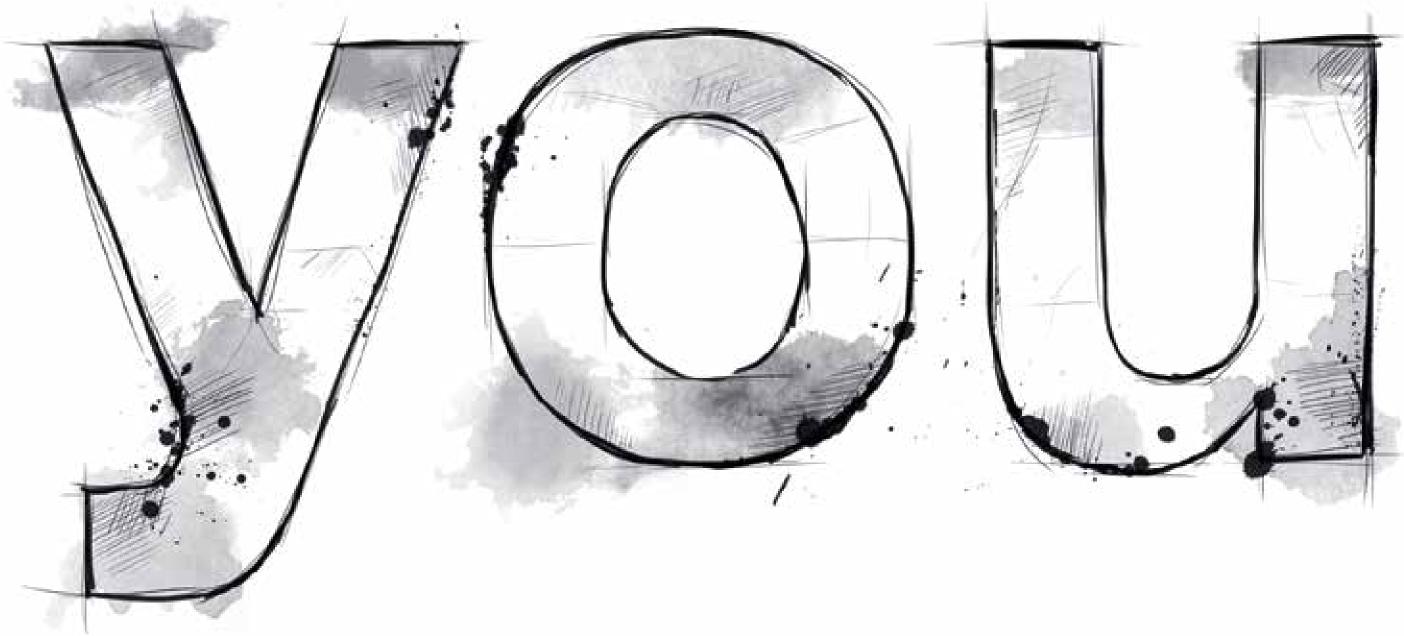
EN

Kapsch TrafficCom

Challenging you.

Combined Reporting 2017/18.



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

Selected key data.

2017/18 (fiscal year 2017/18): April 1, 2017 – March 31, 2018
Unless otherwise stated, all values in EUR million.

Earnings Data	**2015/16**	**2016/17**	**2017/18**	**+/-**
Revenues	526.1	648.5	693.3	6.9%
Share of ETC segment	84.0%	72.2%	75.2%	3.0%p
Share of IMS segment	16.0%	27.8%	24.8%	-3.0%p
EBITDA	76.9	77.8	64.9	-16.6%
EBITDA margin	14.6%	12.0%	9.4%	-2.6%p
EBIT	62.3	60.1	50.1	-16.7%
EBIT margin	11.9%	9.3%	7.2%	-2.0%p
Profit before tax	54.8	60.6	44.2	-27.1%
Profit for the period	36.5	42.7	28.0	-34.3%
Profit for the period attributable to equity holders	31.1	43.6	28.7	-34.2%
Earnings per share in EUR	2.39	3.35	2.21	-34.2%

Business segments	**2015/16**	**2016/17**	**2017/18**	**+/-**
Electronic Toll Collection (ETC)				
Revenues	442.1	468.4	521.6	11.4%
EBIT	63.7	65.5	53.5	-18.3%
EBIT margin	14.4%	14.0%	10.3%	-3.7%p
Intelligent Mobility Solutions (IMS)				
Revenues	84.0	180.0	171.6	-4.7%
EBIT	-1.3	-5.4	-3.4	36.3%
EBIT margin	-1.6%	-3.0%	-2.0%	1.0%p

Revenues by region	**2015/16**	**2016/17**	**2017/18**	**+/-**
EMEA	70.7%	62.9%	63.7%	0.8%p
Americas	22.5%	30.1%	30.2%	0.1%p
APAC	6.8%	7.0%	6.1%	-0.9%p

Balance sheet data	**March 31, 2016**	**March 31, 2017**	**March 31, 2018**	**+/-**
Total assets	513.7	648.8	621.1	-4.3%
Total equity [1]	230.7	227.3	229.9	1.2%
Equity ratio [1]	44.9%	35.0%	37.0%	2.0%p
Net credit (+)/debt (-) [2]	33.8	19.6	16.2	-17.1%
Gearing [3]	—	—	—	
Capital employed [4]	337.7	422.7	398.4	-5.8%
Net working capital [5]	180.1	247.9	239.2	-3.5%

Cash flow	**2015/16**	**2016/17**	**2017/18**	**+/-**
Net investments [6]	7.2	12.3	8.8	-28.9%
Free cash flow [7]	90.7	42.6	33.1	-22.5%

Other information	**2015/16**	**2016/17**	**2017/18**	**+/-**
Employees, end of period	3,716	4,823	5,259	9.0%
On-board units, in million units	9.55	11.67	12.65	8.4%

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

Kapsch TrafficCom.

Modern toll and mobility solutions address future trends:

- **Urbanization.** The portion of people living in cities is increasing.
- **Mobility.** The desire for mobility increases with increasing prosperity.
- **Climate protection.** More than 1/4 of CO_2 emissions in Europe are caused by the transport sector.
- **Development & financing of transport networks.** Necessary investments in the maintenance and development of transport networks must be financed.

Customized solutions for customers – proven track record.

Customer focus.

Deep and comprehensive domain know-how.

More than 125 years in the technology industry.

Integrated all-in-one provider.

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

Size and financial stability.

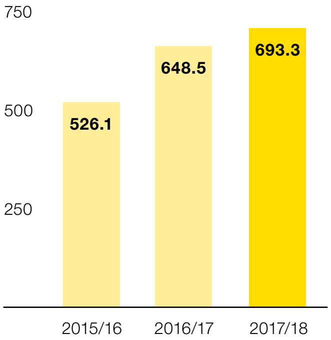
Listed (transparency, access to capital).

Sustainable shareholder interests on the Executive Board secured by CEO Georg Kapsch.

Selected key financial data.

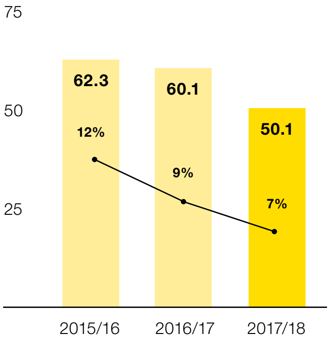
2017/18 (fiscal year 2017/18): April 1, 2017 – March 31, 2018
Unless otherwise stated, all values in EUR million.

Revenues



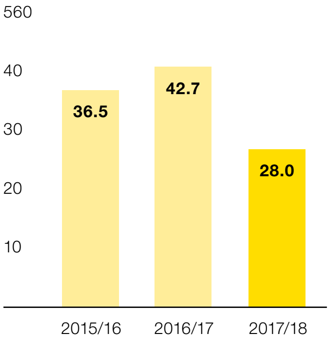
Kapsch TrafficCom increased revenues for the third year in a row. 2017/18 saw an increase of 6.9% to EUR 693.3 million. This was mainly due to the strong growth (11.4%) of the ETC segment.

EBIT and EBIT margin



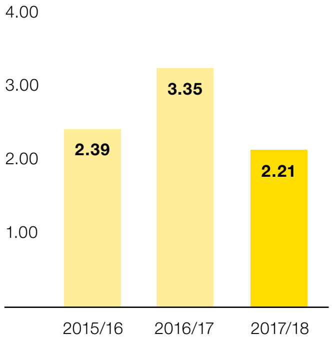
EBIT of EUR 50.1 million was 16.7% below the previous year's figure. However, the latter was influenced by a positive one-off effect (EUR 3 million) and the operating currency result of EUR 4.7 million was EUR 9.9 million higher than in fiscal year 2017/18.

Profit for the period



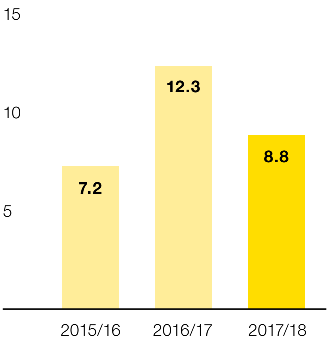
Due to the EUR 10 million lower EBIT and the decline in the financial result from EUR 0.4 million to EUR -5.2 million, the profit for the period fell by around one third year-on-year to EUR 28.0 million.

Profit per share
(in EUR)



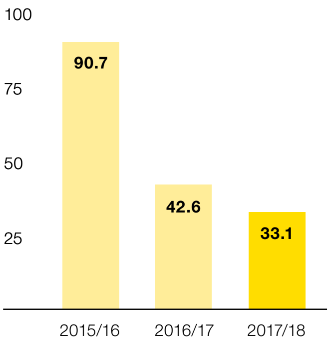
As a result of the lower profit for the period, earnings per share also fell from EUR 3.35 to EUR 2.21.

