2,093
Interest expense from liabilities from anniversary bonuses to employees	-166	0
	-28,008	**-36,123**
	-12,596	**-19,853**

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

The impairment of other investments in fiscal year 2014/15 concerns the impairment, recognized as impairment in the result for the period as of 30 September 2014, due to the ongoing unfavorable development of the share price of the investment in Q-Free ASA, Trondheim, Norway amounting to TEUR 12,185 (see Note 10) as well as further net exchange losses in the third quarter of the fiscal year 2014/15 amounting to TEUR 6,340. In the fourth quarter of the fiscal year 2014/15 the exchange rate recovered again and the increase in value was recognized in the other comprehensive income.

9 Income taxes.

	2015/16	2014/15
Current taxes	-12,090	-9,909
Deferred taxes (see note 23)	-8,220	1,868
	-20,310	**-8,042**

For the fiscal year 2015/16, the Austrian corporate income tax rate is at 25 % (2014/15: 25 %).

In March 2005, KAPSCH-Group Beteiligungs GmbH, Vienna, formed a tax group according to Sec. 9 of the Austrian Corporate Income Tax Act. KAPSCH-Group Beteiligungs GmbH, Vienna, acts as the group leader and the subsidiaries in Austria act as group members. The group taxation regime applies to the respective entities effective from the tax year 2005 (i.e. fiscal year 2004/05). Within the tax group, the taxable incomes of the group members are generally taxed at the level of the tax group leader. Therefore tax losses incurred by a member of the tax group can be set off by taxable earnings of other group members.

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

	2015/16	2014/15
Profit before income taxes	59,748	-12,762
Arithmetic tax expense/income based on a tax rate of 25 % (2014/15: 25 %)	-14,937	3,190
Unrecognized deferred tax assets on current losses	-7,351	-14
Utilization of previously unrecognized tax losses	244	3,784
Different foreign tax rates	3,955	-2,933
Tax allowances claimed and other permanent tax differences	-1,776	-11,610
Income and expenses not subject to tax and other differences	2,038	-1,082
Adjustment in respect to prior year	-2,483	623
Recognized tax expense	**-20,310**	**-8,042**

In the fiscal year 2014/15 a disproportionately high tax rate arose due to the non-tax effective impairment of the investment in Q-Free ASA, Norway and the impairment charge in the CGU “Carriers” (effects from tax allowances claimed and other permanent tax differences in the amount of TEUR 10,598).

For further information on deferred tax assets and liabilities, see note 24.

10 Other comprehensive income.

2015/16	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-4,852	71	-4,781
Gains/losses recognized in the result for the period	-2,081	829	-1,251
Remeasurements of liabilities from post-employment benefits	39	-11	28
Currency translation differences	1,547	0	1,547
Currency translation differences from net investments in foreign business	-2,334	584	-1,751
Fair value changes recognized in equity	**-7,680**	**1,474**	**-6,207**

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

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

2014/15	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	2,558	-260	2,297
Gains/losses recognized in the result for the period	12,185		12,185
Remeasurements of liabilities from post-employment benefits	-8,234	1,855	-6,379
Currency translation differences	-10,957		-10,957
Currency translation differences from net investments in foreign business	9,045	-2,261	6,784
Fair value changes recognized in equity	**4,597**	**-667**	**3,930**

The unrealized gains/losses on available-for-sale financial assets relate to market price fluctuations of the investment in Q-Free ASA, Norway, amounting to TEUR 1,516 in the fiscal year 2014/15.

The realized gains/losses on available-for-sale financial assets relate to an impairment in that investment, recognized in the fiscal year 2014/15 in the result for the period (TEUR 12,185, reclassification from other comprehensive income to the result for the period, see note 10) due to ongoing unfavorable development of the share price.

11 Additional disclosures on financial instruments by category.

11.1 Assets

	Note	2015/16	2014/15
At fair value through profit or loss			
Derivative financial instruments	(16)	0	98
		0	**98**
Financial instruments held-to-maturity			
Securities held-to-maturity	—	0	0
		0	**0**
Receivables (financial assets recognized at (amortized) cost)			
Non-current receivables	(17)	3,934	2,077
Loans	(16)	196	0
Blocked cash (other current assets)	(16)	472	477
Trade receivables	(19)	145,141	157,544
Cash and cash equivalents	(20)	167,258	120,663
		317,001	**280,762**
Available-for-sale financial assets			
Available-for-sale securities (non-current), Level 1	(16)	8,219	8,444
Available-for-sale securities (non-current), Level 2	(16)	693	718
Available-for-sale investments, Level 1	(16)	14,825	19,291
Available-for-sale securities (current), Level 1	(16)	0	5,291
Other investments (at cost)	(16)	351	352
		24,088	**34,097**
Total		**341,089**	**314,956**

11.2 Liabilities

	Note	2015/16	2014/15 (adjusted)
At fair value through profit or loss			
Derivative financial instruments	(26, 27)	1,514	1,624
Other non-current liabilities	(26)	272	288
		1,786	**1,912**
Loans (financial liabilities recognized at (amortized) cost)			
Corporate bonds	(22)	80,480	84,425
Other financial liabilities (excl. financial leases)	(22)	148,760	182,000
Financial leases	(23)	16,113	16,650
Trade payables	—	89,536	100,956
Other non-current liabilities	(26)	1,691	2,976
		336,579	**387,006**
Total		**338,366**	**388,918**

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

	2015/16	2014/15
Available-for-sale financial assets	2,015	-18,941
Loans and receivables	-6,639	6,322
Financial liabilities recognized at (amortized) cost	-9,302	-10,445
At fair value through profit or loss	-345	-426
	-14,271	**-23,490**

12 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Prepayments	Total
Carrying amount as of 31 March 2014	**29,062**	**12,130**	**21,143**	**4,760**	**71**	**67,165**
Currency translation differences	104	521	352	316	0	1,293
Reclassification	1,106	23	-842	-1,179	0	-893
Addition resulting from company acquisition	43	792	164	0	0	999
Additions	3,267	2,892	7,628	4,352	188	18,327
Disposals	-19	-132	-1,450	-5,858	-71	-7,528
Scheduled depreciation	-2,534	-5,186	-7,363	0	0	-15,084
Impairment charge	0	-72	0	0	0	-72
Carrying amount as of 31 March 2015	**31,028**	**10,968**	**19,631**	**2,391**	**188**	**64,206**
Acquisition/production costs	48,659	59,484	64,414	2,391	188	175,136
Accumulated depreciation	-17,631	-48,515	-44,783	0	0	-110,930
Carrying amount as of 31 March 2015	**31,028**	**10,968**	**19,631**	**2,391**	**188**	**64,206**
Carrying amount as of 31 March 2015	**31,028**	**10,968**	**19,631**	**2,391**	**188**	**64,206**
Currency translation differences	-52	-511	-468	-83	0	-1,114
Reclassification	375	201	1,775	-2,351	0	0
Reclassification of prepayments	0	188	0	0	-188	0
Addition resulting from company acquisition	0	843	7	401	0	1,251
Additions	912	2,587	6,681	2,431	0	12,611
Disposals	-7	-705	-785	-1,485	0	-2,982
Scheduled depreciation	-2,681	-3,568	-7,908	0	0	-14,157
Impairment charge	0	0	0	0	0	0
Carrying amount as of 31 March 2016	**29,574**	**10,004**	**18,932**	**1,304**	**0**	**59,814**
Acquisition/production costs	48,862	54,663	68,312	1,304	0	173,140
Accumulated depreciation	-19,288	-44,658	-49,379	0	0	-113,326
Carrying amount as of 31 March 2016	**29,574**	**10,004**	**18,932**	**1,304**	**0**	**59,814**

The carrying amount of capitalized leases (land and buildings) as of 31 March 2016 amounts to TEUR 15,783 (31 March 2015: TEUR 16,242). With regard to the additions resulting from company acquisition, see note 30.

13 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayments	Total
Carrying amount as of 31 March 2014	**0**	**45,106**	**145,812**	**734**	**5,778**	**197,429**
Currency translation differences	0	69	1,067	0	0	1,136
Reclassification	0	893	0	0	0	893
Addition resulting from company acquisition	9,638	14,248	0	0	0	23,886
Additions	6,254	1,529	0	329	219	8,331
Disposals	-1,315	-219	0	-156	0	-1,690
Impairment charge	0	0	-36,802	0	0	-36,802
Scheduled amortization	-499	-18,176	0	0	0	-18,675
Carrying amount as of 31 March 2015	**14,078**	**43,451**	**110,077**	**907**	**5,997**	**174,509**
Acquisition/production costs	30,550	140,726	130,341	907	5,997	308,520
Accumulated amortization	-16,472	-97,275	-20,310	0	0	-134,058
Carrying amount as of 31 March 2015	**14,078**	**43,451**	**110,077**	**907**	**5,997**	**174,509**
Carrying amount as of 31 March 2015	**14,078**	**43,451**	**110,077**	**907**	**5,997**	**174,509**
Currency translation differences	-2	-80	-46	0	0	-128
Reclassification of prepayments	0	5,997	0	0	-5,997	0
Addition resulting from company acquisition	46	0	0	0	0	46
Additions	6,515	3,680	0	58	132	10,384
Disposals	-1	-678	0	-964	0	-1,643
Scheduled amortization	-757	-14,945	0	0	0	-15,703
Carrying amount as of 31 March 2016	**19,879**	**37,424**	**110,030**	**0**	**132**	**167,464**
Acquisition/production costs	38,337	144,959	130,341	0	132	313,768
Accumulated amortization	-18,459	-107,535	-20,310	0	0	-146,304
Carrying amount as of 31 March 2016	**19,879**	**37,424**	**110,030**	**0**	**132**	**167,464**

Capitalized development costs

Development costs relate to expenses, which, in accordance with IAS 38, are capitalized and amortized over 3 to 7 years once the assets are available for commercial use and relate mainly to large projects for software solutions from Kapsch CarrierCom Belgium NV, Belgium.

In the fiscal year 2015/16 additional research and development costs of the group amounted to EUR 98.2 million (2014/15: EUR 88.2 million). In the fiscal year 2015/16, EUR 46.1 million thereof (2014/15: EUR 32.5 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 52.1 million (2014/15: EUR 55.7 million) was recognized as an expense.

Goodwill

Due to strategic restructuring of the segment Traffic, the cash-generating units (CGU) have been adjusted to the changed structure according to IAS 36.72. The reallocation of goodwill of this segment complies with IAS 36.87, according to which goodwill has to be reallocated based on a relative value approach, similar to that used for selling of a business unit within a CGU of a company.