Net investments



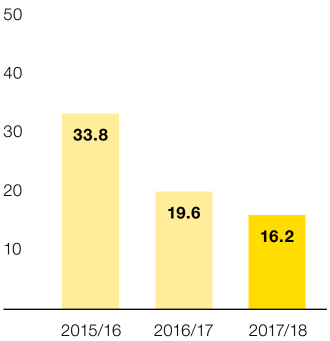
In connection with the acquisition and integration of the transportation business acquired from Schneider Electric, net investments increased in the previous year. They declined again in 2017/18.

Free cash flow



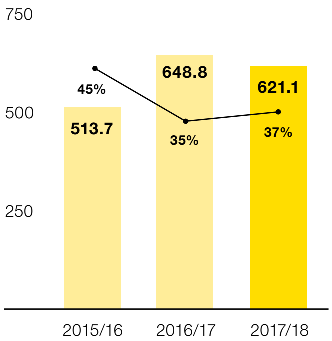
Free cash flow was again positive at EUR 33.1 million, but below the previous year's figure of EUR 42.6 million.

Net credit (+)/
net debt (-)



Despite several investments and the dividend payment, Kapsch TrafficCom again closed the fiscal year with a net credit (EUR 16.2 million).

Total assets
and equity ratio



The equity ratio increased to 37.0% and underlines the solid balance sheet structure of the company.

Highlights.

Fiscal year 2017/18.

Revenues.

EUR 693.3 million (+6.9%)

EBIT.

EUR 50.1 million (-16.7%)

Earnings per Share.

EUR 2.21 (-34.2%)

New major projects secured.

- Zambia: Nation-wide concession contract for traffic safety and traffic management
- Bulgaria: Construction of the nation-wide toll system for trucks and the introduction of the eVignette
- Maryland, USA: Replace and maintain road toll systems

Efforts to acquire follow-up business to nation-wide toll contracts.

- Poland: Government wants to nationalize operations, tender canceled, stick to technology in use
- Czech Republic: Kapsch TrafficCom not seen as cheapest bidder, legal measures taken, tender canceled

Considerable new business opportunities.

- Large-volume projects in particular in the EMEA region
- Medium-volume projects in particular in North America
- Low-volume projects in all sales regions

Registered as an EETS provider.

- tolltickets registered as provider of the European Electronic Toll Service
- During the upcoming quarters: Accreditation with the various European toll chargers
- Kapsch TrafficCom markets new EETS-capable on-board unit

Corporate bond repaid.

- Redeemed EUR 70.8 million
- Took advantage of the attractive interest rate levels: EUR 50.0 million long-term loan, interest rate of 0.8%

Acquisitions and investments.

- Takeover of Simex: Mexican intelligent traffic solutions company
- Acquisition of a minority interest in Traffic Technology Services Inc.: US company which develops and distributes software solutions in the area of connected vehicles
- Increased minority stake in ParkJockey Global, Inc.: US company which provides intelligent parking solutions for parking garages and other, off-street parking spaces

Dividend proposal to the Annual General Meeting: EUR 1.50 per share.

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Challenge ahead!

In last year's annual report we were "challenging ourselves". This year we are portraying our partners and their very own personal challenges. Smart heads from around the world share insights on their versatile projects and show which limits were challenged with support of Kapsch TrafficCom.


Miguel Carasco
Coenie Vermaak
Johan Nord

Letter from the CEO.

Dear Shareholders,

Kapsch TrafficCom is pursuing a growth-oriented strategy and I am therefore pleased to be able to report an increase in revenues for the third year in a row. To be precise, revenues reached a new high of EUR 693.3 million (+6.9%).

EBIT of EUR 50.1 million was 16.7% lower than the previous year's figure, but special effects must be taken into account here: EBIT 2016/17 included a positive one-off effect of EUR 3.0 million and the operating currency result of EUR 4.7 million (which can only be influenced to a limited extent) was EUR 9.9 million higher than in fiscal year 2017/18. Adjusted for these two effects, we achieved significant EBIT growth in the ordinary course of business in the past fiscal year. The EBIT margin was 7.2% (9.3% in the previous year).

Dividend proposal to the Annual General Meeting: EUR 1.50 per share for 2017/18.

The profit for the period fell by around one third year-on-year to EUR 28.0 million. This development was largely caused by currency losses so that a sustainable weakening of our results should not be expected. Therefore, the Executive Board will propose a dividend of again EUR 1.50 per share to the Annual General Meeting for the 2017/18 fiscal year.

At segment level, sales in the Electronic Toll Collection (ETC) business increased by 11.4% to EUR 521.6 million, while segment EBIT fell by 18.3% to EUR 53.5 million. This was mainly due to higher operating currency losses in this segment and lower margins from the projects in the Czech Republic and Austria. We reduced prices for both projects in the course of a contract extension/new contract award in 2016. Revenues in the Intelligent Mobility Solutions (IMS) segment decreased by 4.7% to EUR 171.6 million. A major reason for this was the expiration of projects outside the core business, which were taken on as part of the acquisition of the transportation business from Schneider Electric in 2016. At the same time, we succeeded in significantly reducing losses in this segment. The IMS EBIT amounted to EUR -3.4 million, while the EUR -5.4 million of the previous year even included a positive one-off effect of EUR 2.1 million.

Another highlight of the previous fiscal year was the increase in the number of employees to over 5,000 for the first time. We have had more employees every year since the IPO. As of March 31, 2018, we have 5,259 employees, 436 more than on the previous year's balance sheet date.

Net credit: EUR 16.2 million.

Solid balance sheet.
While the free cash flow was negative midway through the year, the payment of receivables, in particular from Austria, Belarus, and Sweden, in the second half of the fiscal year led to a positive value of EUR 33.1 million. As a result, Kapsch TrafficCom can report a net credit of EUR 16.2 million at the end of the fiscal year, despite various acquisitions and the dividend payment of EUR 19.5 million.

4.25 percent corporate bond repaid.

The equity ratio as of March 31, 2018 was 37.0% and thus above the value as of March 31, 2017 (35.0%). In the third quarter, we repaid the 4.25 percent corporate bond issued in 2010. This led to a sharp increase in the equity ratio as of December 31, 2017 due to the associated balance sheet contraction. In January 2018, we took advantage of the attractive interest rate level and took out a EUR 50.0 million bank loan with a term of six years and an interest rate of 0.8%. The equity ratio fell again as a result of the extending impact on the balance sheet.

New major projects.
Of the many new projects we were awarded in the past fiscal year, I would like to highlight three at this point.

Concession contract in Zambia for traffic safety and traffic management.

In Zambia, our new joint venture with a local partner was awarded a nation-wide concession contract to design, build and operate systems and solutions for:
> traffic surveillance
> vehicle speed enforcement and vehicle inspection
> vehicle registration.

The various service components will be provided gradually during the start-up phase of a 17-year contract. We expect that the joint venture, which we have consolidated according to the equity method, will earn revenues totaling between EUR 90 million and EUR 110 million in the first three years.

Georg Kapsch,
CEO

Kapsch TrafficCom's presence in Zambia is exciting from several points of view:

- It is the largest project in the Group's history in the IMS segment.
- The 17-year term favors sustainable project access and means stable long-term cash flows after the start-up phase.
- This is our first major concession contract; thus far, we have acted as system operators. The main difference is that a concessionaire is paid directly by the service recipients and delivers part of its revenue to the state, while an operator receives a service charge, the amount of which is generally independent of traffic volume.
- Our success in Zambia together with the concession model could be an interesting model for similar projects in Africa. Necessary investments in transport infrastructure would be possible without burdening the budget—on the contrary, there would be inflows into the state budget.

Sixth European country entrusts Kapsch TrafficCom with the construction of a nation-wide toll system.

In Bulgaria, we received an order for the construction, technical equipping, and technical support of the nation-wide toll system for trucks over 3.5 tons and the introduction of the eVignette for passenger cars. The satellite-supported system developed by Kapsch TrafficCom for vehicle identification and toll collection is used for this purpose. After Austria, Switzerland, Poland, the Czech Republic and Belarus, Bulgaria is the sixth European country in which we are responsible for the nation-wide implementation of a toll system. The project will last 19 months (from January 2018) and the contract value amounts to BGN 149.9 million (approx. EUR 76.7 million).

North America continues to be the most important growth market.

In the US state of Maryland, we were commissioned by the traffic authorities to replace and maintain all road toll systems on the combined lanes, cash-only lanes and express lanes managed by them. The contract includes the replacement of all tolling equipment by 2020 as well as six years of maintenance. In addition, there is an option to extend the contract for another four years. The project volume of the basic contract amounts to more than EUR 55 million.

Large existing projects about to expire.

Kapsch TrafficCom has made great progress in recent years to reduce its dependence on a few major customers by diversifying its services and building up a large portfolio of smaller orders. With the reduction of the bulk risk, the end of a large-volume contract still hurts us today, but the existence of the company is by no means threatened. This development is currently benefiting us because two major projects are due to expire in the foreseeable future.

Our existing contract in Poland ends in November 2018. Although a tendering process for the expansion and operation of a nation-wide truck tolling system was already underway, the Polish government decided to have the tolling system operated by a government agency in the future. Consequently, the tender was stopped. I expect that certain services will be outsourced despite being run by the state, but at the present time I cannot say to what extent. In any case, we are striving to continue our activities in Poland.

The contract for the operation of a nation-wide toll system in the Czech Republic was extended for a further three years in 2016 (i.e., until the end of 2019). The tendering process for a follow-up system began shortly before summer 2017. From our point of view, there were a number of problems that we had examined legally. In April 2018, we were informed that we are not the cheapest bidder and that the Ministry of Transport intends to award the contract to competitors. In May 2018, the Czech competition authority canceled the entire tender. Our teams will continue to try to remain a strong partner for the Czech government in the collection of truck tolls.

New business opportunities.