Goodwill is allocated to the segments and their cash-generating units as follows:

	2015/16	2014/15 [1]
ETC-Americas: Electronic Toll Collection, Americas	21,347	n/a
ETC-EMEA: Electronic Toll Collection, Europe, Middle East and Africa	36,313	n/a
ETC-APAC: Electronic Toll Collection, Asia and Pacific	13,436	n/a
Electronic Toll Collection (ETC)	**71,097**	**n/a**
IMS-Americas: Intelligent Mobility Solutions, Americas	6,330	n/a
IMS-EMEA: Intelligent Mobility Solutions, Europe, Middle East and Africa	5,118	n/a
IMS-APAC: Intelligent Mobility Solutions, Asia and Pacific	434	n/a
Intelligent Mobility Solutions (IMS)	**11,883**	**n/a**
Traffic	**82,980**	**82,980**
Carriers (CRS)	0	0
Public Transport (PTR)	0	0
Railways (RLW)	9,420	9,467
Carrier	**9,420**	**9,467**
Enterprise	**17,631**	**17,631**
Total	**110,030**	**110,077**

1 The disclosure for the fiscal year 2014/15 of segment Traffic is not applicable due to the changed CGU structure.

For the purpose of impairment testing according to IAS 36 goodwill was allocated to the cash-generating units (CGU) mentioned above, therefore the following assumptions were made:

	2015/16	2014/15
Determination of recoverable amount	Value in use	Value in use
Detailed planning years	4 years	4 years
Discount rate after tax, segment Traffic (CGU ETC, IMS)	6.36 %	8.27 %
Discount rate after tax, segment Carrier (CGU CRS, PTR, RLW)	6.69 %	8.33 %
Discount rate after tax, segment Enterprise (CGU EN)	6.11 %	9.73 %
Long-term growth rate	2.00 %	2.00 %

13.1 Cash-generating unit “Electronic Toll Collection, Americas” of the segment Traffic (CGU ETC-Americas)

Key assumptions for determining expected cash flows of the CGU ETC-Americas

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

Parameter CGU ETC-Americas

	2015/16	2014/15 [1]
Carrying amount of goodwill allocated to the CGU	21,347	n/a
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	n/a
Value in use of the CGU	232,044	n/a
Carrying amount	70,592	n/a
Discount rate before tax	7.6 %	n/a
Break-Even discount rate	21.3 %	n/a

1 The disclosure for the fiscal year 2014/15 is not applicable due to the new CGU structure.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	38,577	-28,750
Revenue growth	±10 %	-6,817	6,934
EBITDA margin	±10 %	-2,712	2,712
Long-term growth rate	±0.5 %	-21,127	26,606

13.2 Cash-generating unit “Electronic Toll Collection, Europe, Middle East and Africa” of the segment Traffic (CGU ETC-EMEA)

Key assumptions for determining expected cash flows of the CGU ETC-EMEA

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

Parameter CGU ETC-EMEA

	2015/16	2014/15 [1]
Carrying amount of goodwill allocated to the CGU	36,313	n/a
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	n/a
Value in use of the CGU	394,719	n/a
Carrying amount	158,059	n/a
Discount rate before tax	7.9 %	n/a
Break-Even discount rate	16.6 %	n/a

1 The disclosure for the fiscal year 2014/15 is not applicable due to the new CGU structure.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	68,574	-51,128
Revenue growth	±10 %	-4,649	30,207
EBITDA margin	±10 %	-6,919	6,919
Long-term growth rate	±0.5 %	-37,780	47,577

13.3 Cash-generating unit “Electronic Toll Collection, Asia and Pacific” of the segment Traffic (CGU ETC-APAC)

Key assumptions for determining expected cash flows of the CGU ETC-APAC

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

Parameter CGU ETC-APAC

	2015/16	2014/15 [1]
Carrying amount of goodwill allocated to the CGU	13,436	n/a
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	n/a
Value in use of the CGU	146,052	n/a
Carrying amount	30,061	n/a
Discount rate before tax	7.8 %	n/a
Break-Even discount rate	41.2 %	n/a

1 The disclosure for the fiscal year 2014/15 is not applicable due to the new CGU structure.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	23,172	-17,288
Revenue growth	±10 %	4,730	11,580
EBITDA margin	±10 %	-2,102	2,102
Long-term growth rate	±0.5 %	-12,558	15,815

13.4 Cash-generating unit “Intelligent Mobility Solutions, Americas” of the segment Traffic (CGU IMS-Americas)

Key assumptions for determining expected cash flows of the CGU IMS-Americas

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

Parameter CGU IMS-Americas

	2015/16	2014/15[1]
Carrying amount of goodwill allocated to the CGU	6,330	n/a
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	n/a
Value in use of the CGU	79,389	n/a
Carrying amount	25,400	n/a
Discount rate before tax	7.5 %	n/a
Break-Even discount rate	15.4 %	n/a

1 The disclosure for the fiscal year 2014/15 is not applicable due to the new CGU structure.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	15,560	-11,585
Revenue growth	±10 %	-3,603	5,008
EBITDA margin	±10 %	-785	785
Long-term growth rate	±0.5 %	-8,570	10,792

13.5 Cash-generating unit "Intelligent Mobility Solutions, Europe, Middle East and Africa" of the segment Traffic (CGU IMS-EMEA)

Key assumptions for determining expected cash flows of the CGU IMS-EMEA

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

Parameter CGU IMS-EMEA

	2015/16	2014/15[1]
Carrying amount of goodwill allocated to the CGU	5,118	n/a
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	n/a
Value in use of the CGU	64,186	n/a
Carrying amount	8,266	n/a
Discount rate before tax	7.7 %	n/a
Break-Even discount rate	101.8 %	n/a

1 The disclosure for the fiscal year 2014/15 is not applicable due to the new CGU structure.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	10,074	-7,506
Revenue growth	±10 %	1,807	3,953
EBITDA margin	±10 %	-1,179	1,179
Long-term growth rate	±0.5 %	-5,540	6,977

13.6 Cash-generating unit "Intelligent Mobility Solutions, Asia and Pacific" of the segment Traffic (CGU IMS-APAC)

Key assumptions for determining expected cash flows of the CGU IMS-APAC

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

Parameter CGU IMS-APAC

	2015/16	2014/15 [1]
Carrying amount of goodwill allocated to the CGU	434	n/a
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	n/a
Value in use of the CGU	5,441	n/a
Carrying amount	2,756	n/a
Discount rate before tax	15.7 %	n/a
Break-Even discount rate	96.1 %	n/a

1 The disclosure for the fiscal year 2014/15 is not applicable due to the new CGU structure.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	78	-70
Revenue growth	±10 %	-2,143	1,968
EBITDA margin	±10 %	-267	267
Long-term growth rate	±0.5 %	-15	19

13.7 Cash-generating unit "Carriers" of the segment Carrier (CGU CRS)

Key assumptions for determining expected cash flows of the CGU CRS

Existing UMTS networks (3G) are reaching their limits due to the consistently growing mobile data traffic. Against the backdrop of this development, the LTE (4G) network is being continuously expanded to cover all areas and public network operators continue to primarily invest in "fixed broadband" and "LTE rollouts".

Management assumes that in this difficult market environment and given the aggressive pricing policy there is sufficient potential for Kapsch to keep revenues stable over a short period of time and to even increase revenues in the medium and long term. This assumption is supported by some trends and projects that provide a good approach to expand our revenue base with existing and new customers. NFV (Network Function Virtualization) projects are, for example, frequently requested projects that are also already being partially implemented. In addition, SDN (Software Defined Networking) provides another technological approach to optimize the cost base and – in combination with big data – offers considerable potential as regards CEM (Customer Experience Management). Moreover, in the fiscal year 2016/17 an increase in revenues in the FTTX sector (glass fiber) is expected.

The focus of this CGU will remain on the core customers and regions. In addition to its core markets Austria, France, Germany and Belgium, Kapsch will also place a special focus on the expansion of the markets in Slovenia, Croatia, Serbia, Macedonia, Bulgaria and Belarus.

Kapsch particularly focuses on the structural and cost optimization of this CGU in addition to general priorities defined in cost management.

Parameter CGU CRS

	2015/16	2014/15
Carrying amount of goodwill allocated to the CGU	0	0
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	25,449	18,737
Carrying amount	23,621	18,737
Discount rate before tax	8.1 %	10,6 %
Break-Even discount rate	8.4 %	10,6 %

Sensitivity analyses with the impact of changes to the value in use of the CGU CRS

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	4,987	-3,727
Revenue growth	±10 %	-1,082	1,119
EBITDA margin	±10 %	-351	351
Long-term growth rate	±0.5 %	-2,732	3,384

13.8 Cash-generating unit “Public Transport” of the segment Carrier (CGU PTR)

Key assumptions for determining expected cash flows of the CGU PTR

According to market studies, the public transport sector is currently undergoing a growth phase that will last for several years. The overall global market volume is estimated to grow by about 15 % per year in the coming years. Main growth drivers are urbanization, change in customer behavior (trend towards public means of transport), a growing need for public transport solutions in emerging countries, as well as the desire for sustainability.

Kapsch offers an extensive technology portfolio in this CGU with a particular emphasis on TETRA, Digital Mobile Radio (DMR), ITCS (Intermodal Transport Control Systems) and Automated Fare Collection (AFC). Management expects a strong revenue growth in all of the aforementioned areas.

This assumption is, on the one hand, supported by the fact that Kapsch reports good order levels and, on the other, by the completion of the product portfolio as well as investments made in the re-orientation of the distribution team. In the near future, revenues are planned to be generated in particular with the help of the already established product portfolio. The multi-annual planning forecasts growth rates more moderate than expected at the end of the previous year.

Parameter CGU PTR

	2015/16	2014/15
Carrying amount of goodwill allocated to the CGU	0	0
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	12,764
Value in use of the CGU	51,408	73,231
Carrying amount	47,431	38,986
Discount rate before tax	9.6 %	8.8 %
Break-Even discount rate	10.2 %	12.6 %

In the fiscal year 2015/16 intangible assets not yet ready for use in the amount of TEUR 0 (2014/15: TEUR 12,764) are allocated to the cash-generating unit “PTR”.

Sensitivity analyses with the impact of changes to the value in use of the CGU PTR

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	8,642	-6,424
Revenue growth	±10 %	-2,804	2,814
EBITDA margin	±10 %	-1,027	1,016
Long-term growth rate	±0.5 %	-3,740	4,632

13.9 Cash-generating unit “Railways” of the segment Carrier (RLW)

Key assumptions for determining expected cash flows of the CGU RLW

Although investments have been made in the railway environment and these investments have been adjusted to the general growth trend of public transport, it is still necessary to ensure an efficient infrastructure with the help of state-of-the-art technology (e.g. ERTMS – European Rail Traffic Management System).

After revenues were extraordinarily high in the fiscal year 2015/16, management assumes that revenues in this CGU will fall again to those figures that Kapsch achieves on average in this market only to grow again at a moderate pace in the years to come. The margins in this CGU are expected to remain stable, with a shift towards a sustainable subsequent delivery and maintenance business to compensate for declining margins due to the persistent price pressure in new invitations to tender.

This CGU will continue to focus on European regions and customers. Business in the Middle East and in Africa, however, is to significantly contribute to this CGU’s growth.

Parameter CGU RLW

	2015/16	2014/15
Carrying amount of goodwill allocated to the CGU	9,420	9,467
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	53,807	97,146
Carrying amount	52,574	41,261
Discount rate before tax	8.6 %	10.2 %
Break-Even discount rate	8.8 %	28.5 %

Sensitivity analyses with the impact of changes to the value in use of the CGU RLW

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	6,273	-4,740
Revenue growth	±10 %	-638	640
EBITDA margin	±10 %	-1,553	1,553
Long-term growth rate	±0.5 %	-3,352	4,151

13.10 Cash-generating unit "Enterprise" of the segment Enterprise (CGU EN)

Key assumptions for determining expected cash flows of the CGU EN:

In the segment "Enterprise", it is assumed that the company will be able to increase business with existing customers and expand in the segments ICT-Facility, ICT-Infrastructure, ICT-Workspace and Applications. In Austria, the strong market position in ICT-Infrastructure was extended and Management assumes it will be possible strengthen this position further. Based on its more clearly defined IT strategy, Kapsch's positioning is as an attractive and reliable service partner for ICT-solutions. Continuing improvements in recent years are taking effect – Kapsch is beginning to utilize the newly created sales potential in this area. Management assumes that sales in the IT segment will grow further. In addition, Kapsch will be an essential partner in the digitization of the future. Management regards this new business area as the growth driver of the future. Target customers are small and medium-sized companies with 50 to 500 users, some of which already belong to the customer base of the "Enterprise" segment. For Management, outsourcing and out tasking are potential growth areas. Kapsch, as an outsourcing partner, was able to position itself as an innovative and flexible partner in the past and Management assumes it can win further major outsourcing projects and to secure long-term service revenues in the future. The solutions offered cover all areas of voice and data transmission as well as parts of the infrastructure of companies, starting with basic telecommunication, wireless and mobile business solutions and voice-over-IP including IT solutions, network security, network management, integration of the Internet, call center solutions, communication consulting, IP-TV, video solutions, managed services and much more. Ongoing cost optimizations result in improvements in efficiency but also in under proportional increases in costs (especially staff costs) compared to revenue increases.

Parameter CGU EN

	2015/16	2014/15
Carrying amount of goodwill allocated to the CGU	17,631	17,631
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	174,442	109,317
Carrying amount	87,318	79,558
Discount rate before tax	7.5 %	12.1 %
Break-Even discount rate	13.2 %	16.2 %

Sensitivity analyses with the impact of changes to the value in use of the CGU EN

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	±10 BP	3,703	-40,372
Revenue growth	±10 %	-3,789	3,826
EBITDA margin	±10 %	-2,787	2,787
Long-term growth rate	±0.5 %	-17,419	22,244

14 Investment properties.

	2015/16	2014/15
Carrying amount as of 31 March of prior year	**4,155**	**0**
Addition	0	4,316
Scheduled amortization	-216	-161
Carrying amount as of 31 March of fiscal year	**3,939**	**4,155**
Acquisition/production cost	4,316	4,316
Accumulated amortization	-377	-161
Carrying amount as of 31 March of fiscal year	**3,939**	**4,155**

For accounting of investment properties the group use the amortized cost model according to IAS 40.56.

The fair value of investment property is calculated internally using the capitalized earnings method and is classified to Level 3 of the valuation hierarchy under IFRS 7. The fair value of the investment property as of 31 March 2016 amounts to TEUR 6,696 (31 March 2015: TEUR 6,706).

Parameter of the capitalized earnings method

	2015/16	2014/15
Interest rate for property	6.00 %	6.00 %
Useful live in years	40	40
Multiplying factor	15.05	15.05

The gross income from the rental of investment property as of 31 March 2016 amount to TEUR 538 (31 March 2015: TEUR 323).

The operating expenses from investment properties are as follows:

	2015/16	2014/15
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	-330	-259
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	0	0

Contractual commitments

The group has entered into contractual commitments for managing and maintaining the rented commercial properties leased to third parties. Annual expenses arising under these contracts amount to around TEUR 94 (2014/15: around TEUR 84).

15 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2015/16	2014/15
Carrying amount as of 31 March of prior year	**3,613**	**3,355**
Addition through acquisition and foundation	280	0
Disposal through sale of shares and dividend payments	-259	-424
Proportionate profit (after tax)	92	498
Currency translation differences	-138	184
Carrying amount as of 31 March of fiscal year	**3,588**	**3,613**
thereof shares in associates	3,497	3,613
thereof interests in joint ventures	91	0

15.1 Interests in associates

Kapsch Financial Services GmbH, Vienna
The group holds 26 % of shares in Kapsch Financial Services GmbH, Vienna. The carrying amount as of 31 March 2016 amounts to TEUR 1,452 (2014/15: TEUR 1,599).

The financial data of the entity as of the latest balance sheet date (30 September) are as follows:

	30 Sep 2015	30 Sep 2014
Non-current assets	31,387	34,038
Current assets	1,936	1,926
Non-current liabilities	-9,129	-12,226
Current liabilities	-21,592	-20,501
Net assets	**2,603**	**3,237**
Revenues	39,444	41,129
Result for the period	997	1,631
Other comprehensive income	0	0
Total income	**997**	**1,631**

The financial information stated above relates to the last audited financial report of the Kapsch Financial Services GmbH, Vienna. Since the balance sheet date of the entity differs from the balance sheet date of the group the net assets are evaluated and recognized based on an interim report.

evolaris next level GmbH, Graz
On 30 September 2015 the group acquired 25 % of the shares in evolaris next level GmbH, Graz. This investment is accounted for using the equity method. The carrying amount as of 31 March 2016 amounts to TEUR 128 (2014/15: TEUR 0).

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

	31 Dec 2015	31 Dec 2014
Non-current assets	58	n/a
Current assets	1,624	n/a
Non-current liabilities	0	n/a
Current liabilities	-1,005	n/a
Net assets	**676**	**n/a**

	31 Dec 2015	31 Dec 2014
Revenues	2,445	n/a
Result for the period	278	n/a
Other comprehensive income	0	n/a
Total income	**278**	**n/a**

SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico
As of 31 July 2012, the group acquired 33 % of the shares in SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico. Taking potential voting rights into account (options to purchase the remaining shares) the group holds the majority of the shares. As the potential voting rights are not assessed to be substantial the presumption of control was rebutted. As significant influence over the financial and business policies exists, this investment is accounted for using the equity method. The carrying amount as of 31 March 2016 amounts to TEUR 1,917 (2014/15: TEUR 2,014).

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

	31 Dec 2015	31 Dec 2014
Non-current assets	1,474	1,340
Current assets	10,584	10,235
Non-current liabilities	-635	-620
Current liabilities	-6,471	-6,181
Net assets	**4,953**	**4,774**
Revenues	13,066	14,816
Result for the period	470	527
Other comprehensive income	0	0
Total income	**470**	**527**

LLC National operator of telematic services, Russia
On 3 December 2015, together with a partner, the group founded the Russian company LLC National operator of telematics services and holds an interest of 49 %. The company is classified as an associated company. Therefore the investment is accounted for using the equity method. As of 31 March 2016 the book value of the interest amounts to TEUR 0 (31 March 2015: TEUR n/a).

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

	31 March 2016	31 March 2015
Non-current assets	12	n/a
Current assets	9	n/a
Non-current liabilities	0	n/a
Current liabilities	-68	n/a
Net assets	**-47**	**n/a**
Revenues	0	n/a
Result for the period	-51	n/a
Other comprehensive income	0	n/a
Total income	**-51**	**n/a**

15.2 Interests in joint ventures

Rail Telecom SPA, Algeria
On 23 March 2016 the group acquired 49 % of the shares in Rail Telecom SPA, Algeria. This Algerian subsidiary is included in the group as joint venture and the investment is accounted for using the equity method. Together with a partner the group manages the joint venture and has rights over the net assets. The carrying amount as of 31 March 2016 amounts to TEUR 91 (2014/15: TEUR 0).

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

	31 Dec 2015	31 Dec 2014
Non-current assets	0	n/a
Current assets	130	n/a
Non-current liabilities	0	n/a
Current liabilities	0	n/a
Net assets	**130**	**n/a**
Revenues	0	n/a
Result for the period	-55	n/a
Other comprehensive income	0	n/a
Total income	**55**	**n/a**

16 Current and non-current financial assets.

	2015/16	2014/15
Other non-current financial assets and investments	24,187	28,904
Other current financial assets	569	5,768
	24,756	**34,672**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other non-current financial assets	Total
Carrying amount as of 31 March 2014	**8,404**	**24,105**	**1,093**	**33,602**
Currency translation differences	0	0	98	98
Addition resulting from company acquisition	3	0	0	3
Additions	81	362	98	541
Disposals	0	0	-1,190	-1,190
Change in fair value	675	-4,824	0	-4,149
Carrying amount as of 31 March 2015	**9,163**	**19,643**	**98**	**28,904**
Currency translation differences	0	0	1	1
Addition resulting from company acquisition	0	0	0	0
Additions	75	101	98	274
Disposals	-40	0	-98	-139
Change in fair value	-286	-4,567	0	-4,853
Carrying amount as of 31 March 2016	**8,912**	**15,176**	**99**	**24,187**

Other current financial assets	Available-for-sale securities	Other current financial assets	Total
Carrying amount as of 31 March 2014	**4,924**	**605**	**5,529**
Additions	0	0	0
Disposals	0	-127	-127
Change in fair value	367	0	367
Carrying amount as of 31 March 2015	**5,291**	**477**	**5,768**
Currency translation differences	0	-9	-9
Additions	0	106	106
Disposals	-5,291	-5	-5,296
Change in fair value	0	0	0
Carrying amount as of 31 March 2016	**0**	**569**	**569**

As of 31 March 2016, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. The other investments as of 31 March 2016 classified as available-for-sale mainly relate to a 19.26 % investment in the listed company Q-Free ASA, Trondheim, Norway.

Unrealized gains and losses are recognized in other comprehensive income of the period (see note 10).

Other current financial assets mainly relate to a listed money market fund.

Fair value hierarchies and determination of fair value:

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

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

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2015/16
Non-current financial assets				
Available-for-sale securities	8,219	693	0	8,912
Available-for-sale investments	14,825	0	0	14,825
Derivative financial instruments	0	0	0	0
	23,043	**693**	**0**	**23,737**
Current financial assets				
Available-for-sale securities	0	0	0	0
	0	**0**	**0**	**0**
Total	**23,043**	**693**	**0**	**23,737**

In the fiscal year 2015/16, other non-current financial assets amounting to TEUR 1,109 are recognized at amortized cost.

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2014/15
Non-current financial assets				
Available-for-sale securities	8,444	718	0	9,163
Available-for-sale investments	19,291	0	0	19,291
Derivative financial instruments	98	0	0	98
	27,834	**718**	**0**	**28,552**
Current financial assets				
Available-for-sale securities	5,291	0	0	5,291
	5,291	**0**	**0**	**5,291**
Total	**33,125**	**718**	**0**	**33,843**

In the fiscal year 2014/15, other non-current financial assets amounting to TEUR 829 are recognized at amortized cost.

17 Other non-current assets.

	2015/16	2014/15
Project in the Republic of Belarus	18,094	26,987
Truck toll collection system Czech Republic	711	1,148
Other non-current receivables	3,224	930
	22,028	**29,065**

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

Non-current receivables were discounted on the basis of cash flows using an interest rate of 2.49 % – 5.65 % (for that part which was funded by external loans) and an interest rate for alternative investments of 2.89 % (for that part which was funded by internal cash flows of the group). Thus, the fair values approximate the carrying amounts.

The remaining amount of the other non-current assets mainly relates to tax refunds in France (2015/16: TEUR 2,127; 2014/15: TEUR 0).

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

	2015/16	2014/15
Up to 2 years	20,528	29,905
Between 2 and 3 years	944	186
More than 3 years	1,948	798
	23,420	**30,889**

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

	2015/16	2014/15
Construction costs incurred plus recognized gains	18,094	26,987
Less total amounts invoiced and advance payments received	0	0
	18,094	**26,987**

18 Inventories.

	2015/16	2014/15
Purchased parts and merchandise, at acquisition cost	41,136	40,097
Unfinished goods and work in progress, at production cost	67,606	78,424
Finished goods, at production cost	6,372	11,980
Prepayments on inventory	2,630	3,292
	117,745	**133,792**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 26,162 (2014/15: TEUR 25,351). In the reporting period TEUR 811 were recognized in the statement of comprehensive income (2014/15: TEUR 4,116).

19 Trade receivables and other current assets.

	2015/16	2014/15
Trade receivables	152,647	166,791
Allowance for bad debts	-7,506	-9,247
Trade receivables – net	**145,141**	**157,544**
Amounts due from customers for contract work	108,144	94,647
Amounts due from customers for service and maintenance contracts	16,012	9,348
Current tax receivables from income tax	7,597	6,717
Receivables from tax authorities (other than income tax)	22,813	25,214
Other receivables and prepaid expenses	42,723	44,069
	342,430	**337,539**

As of 31 March 2016 trade receivables with a net value of TEUR 7,650 (2014/15: TEUR 10,264) have been impaired. The corresponding impairment amounts to TEUR 7,506 (2014/15: TEUR 9,247).

Allowances for bad debts developed as follows:

	2015/16	2014/15
Balance as of 31 March of the prior year	**-9,247**	**-6,004**
Addition	-427	-4,249
Utilization	653	833
Disposal	1,424	240
Currency translation differences	90	-67
Balance as of 31 March of the fiscal year	**-7,506**	**-9,247**

Maturity structure of trade receivables and other current assets:

	2015/16	2014/15
Not yet due	99,568	122,696
Overdue, but not impaired:		
Less than 60 days (not impaired)	28,210	24,388
Less than 60 days (impaired)	14	0
More than 60 days (not impaired)	17,219	9,443
More than 60 days (impaired)	7,635	10,264
	152,647	**166,791**

Given the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts. There is no concentration of credit risk with respect to trade receivables (except for the toll collection projects in the Czech Republic, South Africa, Poland and the Republic of Belarus), as the group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the truck toll collection system of the Czech Republic amounting to TEUR 3,670 (2014/15: TEUR 2,481) and to the operation and maintenance of the system amounting to TEUR 20,474 (2014/15: TEUR 22,044) are due from Ředitelství silnic a dálnic ČR (RSD), a company of the Czech Republic. Trade receivables from the toll collection project in Poland due from GDDKiA (Generalna Dyrekcja Dróg Krajowych i Autostrad) amount to TEUR 4,890 (2014/15: TEUR 5,027). Trade receivables (current) relating to the installation of the truck toll collection system of the Republic of Belarus amounting to TEUR 39,042 (2014/15: TEUR 0) and to the operation of the system amounting to TEUR 3,317 (2014/15: TEUR 875) are due from BelToll.