We worked intensively on the development of a series of new projects in the 2017/18 fiscal year and in the first weeks of the new fiscal year. We see a large number of potential low-volume projects in all sales regions. The North American market is very dynamic, especially in the area of medium-volume and small-volume orders. There were also more opportunities than normal in the EMEA region—relatively often these would be major projects. Some of them we would approach in a consortium, i.e., it is not mandatory that we present all upcoming projects as fully consolidated.

Strategically, we are pushing ahead with our activities in the future growth areas of "Smart Urban Mobility" and "Connected Vehicles." In the short term, no significant contribution to sales and, in general, a negative EBIT contribution is expected. However, I am convinced that these two areas address key issues for future traffic management. In order to play a role here in the long term, we must get involved today in order to occupy the market and actively shape its development.

Outlook 2018/19:

> Revenues +10%
> EBIT +10%

Outlook.

Revenues. I am convinced that we will be able to grow revenues by around 10% in 2018/19, whereas business dynamics should increase as the year progresses. Positive factors include the establishment of the nation-wide toll system in Bulgaria, dynamic business in the USA. and revenues in connection with the new joint venture in Zambia.

EBIT. In terms of profitability, I also expect EBIT to increase by around 10% in 2017/18.

Medium term (about 4 years):

> EBIT margin >10%

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

Let me express a special thanks to the employees of Kapsch TrafficCom Group. Without their incredible efforts the continuation of our success course would not have been possible. I would also like to thank my colleagues on the Executive Board, André Laux and Alexander Lewald, and the members of the Supervisory Board for their constructive cooperation.

I would also like to thank Kapsch TrafficCom's customers, investors and business partners for their trust in our company.

Sincerely,

Georg Kapsch
Chief Executive Officer

The challenge of Miguel Carasco.

Client: Gerente General Ruta del Maipo Sociedad Concesionaria S.A

Solution: Electronic and manual tolling

Kapsch has delivered to Ruta del Maipo, a subsidiary of Chilean infrastructure company Intervial, an interoperable Electronic Toll Collection (ETC) system. Covering 266km of urban roads across a total of 146 high-speed, manual and combined lanes, it processes 30,000 transactions per day.

A central back office handles all ETC system functions — account, customer relationship, correspondence and inventory management; order fulfilment; and financial processing. It interacts with 14 plazas operating a combination of cash and ticketed tolling, as well as ETC based on tag and automatic number plate recognition technologies. Kapsch also provides the back office and plaza maintenance services.

Overview: Business & strategy.

From toll business to intelligent mobility solutions.

Megatrends:
- Mobility
- Urbanization
- Climate protection
- Expansion and financing of transportation networks

In recent decades, people have become increasingly mobile and the pace of urbanization in society has increased. Since 2007, more people worldwide have been living in cities than in rural regions. These developments increase road traffic with all its implications: fuel consumption, environmental impact, accidents, congestion, and investments in the maintenance and expansion of infrastructure. At the same time, public funds are limited.

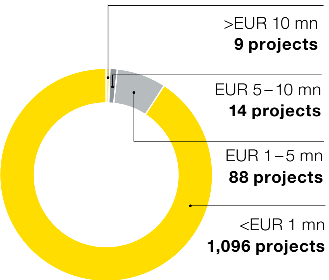
In this context, Kapsch TrafficCom offers hardware, software and services that make road traffic safer, more reliable, more efficient and more convenient, while reducing the environmental impact. The company's products and solutions help to deal with traffic flows more efficiently, as well as to collect charges for the use of road infrastructure and thus manage traffic.

2007:
- Active in Europe and Australia
- Only a few customers
- Almost entirely ETC business

2012:
- Expansion to the Americas
- Growth in ETC

2017:
- Global player
- Diversified customer structure
- Non-ETC business built up

Number of projects 2017/18.



Development of Kapsch TrafficCom until 2017/18.

At the time of the IPO (2007), Kapsch TrafficCom almost exclusively provided toll solutions, supplemented by a few activities in the area of traffic management. The company only had a small number of customers and was mainly active in Europe and Australia.

Five years later, group revenues had grown significantly. This was mainly due to a number of major toll projects awarded to us in the meantime (nation-wide toll systems, in particular). In addition, the Group expanded increasingly into the American region.

Today, Kapsch TrafficCom is a globally active group with references in more than 50 countries and branches in more than 30 countries. Although the toll business continues to dominate, the company succeeded in significantly increasing its non-toll business. The most important customers are public bodies and public agencies or authorized companies. Private road concessionaires are becoming increasingly relevant in the toll segment, especially in North America. From a geographical point of view, the EMEA region (Europe, Middle East, Africa) is the Group's most important sales market with around 60% of revenues. More than 30% of revenues are generated in the Americas region (North and South America).

In recent years, the company has succeeded in acquiring a considerable portfolio of small- and medium-volume projects in addition to major projects (mostly nation-wide toll systems). At the same time, this reduced dependence on individual customers and thus the (bulk) risk.

Service portfolio.

The current service portfolio is reported in the ETC (Electronic Toll Collection) and IMS (Intelligent Mobility Solutions) segments.

Tolling (ETC)		Intelligent Mobility Solutions (IMS)	
Electronic toll collection	**Plaza tolling**	**Traffic management**	**Traffic safety & security**
> Multi-lane free-flow > Managed lanes (tolled) > Mobile tolling > eVignette	> Stand-alone manually operated tolling plazas > Plaza tolling systems combined with electronic toll collection	> Highway traffic management > Urban traffic management > Managed lanes > Tunnels and bridges	> Road safety enforcement > Commercial vehicle enforcement > Electronic vehicle registration
City tolling	**Tolling services**	**Connected vehicles**	**Smart urban mobility**
> Static city toll > Situation-dependent road pricing	> European Electronic Toll Service (EETS) > Trans-European tolling services for passenger cars	> V2X-automotive > V2X-infrastructure > Connected mobility	> Access management > Smart parking > Intermodal mobility

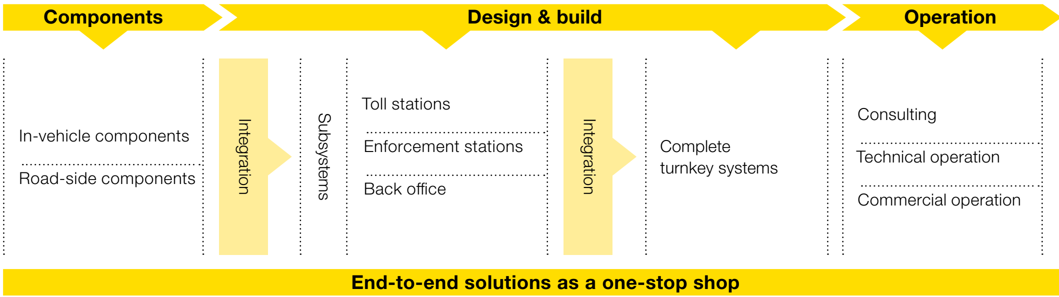
ETC segment.

In 2017/18, Kapsch TrafficCom generated around three quarters of group revenues in the toll segment. Electronic toll collection is by far the most important part of the ETC segment and is supplemented by plaza tolling and city tolling. Toll services is a new business area, which will, however, stimulate growth in the coming years.

One-Stop-Shop: From individual components to the operation of entire systems

Business model ETC.

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



Design and build. This comprises both subsystems and complete turnkey systems. The subsystems (toll and enforcement stations as well as the in-house developed back office) are important elements of a complete system and fulfil specific functions like toll enforcement, traffic law monitoring or traffic management. The integration services encompass the design, adaptation and roll-out including documentation and acceptance testing, the entire project and supplier management as well as training to use the solution.

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

Two production facilities for components:
- > Austria
- > Canada

Components. They are developed and produced by Kapsch TrafficCom or sourced from leading manufacturers. The products are integrated into subsystems or sold as standard products to customers. The range comprises the two product families in-vehicle components (on-board units and transponders) and road-side components (transceivers & reading devices as well as cameras and sensors). The components are integrated by Kapsch TrafficCom either to subsystems, which are sold individually or in combination, or to complete turnkey systems.

Overview: Design, build and operation of large toll collection systems.

Country	Scope	Awarded	Current term until
Poland	country-wide, trucks	2010	2018 (can be extended by 1 year)
Czech Republic	country-wide, trucks	2007 / 2016	max. until the end of 2019
South Africa	one region, trucks & passenger cars	2009	2019 (can be extended by up to 2 years)
Bulgaria	construction: country-wide, trucks & passenger cars	2018	2019
Austria	country-wide, trucks	2004 / 2016	2028 (can be extended by up to 5 years)
Belarus	country-wide, trucks & passenger cars	2012	2032

Toll services.

In addition to its existing business with toll systems, Kapsch TrafficCom will increasingly offer toll services in the future. The European Electronic Toll Service (EETS) deserves special mention. The German group company "tolltickets" was registered as an EETS provider and is now concluding bilateral agreements with the various toll collectors in order to be able to offer the service throughout Europe. Kapsch TrafficCom also produces and markets a high-tech and user-friendly EETS-enabled on-board unit.

Segment IMS.

The IMS segment comprises established services and new business areas to be seen as investments in the future.

This segment, representing around a quarter of group revenues, combines a broad spectrum of solutions. IMS comprises established services, for example, in the fields of traffic safety and traffic management. The latter is clearly the largest area within the IMS segment. Since – compared to the ETC business – the share of project business (planning and construction) is high in traffic management (similar to the revenues from operations), this weighting is also evident at segment level.

Within the IMS segment, the areas of connected vehicles and solutions in connection with smart urban mobility represent new business areas that should be seen as investments in the future. Kapsch TrafficCom's approach is to build up a visible market position at an early stage and help shape the development of the industry.

As a rule, projects in the IMS segment are smaller in volume than in the toll segment. In both cases, Kapsch TrafficCom receives compensation for the services provided independent of traffic volume. One exception is the Zambia project awarded to us in 2017. The consortium, formed with a local partner, was awarded the concession to provide certain services and settle accounts directly with the service recipients. Part of the income is then to be paid to the state.