Trade receivables amounting to TEUR 3,365 (2014/15: TEUR 4,989) were pledged as collateral to banks (see note 22).

Amounts due from customers for contract work relate to the segment Traffic and to the segment Carrier and detail as follows:

	2015/16	2014/15
Construction costs incurred plus recognized gains	538,217	506,513
Less amounts billed and prepayments received	-430,074	-411,866
	108,144	**94,647**

As of 31 March 2016, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 23,592 (2014/15: TEUR 21,400), in France amounting to TEUR 422 (2014/15: TEUR 2,083), the establishment of the toll collection system in the Republic of Belarus amounting to TEUR 64,174 (2014/15: TEUR 53,499) as to public transport-projects in Belgium amounting to TEUR 9,776 (2014/15: TEUR 10,651).

Revenues from construction contracts amount to TEUR 119,868 in the fiscal year 2015/16 (2014/15: TEUR 110,872).

20 Cash and cash equivalents.

	2015/16	2014/15
Cash on hand	171	146
Deposits held with banks	167,087	120,517
	167,258	**120,663**

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.

21 Share capital.

	2015/16	2014/15
Carrying amount as of 31 March of fiscal year	**727**	**727**

The registered share capital of the Company amounts to EUR 726,728. The share capital is fully paid in.

22 Current and non-current financial liabilities.

	2015/16	2014/15
Non-current		
Loans for acquisitions	20,398	4,450
Loans for project financing	13,592	38,336
Capital expenditure loans	20,520	20,000
Corporate bonds	80,480	84,425
Other non-current loans	37,794	17,528
	172,783	**164,738**
Current		
Loans for acquisitions	375	375
Loans for project financing	20,568	31,489
Other current loans	35,514	69,822
	56,457	**101,686**
Total	**229,240**	**266,424**

Movements are as follows:

	31 March 2014	Re-classification	Additions	Repayment	Currency translation differences	31 March 2015
Non-current financial liabilities	150,752	-37,133	51,119	0	0	164,738
Current financial liabilities	97,214	37,133	35,182	-72,754	4,912	101,686
Total	**247,966**	**0**	**86,301**	**-72,754**	**4,912**	**266,424**

	31 March 2015	Re-classification	Additions	Repayment	Currency translation differences	31 March 2016
Non-current financial liabilities	164,738	-12,849	21,396	0	-502	172,783
Current financial liabilities	101,686	12,849	18,052	-75,338	-793	56,457
Total	**266,424**	**0**	**39,449**	**-75,338**	**-1,295**	**229,240**

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

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

In May 2014, KAPSCH-Group Beteiligungs GmbH, Vienna, issued a corporate bond with a volume of EUR 10 million, a maturity of 3 years and an interest rate of 2.70 %. The effective interest rate amounts to 2.97 %.

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

	2015/16	2014/15
Carrying amount	**229,240**	**266,424**
Fair value	**244,057**	**278,487**
Gross cash flows:		
In the first half year of the next fiscal year	20,500	34,166
In the second half year of the next fiscal year	41,259	72,820
Total up to 1 year	**61,758**	**106,986**
Between 1 and 2 years	119,939	25,881
Between 2 and 3 years	38,375	117,298
Between 3 and 4 years	20,007	25,430
Between 4 and 5 years	7,153	4,815
More than 5 years	5,941	5,838
	253,174	**286,248**

The classification of financial liabilities is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2015/16
Corporate bonds	73,297	10,270	0	83,567
Other financial liabilities	0	160,490	0	160,490
Total	**73,297**	**170,760**	**0**	**244,057**

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2014/15
Corporate bonds	78,338	10,270	0	88,608
Other financial liabilities	0	189,880	0	189,880
Total	**78,338**	**200,150**	**0**	**278,487**

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

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

	2015/16	2014/15
Total financial liabilities:		
Carrying fixed interest rates	146,680	203,027
Carrying variable interest rates	82,559	63,397
	229,240	**266,424**
Average interest rates:		
Loans for acquisitions	1.98 – 3.80 %	2.25 – 2.55 %
Loans for project financing	0.20 – 5.46 %	0.33 – 5.46 %
Capital expenditure loan	0.75 – 1.75 %	1.65 – 1.75 %
Corporate bonds	2.97 – 4.54 %	2.97 – 4.54 %
Other	0.53 – 2.77 %	0.75 – 4.23 %

Trade receivables (current) amounting to TEUR 3,365 (2014/15: TEUR 4,989) were pledged as collateral for bank guarantees and loans.

For project financing of the Belorussian toll collection system, with an outstanding amount of TEUR 14,500 as of 31 March 2016 (2014/15: TEUR 34,833), Kapsch TrafficCom AG obtained a guarantee of a bill of exchange of the Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) as well as a participation guarantee G4 of OeKB. The claims of the participation guarantee G4 have been assigned as security to the lending banks.

Financial liabilities of Kapsch ConnexPlus GmbH, Vienna, are collateralized with a maximum amount of TEUR 4,500. As at 31 March 2016 an amount of TEUR 3,924 was outstanding (2014/15: TEUR 4,256).

Liabilities to banks in the amount of TEUR 22,000 (2014/15: TEUR 22,000) are pledged with shares in Kapsch Financial Services GmbH, Vienna.

A bill of exchange amounting to TEUR 1,425 (2014/15: TEUR 1,425) was issued for an export promotion credit.

23 Liabilities from finance lease.

Finance lease mainly relates to two lease contracts for buildings entered into by Kapsch BusinessCom AG, Vienna. The durations of the contracts are 18 and 20 years and include a purchase option to buy the buildings at their carrying amount at the end of the lease period. For the calculation of the present value, an interest rate of 0.82 % was applied.

	2015/16	2014/15
Up to 1 year	636	654
Between 1 and 5 years	2,165	2,145
More than 5 years	13,731	14,472
Minimum lease payments (purchase option included)	**16,532**	**17,271**
Accrued interest	-419	-621
Present value of the lease liabilities	**16,113**	**16,650**
Thereof disclosure as non-current liabilities	15,571	16,113
Thereof disclosure as current liabilities	541	536
	16,113	**16,650**

The fair values approximate the carrying amounts.

The maturity of finance lease liabilities is as follows:

	2015/16	2014/15
Up to 1 year	541	536
Between 1 and 5 years	2,165	2,145
More than 5 years	13,406	13,968
	16,113	**16,650**

Finance lease liabilities are collateralized in a way that, in case of delayed payments, the ownership of the leased property is transferred back to the lessor.

24 Deferred tax assets/liabilities.

	2015/16	2014/15
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	30,396	36,691
Deferred tax assets to be recovered within 12 months	2,916	4,781
	33,312	**41,472**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	3,154	4,200
Deferred tax liabilities to be recovered within 12 months	3,373	2,539
	6,527	**6,739**
Deferred tax assets net	**26,786**	**34,734**

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 in the amount of TEUR 42,373 (2014/15: TEUR 28,996) have not been recognized because it was uncertain whether there would be sufficient taxable profits available against which to offset them. These tax loss carry-forwards originate from foreign subsidiaries with the predominant part not expiring before 2030. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

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

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

	31 March 2014	Additions resulting from the acquisition of companies	Taken through the profit of the period	Taken through equity	Currency translation differences	Reclassi-fication	31 March 2015
Deferred tax assets							
Tax loss carry-forwards	28,578	0	-752	0	193	0	28,018
Provisions disallowed for tax purposes	11,556	0	-2,457	1,855	52	0	11,006
Depreciation disallowed for tax purposes	1,634	0	-168	0	10	0	1,476
Construction contracts	804	0	1,211	0	0	0	2,014
Other	7,193	0	1,896	-2,522	234	0	6,802
	49,765	**0**	**-270**	**-667**	**489**	**0**	**49,317**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	572	0	213	0	72	0	857
Gains from recognition at fair value	9,509	3,556	-3,456	0	0	0	9,609
Other	2,875	102	1,105	0	35	0	4,118
	12,956	**3,658**	**-2,138**	**0**	**107**	**0**	**14,584**
Total change	**36,809**	**-3,658**	**1,868**	**-667**	**382**	**0**	**34,734**

	31 March 2015	Additions resulting from the acquisition of companies	Taken through the profit of the period	Taken through equity	Currency translation differences	Reclassi-fication	31 March 2016
Deferred tax assets							
Tax loss carry-forwards	28,018	0	-5,859	0	-893	0	21,266
Provisions disallowed for tax purposes	11,006	0	922	-11	-115	24	11,827
Depreciation disallowed for tax purposes	1,476	0	-147	0	-7	0	1,323
Construction contracts	2,014	0	0	0	0	-2,014	0
Other	6,802	0	-1,691	614	-281	-614	4,831
	49,317	**0**	**-6,775**	**604**	**-1,295**	**-2,605**	**39,246**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	857	0	-35	0	-57	0	765
Construction contracts	0	0	3,772	0	0	-2,014	1,758
Gains from recognition at fair value	9,609	0	-2,816	0	0	0	6,793
Other	4,118	0	525	-870	-37	-590	3,146
	14,584	**0**	**1,445**	**-870**	**-94**	**-2,605**	**12,461**
Total change	**34,734**	**0**	**-8,220**	**1,474**	**-1,201**	**0**	**26,786**

25 Liabilities from post-employment benefits to employees.

Amounts recognized on the balance sheet:

	2015/16	2014/15
Termination benefits	39,542	38,780
Pension benefits	28,203	29,814
	67,745	**68,594**

Termination benefits
Termination benefits include legal and contractual entitlements to one-off payments to employees of the group which result from events such as dismissal by the employer, amicable termination of employment, retirement or the death of the employee. For termination benefits the group bears the risk of inflation due to compensation increases. The obligations from termination benefits mainly result from the Austrian entities of the group.

Retirement benefits
Liabilities for retirement benefits recognized at the balance sheet date relate to retirees and active employees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are partially covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the group (see Note 5). For retirement benefits the group bears the risk of longevity and inflation due to pension increases.

Termination benefits obligations were valued based on an interest rate of 1.30–2.10 % (2014/15: 2.10 %), pension benefit obligations for active employees were valued based on an interest rate of 2.50–2.60 % (2014/15: 2.20 %) for the euro area and 4.30 % (2014/15: 3.75 %) for Canada as well as 1.85 % for retirees (1.80 %) and compensation increases based on a rate of 2.5 % (2014/15: 2.0 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVO 2008-P (2014/15: AVO 2008-P) by Pagler & Pagler. Pension increases were estimated at 0.81 % (2014/15: 2.07 %).

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

	2015/16	2014/15
Change in liabilities recognized on the balance sheet:		
Carrying amount as of 31 March of prior year	**38,780**	**34,524**
Current service cost	1,023	1,013
Interest expense	794	1,206
Remeasurements (actuarial gains/losses)	1,376	3,380
Payments	-2,365	-1,456
Currency translation differences	-65	113
Carrying amount as of 31 March of fiscal year	**39,542**	**38,780**
Total, included in staff costs (note 5)	1,023	1,013
Total, included in financial result (note 8)	794	1,206

Remeasurements are attributable to the following positions:

	2015/16	2014/15
Remeasurements from changes in demographic assumptions	-378	-745
Remeasurements from changes in financial assumptions	1,795	4,582
Remeasurements from other changes (experience adjustments)	-41	-456
Total	**1,376**	**3,380**

The expected allocation for termination benefits for the next fiscal year 2016/2017 amounts to TEUR 1,423. The weighted average duration amounts to 9.1 years.

Analysis of expected maturity of undiscounted benefits

	2016/17	2017/18	2018/19	2019/20	2020/21	over 5 years	Total
Termination benefits	2,323	2,672	2,338	2,606	2,649	39,248	51,836

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the **discount rate**			
Defined benefit obligation (DBO)	± 0.5 BP	1,809	-1,686
Expected annual interest expenses (IC)	± 0.5 BP	-172	156
Expected annual service costs (CSC)	± 0.5 BP	46	-42
Impact of changes in **salary increases**			
Defined benefit obligation (DBO)	± 0.5 BP	-1,597	1,695
Expected annual interest expenses (IC)	± 0.5 BP	-27	28
Expected annual service costs (CSC)	± 0.5 BP	-44	48
Impact of changes in **fluctuation**			
Defined benefit obligation (DBO)	± 5 %	194	-188
Expected annual interest expenses (IC)	± 5 %	3	-3
Expected annual service costs (CSC)	± 5 %	7	-6

The amounts recognized on the balance sheet for **retirement benefits** are determined as follows:

	2015/16	2014/15
Present value of funded obligations	6,845	6,412
Fair value of plan assets	-1,691	-1,492
Deficit of funded plans	**5,155**	**4,920**
Present value of unfunded obligations	23,048	24,894
Liability on the balance sheet	**28,203**	**29,814**

Change in defined benefit obligation:

	2015/16	2014/15
Carrying amount as of 31 March of prior year	**31,306**	**25,456**
Current service costs	608	777
Interest expense	634	888
Remeasurements (actuarial gains/losses)	-1,456	4,823
Payments	-988	-952
Currency translation differences	-212	315
Carrying amount as of 31 March of fiscal year	**29,893**	**31,306**

Change in fair value of plan assets:

	2015/16	2014/15
Carrying amount as of 31 March of prior year	**1,492**	**1,279**
Remeasurements	41	31
Expected return on plan assets	8	39
Employer contribution	149	143
Benefits paid	0	0
Carrying amount as of 31 March of fiscal year	**1,691**	**1,492**

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

	2015/16	2014/15
Total, included in staff costs (note 5)	608	777
Total, included in the financial result (note 8)	634	888

Remeasurements are attributable to the following positions:

	2015/16	2014/15
Remeasurements from changes in demographic assumptions	23	-2,162
Remeasurements from changes in financial assumptions	-1,450	6,369
Remeasurements from other changes (experience adjustments)	12	647
Total	**-1,415**	**4,854**

Plan assets are comprised as follows:

	2015/16	2014/15
Equity instruments	28 %	30 %
Debt instruments	63 %	64 %
Property	0 %	0 %
Other	9 %	6 %
	100 %	**100 %**

The expected allocation for retirement benefits for the next fiscal year 2016/2017 amounts to TEUR 1,013. The weighted average duration amounts to 23.7 years.

Analysis of expected maturity of undiscounted benefits

	2016/17	2017/18	2018/19	2019/20	2020/21	over 5 years	Total
Retirement benefits	966	938	939	939	937	35,959	40,679

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the **discount rate**			
Defined benefit obligation (DBO)	± 0.5 BP	1,828	-1,612
Expected annual interest expenses (IC)	± 0.5 BP	-75	63
Expected annual service costs (CSC)	± 0.5 BP	-288	-264
Impact of changes in **pension increases**			
Defined benefit obligation (DBO)	± 0.5 BP	-1,316	1,448
Expected annual interest expenses (IC)	± 0.5 BP	-87	-37
Expected annual service costs (CSC)	± 0.5 BP	-287	-259

26 Other non-current liabilities.

	2015/16	2014/15
Truck toll collection system Czech Republic	229	568
Liabilities resulting from earn-out clauses	272	288
Non-current liabilities from derivative financial instruments	1,514	1,531
Other	1,462	2,408
	3,477	**4,795**

Other non-current liabilities relate to trade payables (non-current) amounting to TEUR 229 (2014/15: TEUR 568) due to subcontractors for the installation of the Czech truck toll collection system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years as of the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck toll collection system (see note 17). Thus, the fair values approximate the carrying amounts.

Non-current liabilities from derivative financial instruments amounting to TEUR 1,514 (2014/15: TEUR 1,531) relate to an interest rate swap with a volume of EUR 10 million and a maturity period until 2022 associated with a hedge of the interest rate risk associated with the variable interest yield from the finance lease.

Other non-current liabilities mainly relate to loans to minority shareholders of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, amounting to TEUR 35 (2014/15: TEUR 1,483), to the non-current portion of a contingent payment obligation amounting to TEUR 272 (2014/15: TEUR 288) from the acquisition of the "Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A., to rental payments for American subsidiaries amounting to TEUR 576 (2014/2015: TEUR 0), to bonus payments from a long-term incentive program for executive employees amounting to TEUR 693 (2014/15: TEUR 540) as well as to liabilities from derivative financial instruments.

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

	2015/16	2014/15
Up to 2 years	1,296	1,737
Between 2 and 3 years	279	161
More than 3 years	2,259	3,327
	3,835	**5,225**

27 Other liabilities and deferred income.

	2015/16	2014/15
Amounts due to customers for contract work	20,340	17,786
Prepayments received	21,993	21,601
Non-current employee liabilities	44,923	39,674
Liabilities to tax authorities (other than income tax)	20,757	19,135
Other liabilities and deferred income	65,864	48,430
Current liabilities from derivatives and hedging activities	0	93
	173,877	**146,718**

Amounts due to customers for contract work relate to the segment “Traffic” and detail as follows:

	2015/16	2014/15
Construction costs incurred plus recognized gains	-136,723	-76,019
Less amounts billed and prepayments received	157,063	93,805
	20,340	**17,786**

As of 31 March 2016, amounts due to customers for contract work mainly relate to toll collection projects in North America (31 March 2015: toll collection projects in North America).

28 Provisions.

	2015/16	2014/15
Non-current provisions	5,356	5,796
Current provisions	42,447	34,138
	47,803	**39,935**

The provisions changed as follows:

	31 March 2014	Additions from the acquisition of companies	Addition from interest expenses	Addition	Utilization	Disposal	Reclassi-fication	Currency translation differences	31 March 2015
Obligations from anniversary bonuses	3,884	0	140	823	-35	-132	0	2	4,682
Other	221	652	21	661	-504	0	0	64	1,114
Non-current provisions, total	**4,104**	**652**	**161**	**1,484**	**-539**	**-132**	**0**	**66**	**5,796**
Warranties	8,184	0	0	1,585	-1,522	-1,615	-249	89	6,472
Losses from pending transactions and rework	18,651	0	0	217	-47	-16,225	1,097	-36	3,656
Legal fees, costs of litigation and contract risks	9,489	0	0	871	-3,100	-2,053	0	-9	5,198
Other	13,496	0	0	15,436	-9,056	-714	-847	498	18,813
Current provisions, total	**49,821**	**0**	**0**	**18,109**	**-13,725**	**-20,608**	**0**	**542**	**34,138**
Total	**53,925**	**652**	**161**	**19,593**	**-14,264**	**-20,740**	**0**	**608**	**39,935**

	31 March 2015	Additions from the acquisition of companies	Addition from interest expenses	Addition	Utilization	Disposal	Reclassi-fication	Currency translation differences	31 March 2016
Obligations from anniversary bonuses	4,682	0	166	702	-100	-480	180	-4	5,146
Other	1,114	0	4	215	-606	-340	-41	-137	210
Non-current provisions, total	**5,796**	**0**	**171**	**916**	**-706**	**-820**	**139**	**-140**	**5,356**
Warranties	6,472	711	0	218	-87	-2,402	0	-76	4,836
Losses from pending transactions and rework	3,656	0	0	3,796	0	-1,237	1,027	0	7,241
Projects (excl. impending losses)	0	0	0	6,970	-452	-3,970	15,217	-113	17,652
Legal fees, costs of litigation and contract risks	5,198	0	0	10,640	-3,384	-907	-2,594	-109	8,845
Costs of dismantling, removing and restoring assets	0	183	0	0	0	-15	0	-12	156
Other	18,813	0	0	6,669	-5,219	-3,831	-12,419	-296	3,716
Current provisions, total	**34,138**	**894**	**0**	**28,293**	**-9,142**	**-12,362**	**1,232**	**-607**	**42,447**
Total	**39,935**	**894**	**171**	**29,209**	**-9,848**	**-13,182**	**1,371**	**-747**	**47,803**

The **provision for anniversary bonuses** relates to the non-current entitlements of employees based on collective agreements. The valuation was based on an interest rate of 1.15–1.85 % (2014/15: 2.10 %), the earliest possible statutory retirement age including transitional provisions and using the mortality tables AVÖ 2008-P (2014/15: AVÖ 2008-P) by Pagler & Pagler; increases in salary were considered at 2.5 % (2014/15: 2.0 %).

As a 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.

The provision for **losses from pending transactions and rework** was set up to cover expected losses from not yet completed construction contracts at the balance sheet date. Due to a change in circumstances as of 30 September 2014, a provision for losses from pending transactions and rework in the amount of TEUR 16,162 had to be reversed in the second quarter of fiscal year 2014/15. Management considers the risk of incurring the pending loss as remote. Furthermore, in the group there are provisions for losses from pending transactions and rework amounting to TEUR 7,241.

The provisions for **projects (excl. impending losses)** mainly relate to maintenance-, extension- and repair-services for current toll projects and GSM-R projects.

Provisions for **legal fees, costs of litigation and contract risks** mainly relate to current legal cases and consulting costs related to acquisitions.

Costs of dismantling, removing and restoring assets mainly relate to a provision for dismantling sensors in the area of mobility solutions for cities after expiry of the contract of an American subsidiary.

Other provisions mainly include provisions for commissions and bonuses, rebates in kind, outstanding credit notes and project costs and discounts granted to customers.

29 Contingent liabilities, other commitments and operating lease commitments.

The group's contingent liabilities primarily result from large-scale projects in the segments "Traffic" and "Carriers".

Contingent liabilities and other commitments were adapted to common practices and only include commitments to third-parties and are as follows:

	2015/16	2014/15 (adjusted)
Contract, warranty, performance and bid bonds		
South Africa (toll collection system)	47,029	45,697
Australia (toll collection systems)	20,832	17,804
Spain (GSM-R project)	32,838	30,000
Germany (GSM-R project)	17,877	17,877
Guarantees against third parties for subsidiaries	18,177	20,670
Other	395	1,399
	137,148	**133,447**

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 regarded as unlikely. This kind of contract, warranty, performance and bid bonds in the amount of TEUR 210,119 (2014/15: TEUR 163,016) are not included in the contingent liabilities and in the financial statements.

For details of securities for above mentioned contingent liabilities and other commitments, see note 16 and note 22. Furthermore, assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 9,756 (2014/15: TEUR 9,688) were pledged in favor of a Swedish bank in order to secure contingent liabilities, as well as assets of Kapsch CarrierCom France SAS, Paris, France, amounting to TEUR 472 (2014/15: TEUR 477) were pledged in favor of a French bank in order to secure contingent liabilities.

Financial obligations from lease contracts

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

	2015/16	2014/15
Up to 1 year	22,845	22,164
Between 1 and 5 years	49,437	57,341
Over 5 years	24,208	29,889
	96,490	**109,395**

Rental and lease payments recognized as expenses in the reporting period

Payments from operating leases recognized as expenses in the reporting period are as follows:

	2015/16	2014/15
Rent	15,951	15,576
Motor vehicle leases	4,689	5,080
IT leases	3,806	4,741
Other	744	624
	25,190	**26,021**

30 Business combinations.

On 14 April 2015 the group acquired a controlling interest in the Californian Streetline, Inc., U.S.A. Streetline is a leading smart parking company that offers intelligent data and modern analytics to solve parking space problems for end users. Afterwards the entity was merged into KTCSL Merger Corp. and since then trades under the name Streetline, Inc.

Consideration paid	189
Less fair value of net assets acquired	-189
Goodwill	**0**

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

	Fair value
Property, plant and equipment	1,251
Intangible assets	46
Receivables and other assets	580
Cash and cash equivalents	2,732
Liabilities, other liabilities and deferred income	-4,399
Net assets acquired	**210**
thereof controlling interests (90 %)	189
thereof non-controlling interests (10 %)	21

The acquired company contributed revenue of TEUR 2,506 and a net loss of TEUR -3,038 to the group's result for the period from 14 April 2015 to 31 March 2016. If the acquisition had occurred on 1 April 2015, there would have been no material impact on the group's revenues or net income.