Kapsch TrafficCom in the coming years.

Organic growth and M&A.

Management is committed to further growth, both organically and through acquisitions and cooperations. As in the past, Kapsch TrafficCom will continue to acquire companies and parts of companies in order to strengthen its own portfolio, break into new geographical markets or increase market share. The aim is to achieve a leading position in all major regional markets.

North America will be the Group's most important growth market in the coming years. Management also expects interesting business potential from Europe, Africa and South America in particular. In the medium term, opportunities will also be seen in Asia as soon as modern electronic toll and mobility solutions are increasingly used.

Revenues are expected to increase in both segments. The strongest growth impulses in the coming years will come from the toll segment. Kapsch TrafficCom strives to secure the existing contracts, especially the large, nation-wide projects, and to win new ones. In addition, the excellent position in the global on-board unit business is to be maintained.

Investments in new business areas should pay off in the medium to long term. Intelligent mobility solutions will be necessary to deal with increases in traffic. Therefore, Management expects significant growth momentum in the area of connected vehicles and from the various applications in the area of smart urban mobility. Existing solutions will play a role here, but numerous new applications will also be used. This also allows additional customer groups such as service providers or end users to be addressed more intensively.

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

More than one billion vehicles worldwide.

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

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

> **Limited steering effects.** It is neither possible to differentiate between types of vehicles (e.g. trucks, buses and cars), the usage of different types of roads (to influence the choices of road users), road occupancy levels, etc. nor can low-emission vehicles or multiple-occupant vehicles be fostered.
> **Only feeds public budgets.** This tax is not suitable to generate income for private road concessionaires.

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

Kapsch TrafficCom's offer.

Kapsch TrafficCom, a pioneer in ETC.

Electronic toll collection (ETC). With first activities in the mid-80s, Kapsch TrafficCom is a pioneer in ETC solutions. The company's solutions are able to integrate a wide variety of fee models aimed at reducing congestion. The back office calculates the toll depending on the distance travelled, time of day, vehicle class (weight, vehicle drive type, emission class, power mode), number of passengers, the traffic situation, or any combination of these parameters. Kapsch TrafficCom acts as a one-stop shop providing everything from components (e.g. on-board units, transceivers, classification devices), the design and build of toll collection systems to the operation of such systems.

World's first MLFF system by Kapsch TrafficCom.

Multi-lane free-flow (MLFF). This automatic toll collection system does not interrupt the flow of traffic, even if multiple lanes are to be tolled. Kapsch TrafficCom implemented the world's first system of this kind in Australia more than 15 years ago. Since then, many countries worldwide have begun using MLFF toll collection systems, and there is a growing trend for migrating from plaza tolling to MLFF. They can be used on all types of roads (mainly on highways, expressways, bridges and tunnels) and for all vehicles.

It is also possible – and actually very effective – to use MLFF tolling in combination with managed lanes. A specific application is HOT (High-Occupancy Toll) lanes. In order to use these faster lanes, drivers have to pay a fee which is based on current traffic conditions. Another variant is HOV (High-Occupancy Vehicle) lanes, where the tariff depends on the number of vehicle occupants. This is a useful tool for helping authorities motivate users to more environmentally friendly behavior.

MLFF is based on Dedicated Short-Range Communications (DSRC, microwave technology), RFID, and/or Automatic Number Plate Recognition (ANPR).

In Europe there are five nation-wide toll systems by Kapsch TrafficCom.

In case of DSRC technology, the on-board units or transponders in the vehicles communicate with transceivers (usually mounted on gantries) via the DSRC radio standard. RFID works on similar principles, but with a reduced functional flexibility. In case of ANPR technology, the vehicle number plate is read remotely using camera technology to determine whether the vehicle is required to pay the toll and to calculate the amount.

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

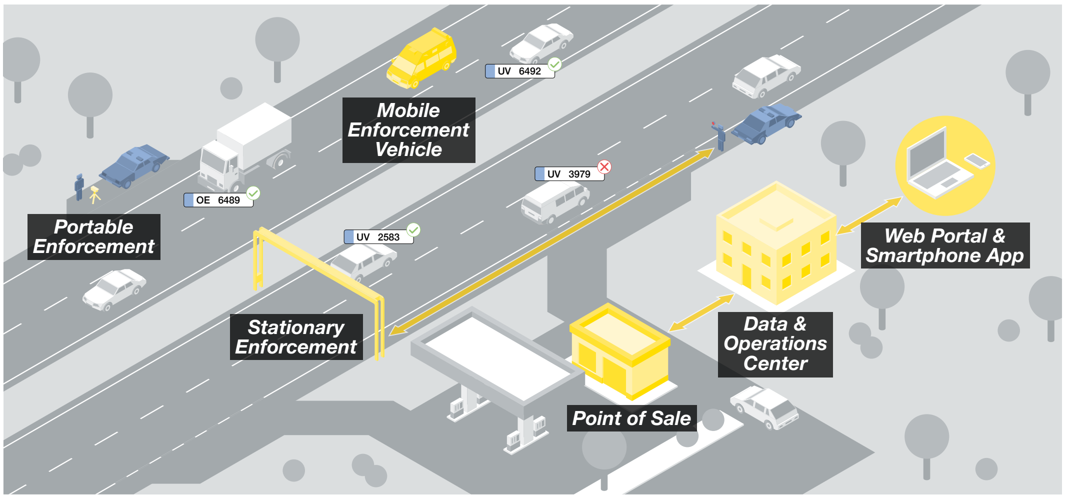
As opposed to toll collection systems based on DSRC, satellite positioning is used to determine the location of the on-board units in the vehicles. The data relevant for toll collection is sent to a back office. As soon as a vehicle enters a toll zone, it is automatically recorded by the system and the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

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

Mobile tolling. Work, communication, information – mobile communication devices have become closely integrated into most areas of our daily lives. Therefore, Kapsch TrafficCom offers toll collection solutions using smartphones in MLFF toll collection systems.

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

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



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

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

Kapsch TrafficCom:
- More than 25 years in the plaza tolling market
- Global presence with more than 1,100 lanes installed

Plaza tolling. In the past, traditional plaza tolling systems were popular. Nowadays, there is a clear move towards automated, electronic toll collection. Road users pay tolls electronically, while driving through the plaza without stopping or reducing their speed. Payment is processed automatically and barely affects traffic flow.

Kapsch TrafficCom builds and deploys a variety of different solutions for traditional plaza tolling, ranging from manual toll collection by means of cash or card payments to combined installations with electronic toll collection systems.

Kapsch TrafficCom's tolltickets already markets an EETS-OBU and will become EETS provider.

Tolling services. The various European countries have different tolling systems in place – for passenger cars as well as for trucks. The group company tolltickets (Germany) offers drivers of passenger cars a one-stop shop for meeting their toll obligations when travelling across several countries. In addition, tolltickets has been certified as provider of EETS (i.e. the European Electronic Toll Service which, for the time being, aims at truck tolling) provider. Today, in the various EU member states, road users pay tolls to the respective local toll chargers. For example, this obliges an internationally operating truck to equip and register with an OBU in each country it enters. In the future, only one contract with an EETS provider and a single OBU will be needed. Hence, EETS is complementary to the national electronic toll services of the member states.

The main customer groups for Kapsch TrafficCom in the area of tolling are public agencies, municipalities and concessionaires. Tolling services are mainly provided to businesses (B2B) and end customers (B2C).

Selected references.

Multi-Lane Free-Flow (MLFF):
- Nation-wide toll systems in Austria, Belarus, Czech Republic, Poland, Switzerland
- Bridges: Sydney Harbour (Australia), Golden Gate (USA), Øresund (Sweden/Denmark)
- Managed lanes/HOT lanes: Interstate 77, North Carolina (USA)

Satellite tolling: Belgium and France (complete charging Front End including on-board units)
City tolling: Bologna (Italy), Singapore
Plaza tolling: Portfolio of plazas (design, installation and technical operation) in Brazil, and Chile
Components: Supplier to E-ZPass® (USA)

Offer to customers:
Traffic management.

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

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

Cities. By the year 2050, it is expected that two thirds of the world population will live in cities. It is critical that today transportation professionals prepare tomorrow's mobility solutions for a sustainable future, solving growing issues such as traffic congestion, pollution and safety.

Managed lanes. Growing congestion levels are a major concern in densely populated areas. The managed lanes concept helps reduce congestion and lower CO_2 levels by giving multiple-occupant vehicles priority use of High-Occupancy Vehicle lanes (HOV lanes) or by adjusting toll rates in designated express lanes based on real time congestion levels (High Occupancy Toll lanes, HOT lanes).

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

Kapsch TrafficCom's offer.

The company has two high-performance software solutions for traffic management:

- DYNAC® is deployed on open motorways, toll roads, managed lanes, and reversible road-ways as well as in tunnels and bridges. The software is used to monitor and control traffic, life safety, and facilities management assets and processes.
- EcoTrafiX™ is a web-based integrated mobility management platform designed primarily for urban requirements that covers from Central Signal Systems to complex multiagency/multimodal City Mobility Management Centers.

Both solutions work in real-time. They have a modular design allowing them to be deployed in a variety of applications and making the solutions highly scalable.

DYNAC®:

- Fully integrated software suite
- More than 300 installations worldwide
- Scalability for any system: national, statewide, regional

DYNAC®.
General. DYNAC® collects real-time data and delivers it to the Traffic Management Control centers, allowing operators to detect and respond to congestion, incidents, emergency situations, and other conditions. Information such as travel times, incidents, roadway and weather conditions can be quickly disseminated to the public, allowing motorists to make informed travel decisions.