31 Investments in subsidiaries.

		31 March 2016		31 March 2015	
Entity, Headquarter of Entity	**Internal designation**	**Group's share**	**Non-controlling interests**	**Group's share**	**Non-controlling interests**
Segment Traffic					
Kapsch TrafficCom AG, Vienna	KTC	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	KTC C&R CZ	63.6 %	36.4 %	63.4 %	36.6 %
Kapsch TrafficCom Ltd., Manchester, United Kingdom	KTC UK	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Components GmbH & Co KG, Vienna	KCO	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Components GmbH, Vienna	KCO GmbH	63.3 %	36.7 %	63.1 %	36.9 %
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	ArtiBrain	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	KTC Italy	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	KTC Slovenia	63.3 %	36.7 %	63.1 %	36.9 %
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4]	TTS UAE	31.0 % *)	69.0 %	30.9 % *)	69.1 %

Entity, Headquarter of Entity	Internal designation	31 March 2016 Group's share	31 March 2016 Non-controlling interests	31 March 2015 Group's share	31 March 2015 Non-controlling interests
Kapsch TrafficCom Russia OOO, Moscow, Russia	KTC Russia	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	KTTB Bulgaria	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	KTC Argentina	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	KTC Kazakhstan	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Telematic Services IOOO, Minsk, Republic of Belarus	KTS Belarus	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom KGZ, Bischkek, Kyrgyzstan	KTC Kyrgyzstan	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Lietuva, Vilnius, Lithuania	KTC Lithuania	32.3 % [*]	67.7 %	32.2 % [*]	67.8 %
KTS Beteiligungs GmbH, Vienna	Jibesoev, Austria	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom AB, Jönköping, Sweden	KTC Sweden	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom do Brasil, Sao Paulo, Brazil	KTC Brazil	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	KTC Australia	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	KTC Chile	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom France SAS, Paris, France	KTC France	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom PTE.LTD., Tripleone Somerset, Singapore	KTC Singapore	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia	KTC Malaysia	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Limited, Auckland, New Zealand	KTC New Zealand	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom South Africa (Pty) Ltd., Johannesburg, South Africa	KTC SA	63.3 %	36.7 %	63.1 %	36.9 %
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	ETC	63.3 %	36.7 %	54.9 %	45.1 %
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	KTC SA Holding	63.3 %	36.7 %	63.1 %	36.9 %
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa	TMT	63.3 %	36.7 %	39.7 % [*]	60.3 %
Mobiserve Pty. Ltd., Cape Town, South Africa	TMT Gauteng	63.3 %	36.7 %	39.7 % [*]	60.3 %
Berrydust 51 (Pty) Ltd., Cape Town, South Africa	Berrydust	63.3 %	36.7 %	33.8 % [*]	66.2 %
Kapsch TrafficCom B.V., Amsterdam, Netherlands	KTC BV	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Canada Inc., Mississauga, Canada	KTC Canada	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	KTC IVHS Mexico	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Holding II US Corp., McLean, U.S.A.	KTC Hold. II US Corp.	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom IVHS Inc., McLean, U.S.A.	KTC IVHS Inc., U.S.A.	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom U.S.A, Inc., Duluth, U.S.A.	KTC U.S.A. Inc.	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Holding Corp., McLean, U.S.A.	KTC Holding Corp. U.S.A.	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch TrafficCom Inc., McLean, U.S.A.	KTC Inc. U.S.A.	63.3 %	36.7 %	63.1 %	36.9 %
KTCSL Merger Corp., Delaware, U.S.A. [3]	KTCSL	–	–	63.1 %	36.9 %
Streetline, Inc., Foster City, U.S.A. [1]	Streetline	51.4 %	48.6 %	–	–
Streetline International, Inc., Delaware, U.S.A. [1]	Streetline international	51.4 %	48.6 %	–	–
SPS funding Co. LLC, Delaware, U.S.A. [1]	SPS Funding	51.4 %	48.6 %	–	–
Kapsch Telematic Services GmbH, Vienna	KTS Austria	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Telematic Services Kft. "v.a.", Budapest, Hungary [2]	KTS Hungary	–	–	63.1 %	36.9 %
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	KTS CZ	32.9 % [*]	67.1 %	32.8 % [*]	67.2 %
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	KTS Germany	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Telematic Services Solutions A/S under tvangsoplosning, Copenhagen, Denmark [5]	KTSS Denmark	38.0 % [*]	62.0 %	37.9 % [*]	62.1 %
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	KTS Poland	63.3 %	36.7 %	63.1 %	36.9 %
Kapsch Road Services Sp. z o.o., Warsaw, Poland	KRS Poland	63.3 %	36.7 %	63.1 %	36.9 %

Entity, Headquarter of Entity	Internal designation	31 March 2016 Group's share	31 March 2016 Non-controlling interests	31 March 2015 Group's share	31 March 2015 Non-controlling interests
Segment Carrier					
Kapsch CarrierCom AG, Vienna	KCC	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Kft., Budapest, Hungary	KCC Hungary	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch EOOD, Sofia, Bulgaria	KCC Bulgaria	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch DOOEL, Skopje, Macedonia	KCC Macedonia	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch d.o.o. Beograd, Belgrade, Serbia	KCC Serbia	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom d.o.o., Zagreb, Croatia	KCC Croatia	100.0 %	0.0 %	100.0 %	0.0 %
FUN-AGENT d.o.o., Zagreb, Croatia	Fun-Agent	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch d.o.o., Ljubljana, Slovenia	KCC Slovenia	100.0 %	0.0 %	100.0 %	0.0 %
Foreign Trade Unitary Enterprise "Kapsch", Minsk, Belarus	KCC Belarus	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom France SAS, Paris, France	KCC France	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany	KCC Germany	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Taiwan Co., Ltd., Taipei, Taiwan	KCC Taiwan	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom UK Ltd., Harrow, United Kingdom	KCC UK	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom España, S.L.U., Madrid, Spain	KCC Spain	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Russia OOO, Moscow, Russia	KCC Russia	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Hong Kong Ltd., Hong Kong, People's Republic of China[2]	KCC Hongkong	—	—	100.0 %	0.0 %
Kapsch CarrierCom Sp. z o.o., Warsaw, Poland	KCC Poland	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom s.r.o., Prague, Czech Republic	KCC CZ	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch (Beijing) Information and communication Technology Co., Ltd., Beijing, People's Republic of China	KCC China	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom SARL, Rabat, Morocco	KCC Morocco	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom – Unipessoal LDA, Lisbon, Portugal	KCC Portugal	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch Carrier Solutions GmbH, Neuss, Germany	KCS Germany	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Belgium NV, Zaventem, Belgium (formerly: Prodata Mobility Systems NV)	ProData	100.0 %	0.0 %	100.0 %	0.0 %
Transvision NV, Zaventem, Belgium	Transvision	100.0 %	0.0 %	100.0 %	0.0 %
AP Trans NV, Zaventem, Belgium	AP Trans Belgium	100.0 %	0.0 %	100.0 %	0.0 %
AP Trans Scandinavia AB, Mölndal, Sweden	AP Trans Sweden	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Romania S.R.L., Bucharest, Romania (former: AP Trans Romania S.R.L)	AP Trans Romania	100.0 %	0.0 %	100.0 %	0.0 %
Prodata Systems & Solutions SAS, Besançon, France	ProData France	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi Arabia[1]	KCC Saudi Arabia	100.0 %	0.0 %	—	—
Austria Telecommunication International GmbH, Vienna	ATI	100.0 %	0.0 %	100.0 %	0.0 %
Segment Enterprise					
Kapsch BusinessCom AG, Vienna	KBC	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch s.r.o., Bratislava, Slovakia	KBC Slovakia	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch BusinessCom s.r.o., Prague, Czech Republic	KBC CZ	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch Sp. z o.o., Warsaw, Poland	KBC Poland	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch S.R.L., Bucharest, Rumania	KBC Romania	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch BusinessCom Kft., Budapest, Hungary	KBC Hungary	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch IT Services for finance and industries GmbH, Vienna	KITS	88.2 %	11.8 %	88.2 %	11.8 %
Kapsch Cashpooling and Hedging GmbH, Vienna	Kapsch Cashpooling	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch BusinessCom d.o.o., Ljubljana, Slovenia	KBC Slovenia	94.9 %	5.1 %	94.9 %	5.1 %

Entity, Headquarter of Entity	Internal designation	31 March 2016 Group's share	31 March 2016 Non-controlling interests	31 March 2015 Group's share	31 March 2015 Non-controlling interests
Kapsch Liegenschaft Management GmbH, Vienna	KLM	94.9 %	5.1 %	94.9 %	5.1 %
ITM Informationstransport und -management Gesellschaft m.b.H., Vienna	ITM Austria	94.9 %	5.1 %	94.9 %	5.1 %
Kapsch BusinessCom Turkey Bilgi ve İletişim Teknolojileri Hizmetleri Limited Şirketi, Istanbul, Turkey	KBC Turkey	94.9 %	5.1 %	94.9 %	5.1 %
Segment Others					
KAPSCH-Group Beteiligungs GmbH, Vienna	KGB	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch Aktiengesellschaft AG, Vienna	KAG	100.0 %	0.0 %	100.0 %	0.0 %
FIPOFIX GmbH, Vienna	Fipofix	100.0 %	0.0 %	80.0 %	20.0 %
Kapsch Partner Solutions GmbH, Vienna	KPS	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch ConnexPlus GmbH, Vienna	Kapsch Connex	100.0 %	0.0 %	100.0 %	0.0 %
Kapsch Smart Energy GmbH, Vienna	KSE	100.0 %	0.0 %	100.0 %	0.0 %

1 Foundation/acquisition in fiscal year 2015/16
2 Deconsolidation in fiscal year 2015/16
3 Merger in fiscal year 2015/16
4 Power over the relevant activities of the entity based on substantive rights
5 In liquidation

*) These shares are controlled by Kapsch TrafficCom AG, Vienna, as subsidiary from KAPSCH-Group Beteiligungs GmbH, Vienna. A group share lower than 50 % from the point of view of KAPSCH-Group Beteiligungs GmbH, Vienna, simply results from the calculation of the participation ratio.

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

For all entities mentioned above the headquarters of the Company corresponds to the country of incorporation.

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

Entities which don't report at balance sheet date of 31 March due to legal restrictions:
- Kapsch TrafficCom Russia OOO, Moscow, Russia (31 December)
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria (31 December)
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan (31 December)
- Kapsch Telematic Services IOOO, Minsk, Belarus (31 December)
- Kapsch TrafficCom KGZ OOO, Bischkek, Kyrgyzstan (31 December)
- Kapsch EOOD, Sofia, Bulgaria (31 December)
- Kapsch DOOEL, Skopje, Macedonia (31 December)
- Kapsch d.o.o. Beograd, Belgrade, Serbia (31 December)
- Foreign Trade Unitary Enterprise “Kapsch”, Minsk, Belarus (31 December)
- Kapsch CarrierCom Russia OOO, Moscow, Russia (31 December)
- Kapsch (Beijing) Information and Communication Technology Co., Ltd., Beijing, People's Republic of China (31 December)

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

32 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 the non-controlling interests are represented below:

	Amounts before intercompany eliminations					
Information on the balance sheet as of 31 March 2016	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Net**	**Carrying amount of non-controlling interests**
KTC	200,196	180,991	80,094	54,347	246,746	62,421
KTS CZ	1,285	36,076	0	18,545	18,816	25,360
KTC Holding Corp. U.S.A.	73,163	1,882	44,257	13,887	16,900	-9,547
KTS Poland	3,464	28,605	672	19,147	12,250	8,948
KTC Canada	21,600	19,401	7,568	7,734	25,698	8,073
KTC BV	68,184	32	0	322	67,893	-7,993
KTC Sweden	17,748	37,329	7,000	28,066	20,011	7,286
KTC Inc. U.S.A.	0	57	14,359	2,943	-17,245	-6,613
ETC	3,617	29,940	31,825	22,523	-20,791	-6,221
KTC C&R CZ	732	5,860	229	5,014	1,350	5,565
KCO	7,602	23,737	17,161	4,141	10,036	3,710
KTC SA Holding	8,409	2,402	640	83	10,089	2,435
KTC SA	932	1,693	8,305	995	-6,675	-2,417
TMT	7,164	7,876	35	10,759	4,246	2,099
KTC Holding II US Corp.	20,898	0	0	1	20,897	-2,019
KTC U.S.A. Inc.	604	29,039	538	18,701	10,404	1,830
KTS Belarus	8,093	61,404	0	66,585	2,912	-1,687
KTC Chile	299	6,622	0	3,690	3,231	1,654
Streetline	804	1,324	441	2,667	-979	-1,413
KTC IVHS Inc. U.S.A.	25,015	30,384	103	51,821	3,476	1,378
KTC Australia	528	7,175	0	5,618	2,085	1,316
Remaining						1,874
Carrying amount as of 31 March 2016						**96,041**