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

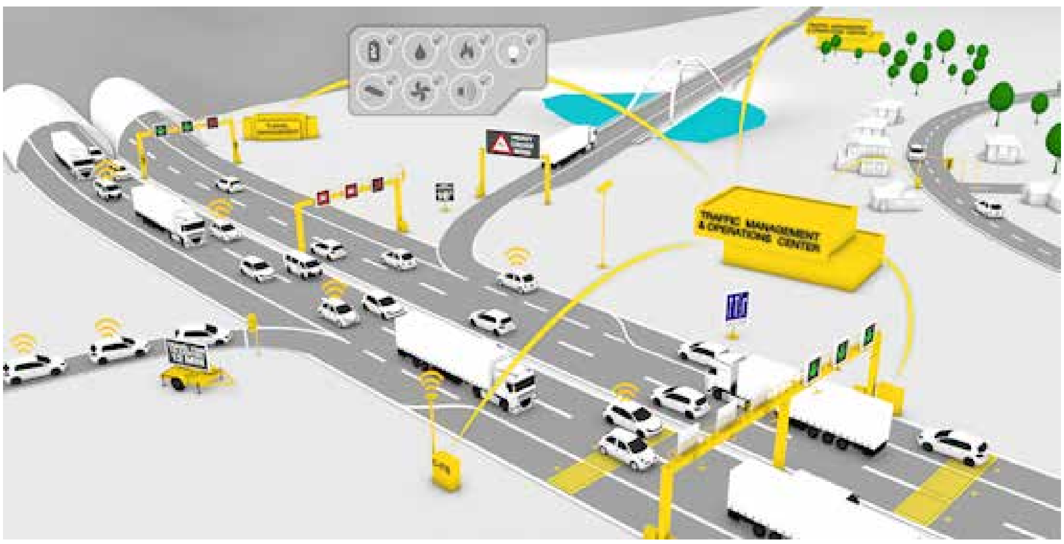
Active traffic management. This DYNAC® module can automatically adjust traffic control devices such as lane use signals and variable speed limit signs based on current or anticipated conditions. DYNAC® accommodates the use of reversible roadways with movable median barriers or hard shoulder running to help manage congestion during peak travel times.

Bridges and tunnels. Kapsch TrafficCom has a vast experience in the management of traffic on bridges and tunnels. DYNAC® can be used to manage both the flow of traffic and critical infrastructure elements, all from a single user interface. This enables problematic situations to be identified before they can turn into a safety hazard for road, tunnel, and bridge users.

The software offers real-time incident detection and decision-making assistance, making it possible to quickly select the best method of proceeding in the event of accidents and rapidly deploy emergency personnel to the incident location. The dedicated DYNAC® Tunnel Incident Management program provides seamless management of traffic and emergency operations when responding to incidents or emergencies in tunnels. It includes:

- Environmental monitors
- Traffic data
- Fire detection
- Ventilation fans
- Deluge valves
- PA systems
- Barrier gates
- Dynamic message signs
- Highway advisory radio
- Tunnel radio rebroadcast
- Lane use signals

Integration with tolling systems. Traffic management solutions based on DYNAC® can be integrated into back office toll collection systems. This can be used, for example, for so called HOT (High-Occupancy Toll) lanes. These are toll lanes where the fee is based on current traffic conditions.



EcoTrafiX™ is the result of 30 years of experience across all aspects of transportation.

EcoTrafiX™.

The EcoTrafiX™ suite provides a comprehensive solution for City Mobility Centers through a web-based software platform that accelerates connection and collaboration between multiple mobility agencies and stakeholders, making multimodal and multiagency a reality. ETX platform can deal from simple Urban Traffic management controlling the traffic signals and traffic flow of cities, to complex and sophisticated multimodal environments where all modes of Transportation are connected and operate on an integrated way through the use of a decision support system.

EcoTrafiX™ in the area of urban traffic control:

- From fixed time traffic control to adaptive traffic control based on real time traffic data
- A global solution adaptable to local requirements
- Maximal safety through incident management
- Additional intelligence into the control room:
  - Next generation of adaptive traffic signal control
  - Public transport priority
  - Traffic prediction and decision support system through machine learning and real-time traffic information

EcoTrafiX™ in the area of integrated mobility management:

- Multi-Agency collaboration and coordination
- Boost for multi-modal mobility and public transport
- Multi-Agency management of incidents as well as day-to-day operation
- Decision support system, modeling and simulation for real-time response to complex situations
- Integration platform of multiple systems suppliers and cross-domain (e.g. traffic, public transportation, parking, environment)

The EcoTrafiX™ suite is tailored to the needs and budgets of customers. There are three basic products which can be configured for city applications:

- EcoTrafiX™ Command – entry level traffic signal control system and for ITS device control
- EcoTrafiX™ Expert – including adaptive traffic control, decision support system, weather alerts, event management, traffic prediction
- EcoTrafiX™ Mobility – multi-agency collaboration multi-modal event management and coordination, traveler information, and data fusion

The main customer groups for Kapsch TrafficCom in the area of traffic management are public agencies, municipalities and concessionaires.

Selected references.

Highways (DYNAC®):
- New Zealand: The state highway network
- England/Netherlands: Next-generation national traffic management centers

Managed lanes (DYNAC®):
- New Zealand: Auckland Harbor Bridge
- USA: Tampa Hillsborough Expressway

Managed lanes, tolled (DYNAC®):
- USA: Lyndon B. Johnson Freeway, North Tarrant Express Highway, Capital Beltway & I-95

Bridges and tunnels (DYNAC®):
- USA: Boston Central Artery/Tunnel, George Washington Bridge

Cities (EcoTrafiX™):
- Spain: Madrid, Bilbao, Castellón, Huelva, La Coruña, Malaga, San Sebastian, Valladolid, Vitoria
- Saudi Arabia: Cities of Jeddah, Makkah & Madinah
- Latin America: Buenos Aires, Panama City, Quito
- USA: Dallas, US 75 Corridor, NITTEC (NY), Chesapeake, Miami-Dade Expressway

Offer to customers:

Traffic safety.

Technologies to recognize hazards and enforce traffic laws.

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

Kapsch TrafficCom's offer.

Commercial vehicle enforcement. Video and sensor technologies installed along the roadway permit the identification of trucks not compliant with laws and enable customers to take necessary action. Kapsch TrafficCom offers solutions in the following areas:

- Access authorization: Authorized vehicles are identified automatically
- Electronic vehicle screening: Vehicle speed, vehicle class, and vehicle weight are automatically recorded via laser, video, or sensors
- Vehicle inspections: Additional data on the vehicle and its position is transmitted to the back office via radio technology

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

Weigh-in-motion makes it possible to weigh vehicles at full speed.

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

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

Kapsch TrafficCom's most important customers in the field of traffic safety are the police, concession holders and municipalities.

Selected references.

Road safety enforcement:

- Weigh-in-motion in the USA, Switzerland, Czech Republic, Russia and Austria
- Traffic signal monitoring in Italy: Porcia, Bollate and Bologna
- Traffic surveillance: Joint project with the Johannesburg Metropolitan Police Department, and implementation in more than 40 other cities in South Africa
- Traffic surveillance: Joint project with the Road Transport & Safety Agency in Zambia

Offer to customers:

Smart urban mobility.

Increased traffic congestion, emissions, transportation costs and reduced safety are the result of urban growth. Kapsch solutions address these and related issues by leveraging data and technology to help provide sustainable urban mobility in at least three important areas.

Those searching for a parking space account for up to 40% of downtown traffic.

Parking. A major cause for urban traffic is drivers searching for parking spaces. In central business districts, this can account for up to 40% of the traffic volume. Intelligent solutions guiding those in traffic quickly to the next free parking space can significantly reduce congestion.

In cities: From individual passenger car traffic to MaaS.

Individual vehicle. From the perspective of growing cities and the increasing traffic problem, development is gradually moving away from individual passenger vehicle to the use of different forms of transport to reach a destination. Mobility is therefore increasingly claimed as a service (Mobility as a Service, MaaS).

Access management. Municipalities have many reasons to restrict vehicular access – in general or for defined types of vehicles – to certain areas: public safety, to avoid congestion, to improve air quality, to protect historic buildings as well as considering the narrow streets in historic city centers with their complex street geometries.

Kapsch TrafficCom's offer.

Smart parking.
The US subsidiary Streetline developed a parking availability platform which expands, enriches and processes already existing parking data in order to deliver a comprehensive picture of the demand for parking, as well as parking guidance for the entire city area, in real time.

Sensing equipment (sensors, cameras, software development kits) specifically designed for parking detect the presence of parked vehicles. This data is combined with sophisticated machine learning algorithms that mine the company's vast parking event database. It consists of more than 550 million parking events and includes information about parking space occupancy (duration, parking space turnover and parking violations). The raw data collected by the sensing equipment is processed and made "intelligent" through proprietary algorithms developed by Streetline. Relying on the most accurate real-time parking availability data in the industry, Streetline offers the following smart-parking services:

- **Parking guidance system.** The Parker™ app guides drivers to blocks where there is available parking with a +95% probability. The app is integrated with three major mobile payment providers (PayByPhone, Park Mobile and Passport) to provide motorists the ability to pay for on-street parking.
- **Parking management.** The data collected in real time will be provided to users via smartphone and online applications as well as digital signage.
- **Analytics.** Comprehensive possibilities for real-time analysis of the parking situation in defined areas.

Customer groups in the field of intelligent parking solutions are e.g. cities, motorists and other operators of parking facilities, corporations, universities, hospitals.

Intermodal = use of different means of transport.

Intermodal mobility.
The Austrian subsidiary Fluidtime is a renowned provider of integrated mobility platforms. This means IT solutions which allow users to access mobility services using mobile end devices in order to plan, book and pay for trips within cities intermodally, i.e. using different forms of transport (e.g. public transport, car sharing, bike sharing, taxi).

In doing so, the Fluidtime platform accesses real-time data from these transport providers (e.g. schedule data, availability data from car sharing providers, tariff information), aggregates this, generates intermodal routes and also offers the possibility to optimize these trips using user profiles according to multiple dimensions.
In this way, the platform combines the needs of travelers with the available mobility offers. This brings advantages for those involved:

- Cities: Mobility is increased.
- Public transport operators: More customers can be reached.
- Providers of mobility solutions: New, combined mobility packages and therefore new business opportunities.
- Residents/travelers: More comfort thanks to easily accessible information about the best route to the destination, combined with additional functions (e.g. booking and payment).

Kapsch TrafficCom's most important customer groups for intermodal mobility solutions are the public transport operators and municipalities.

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

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

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

Main customers in the field of access management are municipalities.

Selected references.

Smart parking:

- Los Angeles, CA, USA: >6,000 on-street parking spaces in Hollywood, Venice and Downtown
- Oakland, CA, USA: >10,000 on-street parking spaces, city-wide
- Sarasota, FL, USA: >1,500 on-street parking spaces in St. Armand's, Southside Village and Downtown
- Scottsdale, AZ, USA: About 850 on-street parking spaces in Old Town

Intermodal mobility:

- Finland: Pilot project to interconnect Helsinki's public transport with city-subsidized special needs transportation (such as student transport, transport for disabled and elderly people). In the mobility app, travelers can book a ride for short distances.
- Austria: qando app – Route planning for public transport, real-time information and disruption information (Vienna, Klagenfurt, Graz, Salzburg, Linz)
- Austria: ÖAMTC – Web route planner for Europe and North America including real-time traffic info for Austria and neighboring countries
- Germany: avvconnect app – Information about bus and rail connections in the Aachen Transport Association, the Euregio Maas-Rhein and in the whole of North Rhine-Westphalia

Access management:

- Italy: Bologna, Bolzano, Naples, Rome, Torino, Venice

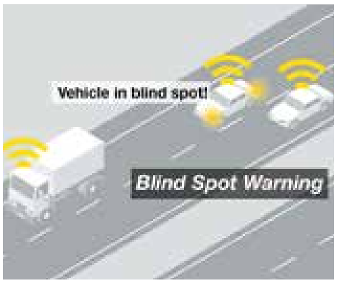
Offer to customers: Connected vehicles.

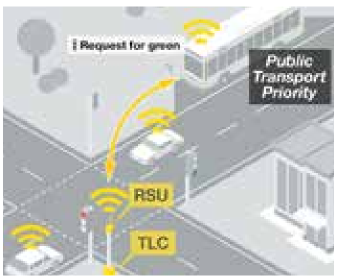
Connected vehicles increase traffic safety and comfort.

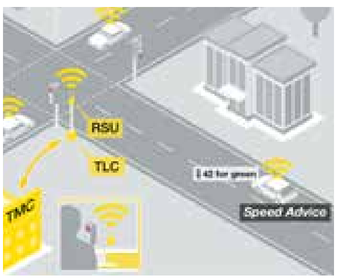
The possibilities of modern technology allow for vehicles to communicate with one another (vehicle-to-vehicle, V2V) as well as with road-side infrastructure (vehicle-to-infrastructure, V2I). Self-driving cars are still a concept of the future in terms of everyday transport, but there are already applications which are almost ready for serial production and which make traffic safer and more efficient while simultaneously increasing driving comfort.

The EU is pursuing a strategy which aims to allow the use of vehicles which can communicate with one another and with road-side infrastructure. In the USA, the Department of Transportation plans that from 2023 all new passenger vehicles are to be equipped with V2X technology (that means V2V and V2I).

Areas of business for Kapsch TrafficCom.







In this field, Kapsch TrafficCom sees itself as both developer and producer of components and as a system provider. The Group develops and produces both the necessary hardware components for vehicles as well as core components for the road-side infrastructure. The software stack associated with this makes it possible to adjust the products individually for the specific applications. Moreover, all V2X infrastructure components can be integrated into the traffic management systems from Kapsch TrafficCom.

Kapsch TrafficCom's most important customer groups in the area of connected vehicles are the automotive industry (OEMs and Tier 1 suppliers), infrastructure operators as well as other vehicle-related industries.

Examples of application.
Active safety. This means that vehicles are sharing their gained information about traffic condition, road condition etc. to the environment around itself. The vehicle will also receive this type of information from other vehicles and infrastructure, and with the given information, adjust parameter for a safer traffic environment.

Platooning. This means that trucks are networked using V2V technology and can form a line with a short distance between vehicles without increased risk. The benefits of this application are up to 20% lower fuel consumption, increased traffic safety, fewer traffic jams and therefore an improved traffic flow.

Green light optimal speed advisory. By using special road-side traffic infrastructure, signal systems provide information about the traffic before the next traffic light and when it changes. Approaching vehicles receive this information and can therefore calculate the optimal speed in order to make the crossing as smoothly as possible. In this way, efficiency and comfort in city traffic can be improved significantly.

Selected references.

- Austria: ECo-AT – Austrian arm of the C-ITS corridor project for connected vehicles in the Netherlands, Germany and Austria. Living Laboratory in pilot operation
- Czech Republic: Equipping the highway ring in Prague with infrastructure for connected driving
- Sweden: Test operating for platooning (RelCommH, Reliable Communication for Heavy Vehicles)
- Sweden: Demonstration project for V2V safety applications, in collaboration with a tier 1 supplier

Research & development.

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

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

Solution Centers and Corporate Technology.

Tolling	Back Office	Highway & Tunnel Traffic Management	Urban Traffic & Mobility Management	Intelligent Mobility Services	Connected Vehicles
Corporate Technology					

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

Investments into developments corresponding to about 15% of the total revenues.

Kapsch TrafficCom has major development sites in Austria, Sweden, Argentina, USA, Canada and Spain. Further development resources are located in countries such as Italy, South Africa and Chile. On March 31, 2018, Kapsch TrafficCom employed roughly 761 engineers (previous year: 714) for its research and development activities. In 2017/18, the Group invested roughly EUR 103.0 million in development (previous year: about EUR 85.4 million), which corresponds to about 15% (previous year: about 13%) of the total revenues. The breakdown of development expenses is as follows:

> EUR 59.8 million for customer-specific developments (previous year: EUR 44.2 million), and
> EUR 43.3 million for project management, IPR management, development support and generic development (previous year: EUR 41.1 million).

Selected R&D highlights in 2017/18.

Kapsch TrafficCom launched an effort to capture technical synergies between its different MLFF (Multi-Lane Free-Flow) solutions, to enable the creation of a common framework enabling better reactivity and resource flexibility in delivery as well as a progressive modernization and harmonization of the key software assets. Among others these activities ensured a successful delivery of the Austrian Truck Tolling (GoMaut 2.0) system at a very competitive price level. In parallel, the integration of RFID products into our MLFF solutions has been initiated, to expand our leadership position to countries where RFID is a regulated or widespread technology.

The latest generation of Kapsch TrafficCom's classification system has been further optimized and enhanced and is now integrated and used by all of the Group's product lines.

The satellite tolling platform has been upgraded, enhancing scalability, and enabling it to serve multiple toll domains as well as a multi-tenant model, enabling KTC to offer EETS services in Europe. Furthermore, the EETS platform comprises of a CRM system and a connectivity layer allowing to integrate with the various local toll domains for trucks and light vehicles.

Kapsch TrafficCom started an effort to combine the DYNAC® highway, bridge and tunnel focused ATMS with the EcoTrafiX™ urban and corridor focused ATMS into a best of breed traffic management offering covering all aspects of traffic management from the highway to the city. The fully HTML5 based user interface combined with state-of-the-art architectural enhancements will allow the product to be deployed efficiently and economically in any of our traffic management market segments

The Urban Traffic and Mobility Solution Center also stayed focused on evolution of the platform EcoTrafiX™ as well as the integration of new technologies. This includes the transformation of the user interface technology to HTML5, that brings higher compatibility, usability and flexibility, enabling a new user experience as well as facilitating easier cloud-based deployments. Newer developments in the urban mobility area are considering key components for entering or extending Kapsch TrafficCom's penetration in cities market, with special attention to Arterials Optimizer, traffic prediction based on machine learning, extending transit events and additional Decision Support possibilities for alerts and response plans. The evolution of the EcoTrafiX™ Controller is also part of the market penetration strategy, with a new mid-range pole-mounted version and implementation of UTMC (Urban Traffic Management and Control) standard, which allows Kapsch TrafficCom to expand to new markets.

Kapsch TrafficCom has successfully released a new version of the Back Office platform. The new release is based on a new technology stack that provides more flexibility for customer delivery.

The Fluidtime team continued with the development of a MaaS platform allowing cities and other mobility services providers to offer integrated mobility services via a smartphone app to end users.

Significant efforts have been made on modernizing software development by harmonizing tools and environments supporting the software development life cycle, globally sharing existing software assets and embracing cloud infrastructure for the development of cloud-based applications. This initiative will lead to higher efficiency levels through continuous Integration, a global exchange and reuse of assets, shorter time to market and more consistent quality assurance.

Patents.

Focused patent strategy:
> Patent monitoring
> Freedom to operate
> Improved market knowledge

In 2017/18 the patent portfolio has been further optimized focusing on areas of high strategic importance for Kapsch TrafficCom. The current patent portfolio consists of 197 patent families with more than 1,443 individual patents. During the last financial year four new patent families in the tolling area were filed.

In addition a focus was also laid on mitigating the risk of patent infringements when expanding business activity into new regions and new business fields. A mandatory patent analysis has been included into the development process ensuring that prior to the start of any development activities the respective patent landscape and the Intellectual Property Rights (IPR) are checked. In addition the worldwide patent monitoring has been further extended to gain deeper insights of third-party patent in relevant technology segments.

R&D cooperation.