	Amounts before intercompany eliminations					
Information on the balance sheet as of 31 March 2015	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Net**	**Carrying amount of non-controlling interests**
KTC	224,352	165,777	98,309	63,349	228,470	59,429
KTS CZ	1,446	34,115	0	17,147	18,414	22,450
KTC Holding Corp. U.S.A.	74,413	23	59,067	8,132	7,238	-8,466
KTC BV	47,203	3	0	252	46,954	-6,943
KTC Inc. U.S.A.	0	93	15,195	2,820	-17,922	-6,890
KTS Poland	3,582	34,890	1,198	20,699	16,575	6,704
KTC Canada	24,053	25,554	20,482	7,059	22,066	6,369
KTC Sweden	18,200	37,233	7,000	32,807	15,626	5,905
KTC C&R CZ	1,197	4,333	568	4,034	929	5,278
TMT	8,576	7,259	1,483	3,454	10,899	3,391

Information on the balance sheet as of 31 March 2015	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Net	Carrying amount of non-controlling interests
	Amounts before intercompany eliminations					
ETC	3,552	34,412	33,334	17,363	-12,733	-3,258
KCO	8,389	23,604	17,853	6,045	8,094	3,010
KTS Belarus	15,839	80,708	12,806	87,804	-4,062	-2,959
KTC SA Holding	8,410	2,820	765	106	10,359	2,544
KTC SA	564	2,473	7,000	2,931	-6,895	-2,508
KTC IVHS Inc. U.S.A.	35,229	31,475	80	58,305	8,320	2,028
KTC Chile	238	3,455	8	1,174	2,512	1,400
KTC Australia	220	4,027	0	2,456	1,790	1,090
KTSS Denmark	0	145	1,286	39	-1,180	-749
KBC	53,148	76,851	47,048	69,340	13,610	549
Remaining						2,297
Carrying amount as of 31 March 2015						**90,673**

Information on the statement of comprehensive income

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

Information on the statement of comprehensive income 2015/16	Revenues	Result for the period	Other comprehensive income	Total comprehensive income	Result for the period	Other comprehensive income	Total comprehensive income
	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
KTS CZ	80,332	14,001	368	14,369	9,398	247	9,645
KTC	142,363	30,714	-7,689	23,025	8,456	-2,829	5,626
ETC	52,881	-12,001	3,943	-8,058	-5,625	1,923	-3,702
KTS Poland	68,257	7,001	-812	6,188	2,573	-300	2,273
KTC Holding II US Corp.	0	0	-5,498	-5,498	0	-2,019	-2,019
KTC Canada	45,052	5,099	-386	4,712	1,874	-142	1,731
KTC U.S.A. Inc.	33,549	4,945	-488	4,457	1,704	-181	1,523
KTC Sweden	61,748	4,240	145	4,385	1,356	52	1,408
Streetline	2,506	-3,829	84	-3,745	-1,436	41	-1,395
KTS Belarus	78,515	6,974	0	6,974	1,263	0	1,263
KTC Holding Corp. U.S.A.	1,506	-10,834	7,789	-3,045	-3,979	2,878	-1,101
KTC BV	0	-42	0	-42	-1,080	0	-1,080
KCO	43,347	2,129	-187	1,942	783	-69	714
KTC IVHS Inc. U.S.A.	67,686	-5,219	376	-4,844	-781	139	-641
TMT	19,461	2,461	-2,370	90	883	-400	483
KTC C&R CZ	12,472	829	20	849	302	7	309
KTC Chile	7,600	1,119	-374	745	397	-138	260
KTC Inc. U.S.A.	0	-319	996	676	-117	371	254
KRS Poland	3,679	696	-22	673	256	-8	247
KTC Russia	1,404	-457	-185	-642	-168	-66	-234
KTC Australia	8,687	703	-75	628	260	-28	232
Remaining					424	-287	138
Total					**16,741**	**-809**	**15,933**

Information on the statement of comprehensive income 2014/15	Revenues	Amounts before intercompany eliminations: Result for the period	Other comprehensive income	Total comprehensive income	Amounts attributable to non-controlling interests: Result for the period	Other comprehensive income	Total comprehensive income
KTS CZ	75,572	14,595	-43	14,552	9,769	-29	9,740
KTC	145,933	7,458	20,368	27,826	1,706	7,511	9,217
KTS Poland	66,294	16,062	406	16,468	5,933	150	6,083
KTC Inc. U.S.A.	26	-12,524	-2,914	-15,438	-4,759	-1,074	-5,833
KTS Belarus	101,531	-4,156	0	-4,156	-5,366	0	-5,366
KTC Holding Corp. U.S.A.	0	-4,258	-9,395	-13,653	-1,576	-3,464	-5,040
KTC U.S.A., Inc.	28,636	3,274	1,038	4,313	1,814	383	2,197
KTC IVHS Inc. U.S.A.	58,508	-1,521	-697	-2,218	-1,740	-257	-1,997
KTC BV	0	-26	0	-26	-1,606	0	-1,606
KTC Sweden	55,694	5,450	-441	5,009	1,333	-163	1,170
TMT	19,343	164	1,118	1,282	101	674	775
KTC US Corp. U.S.A.	0	-1,173	-771	-1,944	-439	-284	-724
KTC Chile	4,628	965	246	1,211	584	91	674
KTC Canada	32,263	1,481	-26	1,455	535	0	536
KTC Argentina	9,737	658	418	1,076	241	154	395
KTC Russia	2,836	-520	-405	-924	-194	-149	-344
ETC	53,567	1,311	-1,313	-2	281	-592	-310
KTC Australia	5,129	625	98	723	237	36	273
KCO	42,740	1,935	-1,458	477	725	-538	188
KTC C&R CZ	5,889	444	-11	434	166	-4	163
KTC UK	1,211	256	91	347	99	34	133
Remaining					433	-248	185
Total					**8,278**	**2,231**	**10,508**

Information on the cash flow statement and dividends

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

Information on the cash flow statement 2015/16	Cash flow from: Operations	Investing activities	Financing activities	Cash net-increase/decrease	Dividends paid to non-controlling shareholders
KTC	42,287	-14,198	238	28,327	-2,387
KTS Austria	16,920	7	-6,530	10,397	0
KTS CZ	20,726	-482	-13,967	6,276	-6,704
KTS Poland	7,204	-134	-10,392	-3,321	0
KCO	4,805	-420	-1,360	3,025	0
KTC Sweden	3,378	-1,081	0	2,297	0
KTC Chile	2,461	-161	-25	2,275	0
KTC IVHS Inc. U.S.A.	-7,067	-519	5,553	-2,034	0
KTC Australia	2,047	-168	-334	1,545	0
KTC New Zealand	-1,497	3	0	-1,494	0

Information on the cash flow statement 2015/16	Cash flow from Operations	Investing activities	Financing activities	Cash net-increase/decrease	Dividends paid to non-controlling shareholders
KTC SA	-209	0	1,305	1,096	0
KTC U.S.A. Inc.	1,458	-327	-87	1,044	0
TMT	5,562	-966	-5,441	-845	0
KTC Inc. U.S.A.	-465	-2,109	3,239	665	0
KRS Poland	762	-10	-122	630	0
KTC C&R CZ	1,058	0	-429	630	0
ETC	917	-30	-1,508	-621	0
KBC Romania	727	-49	-1,163	-485	0
KTC Argentina	-428	-48	0	-476	0
KTC UK	358	0	0	358	0
KBC Hungary	710	-83	-970	-342	0
Remaining	32,696	-42,312	8,974	-642	0
Total					**-9,091**

Information on the cash flow statement 2014/15	Cash flow from Operations	Investing activities	Financing activities	Cash net-increase/decrease	Dividends paid to non-controlling shareholders
KTC	41,044	-5,646	-12,703	22,694	0
KTS Poland	15,965	-398	-3,505	12,063	0
KTS Belarus	11,901	-720	-20,464	-9,283	0
KTS Austria	12,301	38	-6,099	6,240	-195
ETC	2,000	0	2,148	4,148	0
KTC Sweden	-2,386	-759	-2	-3,147	0
KTC New Zealand	2,160	-4	-210	1,946	0
TMT	-166	-294	-829	-1,288	0
KTC Australia	1,669	-131	-359	1,179	0
KBC CZ	-296	-167	-610	-1,073	0
KBC	2,642	-2,053	437	1,026	0
KTC U.S.A. Inc.	-793	-315	87	-1,021	0
KTC Chile	606	-14	388	980	0
KTC Russia	-689	-10	0	-698	0
KTS CZ	15,062	-433	-14,012	616	-6,726
KBC Hungary	-53	-56	-498	-608	0
KRS Poland	375	-5	136	505	0
KTC Canada	-1,691	-674	1,914	-451	0
KCO	7,091	-523	-6,120	448	0
KTC UK	398	0	0	398	0
KTC Italy	14	-10	325	328	0
Remaining	-17,342	-2,156	20,428	930	0
Total					**-6,921**

The information mentioned above relates to amounts before intercompany eliminations.

33 Related parties.

The following transactions were performed with related parties:

Kapsch Immobilien GmbH, Vienna
The managing directors of Kapsch Immobilien GmbH are also members of the supervisory boards of several subsidiaries. In addition, one managing director is managing director of KAPSCH-Group Beteiligungs GmbH and member of the executive board of two subsidiaries.

The subsidiaries Kapsch BusinessCom AG, Kapsch Aktiengesellschaft and Kapsch Partner Solutions GmbH entered into lease contracts with Kapsch Immobilien GmbH as the lessor regarding buildings in Vienna.

The lease contract regarding the building in Vienna, Johann-Hoffmann-Platz 9, with Kapsch Partner Solutions GmbH was signed on 1 December 2004 and agreed for an indefinite period of time. Related rental expenses incurred by the group in the fiscal year 2015/16 amounted to TEUR 438 (2014/15: TEUR 429).

On 19 December 2008, a lease contract regarding the location Wagenseilgasse 14 was signed. Rental expenses incurred by the group in the fiscal year 2015/16 amounted to TEUR 540 (2014/15: TEUR 450).

On 25 November 2013 a building lease contract for the property at Liebenstraße 6, on which Kapsch Connex Plus GmbH has in the meantime built and put into operation a multi-story car park, was signed with Kapsch Connex Plus GmbH. The building lease was granted until 30 September 2113 and the yearly charge was fixed at TEUR 55 (subject to adjustment to the VPI).

Furthermore, the company invoiced other deliveries and services in the year 2015/16 in the amount of TEUR 1,149 (2014/15: TEUR 609) to the group.

Since January 2014, Kapsch Aktiengesellschaft has provided a loan of TEUR 1,500 (2014/15: TEUR 1,500) to the company. This loan bears an interest rate of 3.0 % p.a. and is due to repayment on 30 June 2016.

Kapsch Financial Services GmbH, Vienna
This company leases equipment for the speech, data and IT solutions of Kapsch BusinessCom AG to business customers. Intra-group lease revenues and other revenues of Kapsch Financial Services GmbH amounted to EUR 7.4 million in the fiscal year 2015/16 (2014/15: EUR 9.2 million). Sales of hardware and maintenance services, as well as other deliveries and services of Kapsch BusinessCom AG to Kapsch Financial Services GmbH amounted to EUR 35.4 million in the fiscal year 2015/16 (2014/15: EUR 38.4 million).