Research strategy:
Increase in funding projects for strategically important topics

In the area of connected vehicles the EU project C-Roads Spain was launched in cooperation with infrastructure operators and research institutions. The C-Roads Platform is a joint initiative of European Member States and road operators to test and implement C-ITS services (Cooperative-Intelligent Transportation System) for cross-border harmonization and interoperability. The aim of the project is to demonstrate different C-ITS services based on Vehicle-to-Vehicle (V2V) communication and Vehicle-to-Infrastructure (V2I) communication. The project will demonstrate pilot positions for C-ITS services such as emergency brake light, road works warning or information on weather conditions on five different strategic nation-wide road sections. With this project and other C-ITS activities Kapsch TrafficCom confirms its pioneering role for C-ITS implementations in the USA and Europe.

To shape the future of mobility services Kapsch TrafficCom is working together with Fluidtime on an EU funding project focusing on dynamic tolling and intermodal routes. Pilot projects are planned in Portugal, Great Britain and Slovenia.

In 2017/18 the Nordic Way project, a multi-year cooperation project financed by the EU, was also completed. In this project the future hybrid and interoperable V2X communication between ITS-G5 and the future mobile radio standard 5G was evaluated together with road operators and vehicle manufacturers. Kapsch TrafficCom's task was to provide appropriate communication hardware and to demonstrate interoperable C-ITS services.

In the area of advanced research, Kapsch TrafficCom cooperates with the University of Applied Sciences Vienna (Josef Ressel Centre) to develop and evaluate algorithms to enhance security of embedded computing systems. In addition, together with the AIT Austrian Institute of Technology and JOANNEUM RESEARCH, Kapsch TrafficCom works on new methods and algorithms to enhance the company's video product portfolio. Other research collaborations are ongoing as well with the Technical University Munich, the University of Lund and Chalmers University of Technology.

Capital markets.

ISIN: AT000KAPSCH9	Ticker symbol: KTCG	Reuters: KTCG.VI	Bloomberg: KTCG AV

Included in the VÖNIX Sustainability Index since 2009.

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

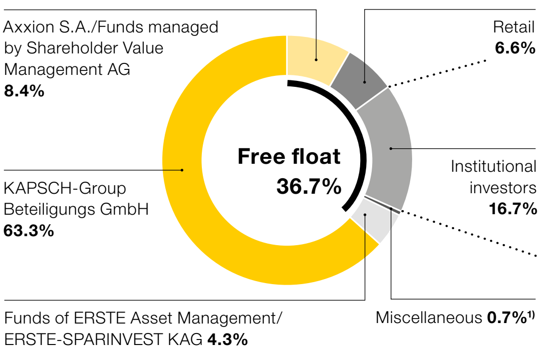
Shares and shareholder structure.

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

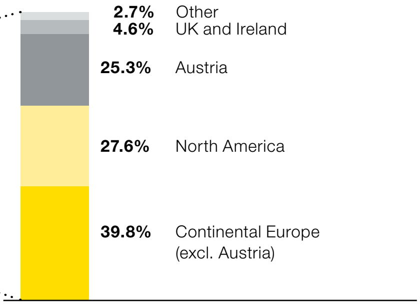
KAPSCH-Group Beteiligungs GmbH holds 63.3% and, hence, is the core shareholder.

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

Shareholder structure.



Institutional investors by region.



1) Trading positions and unidentified shareholders.

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

Free float. The free float of 36.7% is made up of larger holdings by funds as well as of shares owned by institutional investors (16.7%), retail investors (6.6%) and others (0.7%).

Axxion S.A. (Luxembourg) is the management company of the funds "Frankfurter Aktienfonds für Stiftungen", which holds a share package of 8.4%. Shareholder Value Management AG (Germany) acts as investment advisor for the funds. Investment funds of Erste Asset Management and its subsidiary ERSTE-SPARINVEST Kapitalanlagegesellschaft together hold 4.3%.

The institutional shareholder base is located in continental Europe (65.1%, whereas Austria accounts for 25.3%), North America (27.6%), the UK and Ireland (4.6%), and in other countries (2.7%).

Share price development.

Market capitalization on March 29, 2018 amounting to EUR 517.4 million.

2017/18 Price Development.

The closing prices of the stock in fiscal year 2017/18 ranged between EUR 39.80 and EUR 50.00.

The positive trend of the past year continued in the first quarter. The stock opened at a price of EUR 41.82 a share on April 3, 2017 and closed the quarter at EUR 46.80. On August 16, the share price reached a high of EUR 50.70 (intraday) in the reporting period. After announcing mixed results for the first quarter and adjusting the share price for the dividend payment of EUR 1.50 per share (on the ex-day), the stock closed the half-year at EUR 45.10 per share.

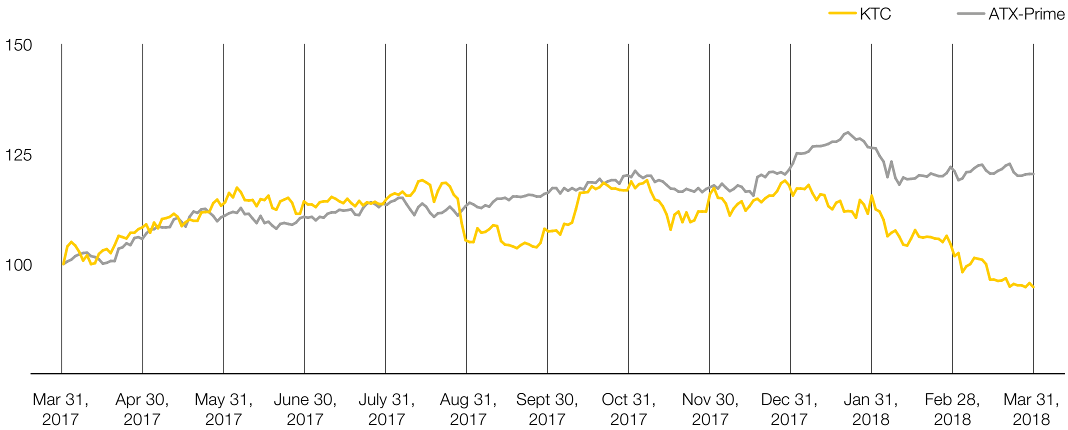
The price then rose again and reached EUR 49.95 at the end of December 2017. Due to share price related reasons (the stock foundered several times due to resistance at EUR 50.00) and as a result of the halt of the toll tender in Poland in January the price fell in the last three months of the financial year and the stock closed at EUR 39.80 on March 28. The low of EUR 38.50 (intraday) was also recorded on this day.

Kapsch TrafficCom shares lost 5.2% in 2017/18 and performed 25.6 percentage points worse than the ATX Prime.

Share price in fiscal year 2017/18: -5,2%.

Benchmark performed 25.6 percentage points better.

Development of Kapsch TrafficCom shares and ATX-Prime.



Stock data (in EUR)	2016/17	2017/18
Earnings per share	3.35	2.21
Dividend per share	1.50	1.50 [1)]
High (intraday)	42.00	50.70
Low (intraday)	27.20	38.50
Closing price on March 31	42.00	39.80
Share performance	40.9%	-5.2%
Ø trading volume (shares, double counting)	10,967	19,545

[1)] Proposal to the Annual General Meeting

Analysts and liquidity providers.

Analysts.
In the last fiscal year, the following financial institutions published reports on the share (in alphabetical order):
- Erste Group Bank
- Kepler Cheuvreux
- MATELAN Research
- ODDO BHF
- Raiffeisen Centrobank

Liquidity providers.
The annual tender for the positions of "Specialist" and "Market Maker" resulted in no changes compared to the previous year.
- Specialist: Baader Bank
- Market Maker: e.g. Erste Group Bank, Kepler Cheuvreux, ODDO SEYDLER BANK, Raiffeisen Centrobank

Investor Relations activities in fiscal year 2017/18.

In the past fiscal year, Kapsch TrafficCom again engaged with capital market participants at several opportunities:
- Investor conferences and roadshows: Amsterdam, Brussels, Frankfurt (3), London, Lyon, Madrid, Stegersbach, Warsaw (2), Zurich
- Numerous directly arranged meetings, telephone conversations and emails

In total, apart from the Annual General Meeting, the presentation of results and group presentations at events, the company communicated directly with capital market participants about 150 times on a bilateral basis or in small groups.

As part of the relaunch of the Kapsch website, the "Investor Relations" section of Kapsch TrafficCom was also revised. In addition to the new visual appearance, the Investor Relations homepage was restructured and a download center was set up, where numerous materials, including those from past periods, are available for download.

Dividend policy.

Dividend policy:
- **EUR 1.00 base level dividend**
- **One third of the profit for the period.**

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

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

Dividend proposal to the Annual General Meeting: EUR 1.50 for 2017/18.

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

Contact details for investors.

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

The challenge of Coenie Vermaak.