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

	2015/16	2014/15
Associated companies		
Revenues	35,427	38,451
Expenses	7,433	9,189
Other related parties		
Revenues	564	546
Expenses	2,144	1,529

	2015/16	2014/15
Associated companies		
Trade receivables and other assets	6,193	3,698
Trade payables and other payables	1,268	1,124
Other related parties		
Trade receivables and other assets	80	1,703
Trade payables and other payables	350	278

34 Events after the balance sheet date.

- On 14 December 2015, Kapsch TrafficCom concluded an agreement with Schneider Electric S.E. concerning the acquisition of its global transportation business. The closing was on April 1, 2016.

  The transportation segment, which previously operated under the name Telvent Tráfico y Transporte, is a provider of real-time IT solutions and intelligent traffic systems for use in cities, on highways and in tunnels. The portfolio also includes tolling and transit solutions. This acquisition will enable Kapsch TrafficCom to offer existing and future customers an integrated portfolio of intelligent transportation solutions from the highway into the city.

Consideration paid	30,000
Adjustment of purchase price (provisionally determined)	-2,558
Purchase price total	**27,442**
Less fair value of net assets acquired (provisionally determined)	-30,432
Difference between purchase price and net assets acquired (provisionally determined)	**-2,991**

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

	Fair value
Property, plant and equipment	721
Intangible assets	5,170
Other non-current assets	157
Inventories	656
Receivables and other current assets	57,013
Cash and cash equivalents	9,542
Liabilities, other liabilities and deferred income	-42,827
Net assets acquired (provisionally determined)	**30,432**

The above presentation is based on a preliminary purchase price allocation. The values may change subject to the audit to be performed on the opening balances as well as any contractually stipulated purchase price adjustments.

- On 21 April 2016, Kapsch TrafficCom Holding Corp., U.S.A., acquired non-controlling interests in ParkJockey Global, Inc., U.S.A., approximately amounting to EUR 2.4 million.

- Under the condition precedent of a still pending contractually defined consent, Kapsch Telematic Services GmbH, Vienna, acquired 48 % in Kapsch Telematic Services spol. s r.o., Prague, Czech Republic, thus holding 100 % shares in the company that operates the toll system in the Czech Republic.

- With a view to refinance the corporate bond and to finance future growth, Kapsch TrafficCom AG prepares a promissory note bond (“Schuldscheindarlehen”) addressing institutional investors in the public market. It was distributed on 1 June 2016. This transaction is planned to be completed in the course of the first quarter of the fiscal year 2016/17.

- On 24 May 2016 Kapsch BusinessCom AG, Vienna, acquired 25.1 % of shares in CSE-NETWORK GmbH, Vöcklabruck.

- On 15 June 2016 Kapsch BusinessCom AG, Vienna, acquired 25 % of shares in evolaris next level GmbH, Graz.

35 Supplementary disclosures.

The average number of staff in the fiscal year 2015/16 was 5,655, thereof 5,470 salaried employees and 186 waged workers (2014/15: 5,693 total, thereof 5,497 salaried employees and 196 waged workers).

Expenses for the auditor

The expenses for the auditor amount to TEUR 50 (2014/15: TEUR 49) and are broken down as follows:

	2015/16	**2014/15**
Audit of the consolidated financial statements	44	43
Other assurance services	5	5
Tax consulting services	0	0
Other services	1	1
	50	**49**

Disclosures on members of the executive board and the supervisory board

Total remuneration of the members of the managing board of KAPSCH-Group Beteiligungs GmbH, Vienna, for their activities in the parent company and in other group companies is as follows:

	2015/16	**2014/15**
Fixed	2,331	2,151
Variable	0	288
Total	**2,331**	**2,440**

Expenses for termination benefits and pensions for the executive board in the fiscal year 2015/16 amounted to TEUR 543 (2014/15: TEUR 1,322).

Total compensation of the members of the supervisory board amounted to TEUR 73 in total in the fiscal year 2015/16 (2014/15: TEUR 55).

As in the previous years, no advances or loans were granted to members of the managing and supervisory board, nor any guarantees issued in their favor.

In the fiscal year 2015/16, the following persons served on the managing board:
Georg Kapsch
Kari Kapsch
Franz Semmernegg

In the fiscal year 2015/16, the following persons served on the supervisory board:
Veit Schmid-Schmidsfelden (Chairman)
Christian Gassauer-Fleissner (Deputy Chairman)
Elisabeth Kapsch
Karl-Heinz Strauss

Authorized for issue:
Vienna, 21 June 2016

Georg Kapsch
Managing Director

Kari Kapsch
Managing Director

Franz Semmernegg
Managing Director

Auditor's Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of KAPSCH-Group Beteiligungs GmbH, Vienna, which comprise the consolidated balance sheet as of 31 March 2016, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year then ended and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing according to which we are to comply with ethical requirements and to plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 March 2016 and of its financial performance and its cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a UGB.

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.

Comments on the Management Report for the Group

Pursuant to statutory provisions, the Management Report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Group's position. The auditor's report also has to contain a statement as to whether the Management Report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the Management Report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 21 June 2016

PwC Wirtschaftsprüfung GmbH

signed:
Peter Pessenlehner
Austrian Certified Public Accountant

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.

Glossary.

3GPP	3GPP – 3rd Generation Partnership Project is a global collaboration of standardization bodies aiming to achieve standardization in mobile telephony
Big Data	Big data describes corporate data volumes growing exponentially. They must be saved and structured and be trackable at a later date with the help of intelligent searches
ETC	Electronic Toll Collection, enabling vehicle drivers to pay for tolls without having to stop at the toll booth
ETCS	European Train Control System – one component of the ERTMS. The ETCS is designed to replace and standardize the variety of train safety systems in place throughout the European Union
GPRS	General Packet Radio Service – description for packet-based service transmitting data in GSM and UMTS networks
GPS	Global Positioning System – a global navigation satellite system used to pinpoint positions and measure time
GSM	Global System for Mobile Communication – standard for fully digital mobile telephony networks
GSM-R	GSM for Railways – a mobile telephony system built on the leading global radio standard, which was adapted specifically for use in the rail industry
ICT	Information and Communication Technology signifies technologies in the field of information and communication
IG	GSM-R Industry Group – established to promote GSM-R technology and its successful deployment in projects throughout Europe
ISO	International Organization for Standardization
ITIL	The IT Infrastructure Library (ITIL) is a collection of best practices describing the possible implementation of IT service management, which is taken as the de facto international standard in this field
ITS	Intelligent Transportation Systems – systems employing information and communication technologies, which support and optimize transport, including infrastructure, vehicles and users
OHS	Coordinate switchboard – electromagnetic switching equipment for analog switched telephony; was used to connect voice communication in a telephone exchange or in remote equipment
On-board unit	An on-board unit (OBU) is an electronic device readable and writeable via wireless communication. An OBU identifies a vehicle and/or serves as a payment means and/or as data memory for vehicle and/or personal data
OSS/BSS	Operation Support System/Business Support System – a network management system supporting automated service processes
TETRA	Terrestrial Trunked Radio – standard for digital trunked radio, which facilitates the construction of universal networks
UIC	Union Internationale des Chemins de Fer – the International Union of Railways acts as a global association for the rail industry and comprises almost 200 members throughout the world
UMTS	Universal Mobile Telecommunications System – third-generation mobile telephony standard. Facilitates much faster data transmission rates than previous systems
V2X	Vehicle-to-X is the abbreviation for vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, a core technology for managing and improving future traffic safety and mobility
Voice-over-IP	IP telephony, also known as internet telephony or voice-over-IP, describes the act of telephoning over computer networks constructed in accordance with internet standards
VÖNIX	The VBV Austrian Sustainability Index is a stock index comprising listed Austrian companies that play a leading role in terms of their social and environmental performance

Addresses.

Kapsch Aktiengesellschaft

Am Europlatz 2
1120 Vienna | Austria
Phone: +43 50 811 0
Fax: +43 50 811 9990
Email: kapsch.office@kapsch.net
www.kapsch.net

Kapsch BusinessCom AG

Wienerbergstraße 53
1120 Vienna | Austria
Phone: +43 50 811 0
Fax: +43 50 811 9995
Email: kbc.office@kapsch.net
www.kapschbusiness.com

Kapsch CarrierCom AG

Lehrbachgasse 11
1120 Vienna | Austria
Phone: +43 50 811 0
Fax: +43 50 811 3303
Email: kcc.office@kapsch.net
www.kapschcarrier.com

Kapsch TrafficCom AG

Am Europlatz 2
1120 Vienna | Austria
Phone: +43 50 811 0
Fax: +43 50 811 2109
Email: ktc.office@kapsch.net
www.kapschtraffic.com

iKapsch.
Enter the World of Kapsch.

iKapsch.

We have created interactive experiences around the themes of our annual report. With the iKapsch app for your iPhone or Android smartphone you enter the World of Kapsch and can explore an additional multimedia dimension to our content.

How it works:

1. Download the iKapsch app from the Apple App Store or the Google Play Store and install it on your smartphone.
2. Start iKapsch.

Explore an Additional Dimension to Our Content.

1. Look for the “iKapsch capture” symbol throughout this annual report.
2. Select the function “iKapsch capture” in your iKapsch app.
3. Hold your smartphone as level and steady as possible over the page in the annual report that is designated with the “iKapsch capture” symbol.
4. As soon as you can see the entire page, take a photo and you will soon be immersed into the World of Kapsch.

Annual Report of Kapsch Group 2015/16 as Download.

1. Start the “iKapsch print” module in your iKapsch app.
2. Choose the annual report you want to download.
3. You will receive the annual report in digital form for reading or for printing out from your smartphone or PC.

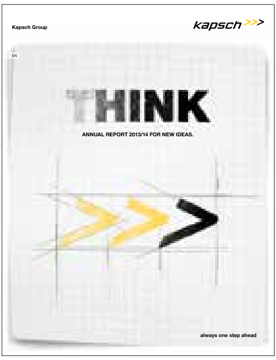
Available on the App Store

GET IT ON Google play

The Kapsch
Annual Report Cycle.

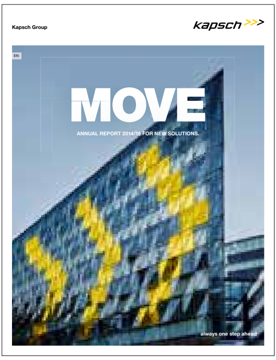
THINK

The 2013/14 Annual Report kicked off a four-year cycle with the motto "THINK", in which the focus was on ideas, visions and innovation.



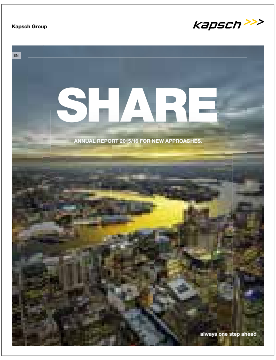
MOVE

In the 2014/15 Annual Report, the motto "MOVE" highlighted how Kapsch will also drive and shape mobility and communication in the future.



SHARE

The features of intelligent solutions for smart cities around the globe is being explained with the motto "SHARE" in this year's 2015/16 Annual Report.



Kapsch – 125 years.
Past – Present – Future.

The final stage of the reporting cycle will be a special edition, combining the past, present and future, to commemorate the Company's 125th anniversary.

Finally.
Sharing the Secret.

Kapsch is one of Austria's most successful technology corporations, specialized in the future-oriented market segments of Intelligent Transportation Systems (ITS), Railway and Carrier Telecommunications Solutions as well as information and Communications Technology (ICT). Kapsch is organized as a group company with the entities Kapsch TrafficCom, Kapsch CarrierCom and Kapsch BusinessCom. As a family-owned company headquartered in Vienna, Kapsch has been dedicated to the continuous development and implementation of new technologies for the benefit of its customers since 1892. With a wide range of innovative solutions and services, Kapsch makes a valuable contribution toward responsible approaches to a mobile and networked world. The companies of the Kapsch Group employ over 5,800 people at subsidiaries and branch offices around the world. For additional information: www.kapsch.net

Kapsch Group | Am Europlatz 2 | 1120 Vienna | Austria | www.kapsch.net
Corporate Marketing | Alf Netek | Phone +43 50 811 1700 | Fax +43 50 811 99 1700 | Email alf.netek@kapsch.net
Corporate Finance | Franz Gansfuss | Phone +43 50 811 1600 | Fax +43 50 811 99 1600 | Email franz.gansfuss@kapsch.net