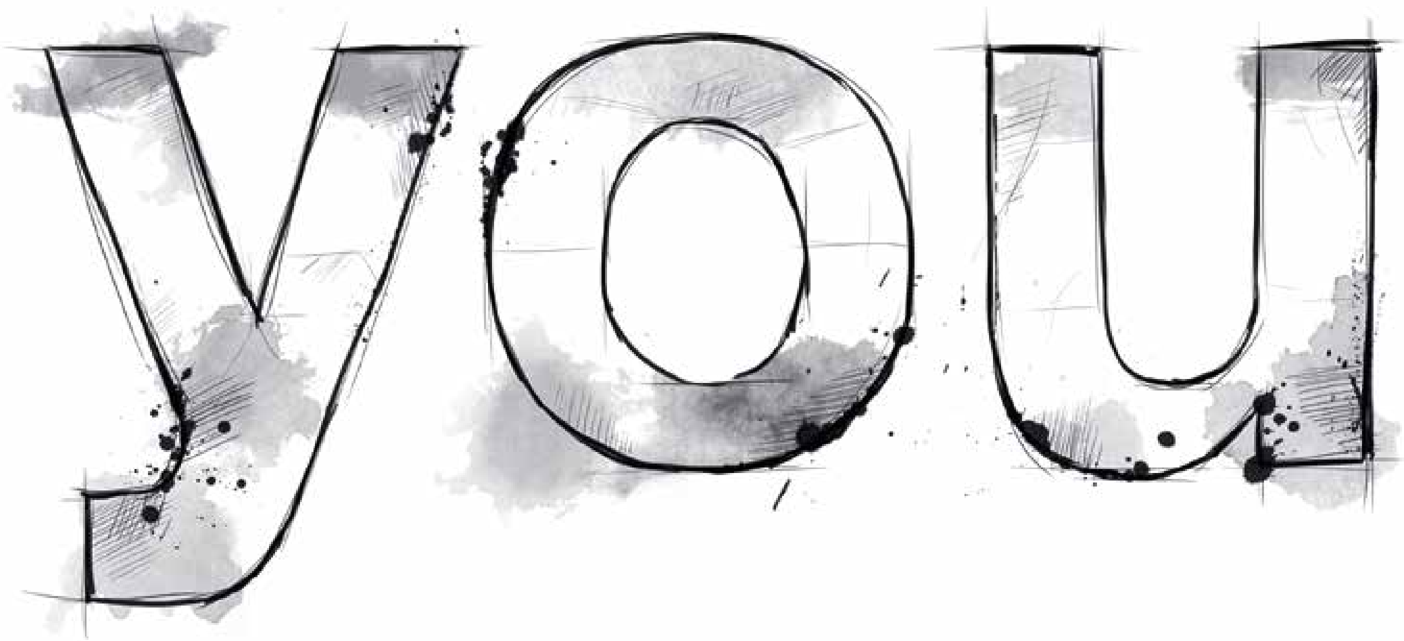
Client: SANRAL

Solution: Multi-lane free-flow electronic tolling

Kapsch's wholly owned subsidiary Electronic Toll Collection Pty Ltd (ETC) was set up to manage the technology, financial administration and customer service footprint of the DSRC tag-based e-Toll project for SANRAL, South Africa's national roads agency. The project went live on 3 December 2013 and ETC's achievements have since far exceeded the original business plans. Notable achievements include commissioning of the entire Gauteng Open Road Tolling system; the two Gauteng Asset Replacement Projects; commissioning of electronic road pricing; implementation of dispensations relating to 30 free passages for road users; and seamless implementation of the ACI network.

Kapsch TrafficCom

Consolidated Corporate Governance Report.



Consolidated Corporate Governance Report.

Principles.

Kapsch TrafficCom declares its voluntary commitment to the January 2018 version of the Austrian Code of Corporate Governance.

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

The rules of the ACCG are divided into three categories:

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

Bodies of a stock company (Aktiengesellschaft).
Kapsch TrafficCom has the legal form of an "Aktiengesellschaft" (AG) [the equivalent of a stock company] under Austrian law. Its organization is based on three organs, the Executive Board, the Supervisory Board and the Annual General Meeting. These are set up according to the principle of the separation of powers.

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

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

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

Kapsch TrafficCom in Kapsch Group.
The Kapsch family indirectly holds 100% of KAPSCH-Group Beteiligungs GmbH, the parent company of the Group. Among other things, the following main companies of the group are direct subsidiaries: Kapsch Aktiengesellschaft (100%), Kapsch BusinessCom AG (94.9%), Kapsch CarrierCom AG (100%), Kapsch Public TransportCom GmbH (100%) and Kapsch TrafficCom AG (63.3%).

Statement of compliance.

In the 2017/18 fiscal year which ended on March 31, 2018, Kapsch TrafficCom satisfied all of the conditions of the January 2018 version of the ACCG in terms of content with the following statements:

- C-rule 27 – The profit-based variable remuneration components of Mr. Laux and Mr. Lewald are based on the operative profitability of the company (concrete: the operating result, EBIT). The percentage rate to be applied for the calculation was measured at the time of the conclusion of the contract in such a way that the variable part is not forecast to exceed the fixed payment in any year of the appointment to the Executive Board. Upper limits for the variable remuneration going beyond this provision can be waived.
- C-rule 27a – In order to limit the amount of possible severance pay in the case of the premature termination of an appointment to the Executive Board without cause, it is envisaged to limit the duration of employment contracts to three years per term of office. Further limitations in this regard are not to be implemented on the relevant labor market and shall not be considered expedient

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

Executive Board.

Name and function	Area of responsibility	Year of birth	Year fist appointed	Year current term expires
Georg Kapsch Chairman, Chief Executive Officer	Finance, investor relations & compliance, mergers & acquisitions, strategy, new ventures, legal, human relations, marketing & PR, international subsidiaries & management systems, IT, innovation management, sales region North America as well as the Solution Centers: Urban Traffic & Mobility Management, Intelligent Mobility Services	1959	2002	2020
André Laux Member, Chief Operating Officer	Sales regions: Europe-Middle East-Africa, Americas, Asia-Pacific as well as supply chain management, production & logistics	1962	2010	2019
Alexander Lewald Member, Chief Technology Officer	Research & development as well as the Solution Centers: Tolling, Back Office, Connected Vehicles, Highway & Tunnel Traffic Management	1964	2015	2019

Mag. Georg Kapsch is employed by Kapsch AG and shall be delegated by this company to various management positions within Kapsch Group. He is since:
- July 1989: Member of the Executive Board of Kapsch AG, and elected CEO in October 2001
- October 2000: CEO of KAPSCH-Group Beteiligungs GmbH, now the core shareholder of Kapsch TrafficCom AG
- November 2000: Managing director of DATAX HandelsgmbH, the sole parent company of KAPSCH-Group Beteiligungs GmbH
- December 2002: CEO of Kapsch TrafficCom AG

Mr. Kapsch studied business administration at the Vienna University of Economics and Business and graduated in 1981. In the following year he joined Kapsch AG, where he was active in the various areas of the company. In stock companies outside of Kapsch TrafficCom Group, he exercises the following Supervisory Board positions:
- Chairman of the Supervisory Board of Kapsch CarrierCom AG
- Deputy Chairman of the Supervisory Board of Kapsch BusinessCom AG
- Member of the Supervisory Board of Teufelberger Holding AG

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

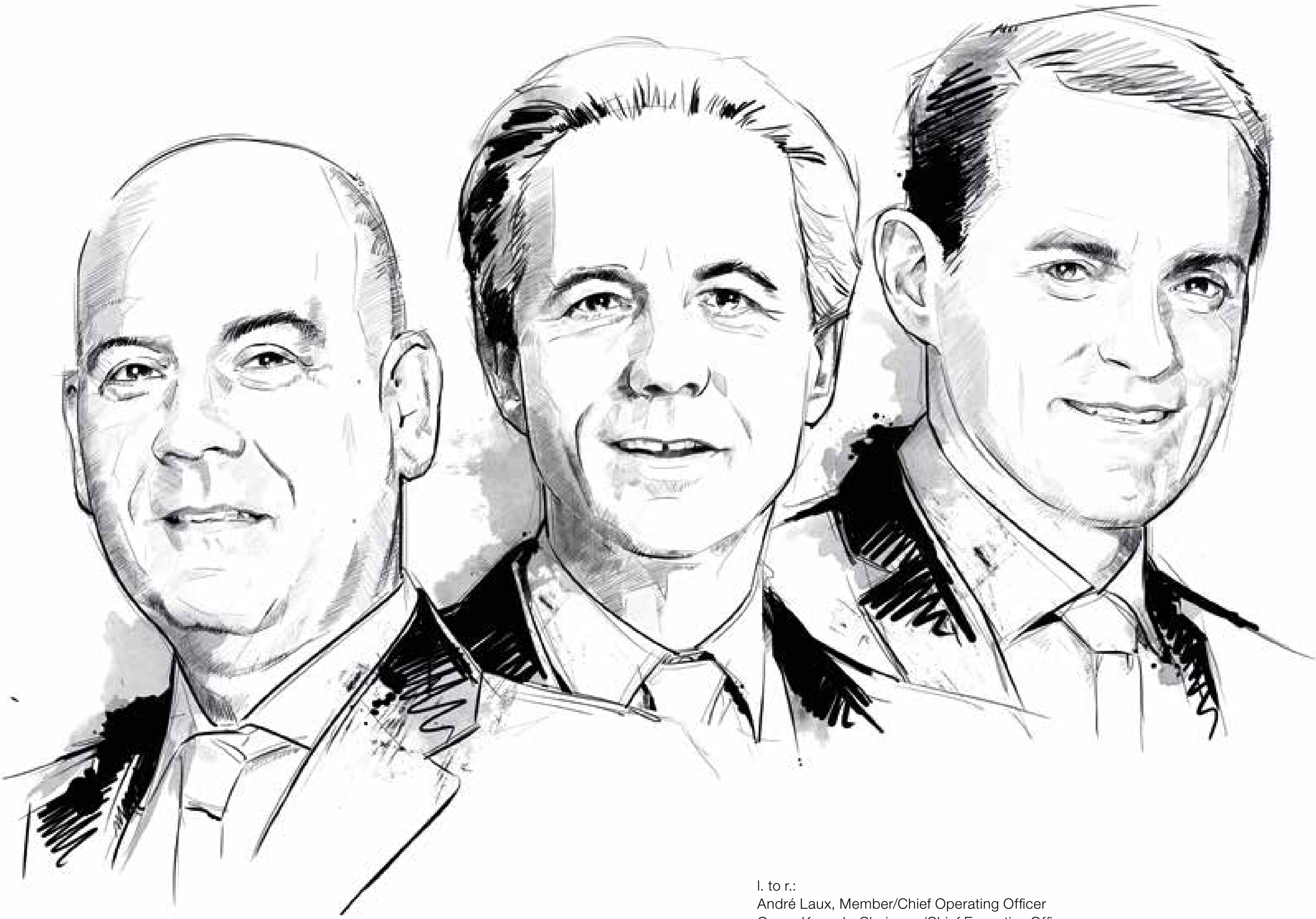
Dipl.-Betriebsw. André Laux has been working for Kapsch TrafficCom Group since December 2007 and has been a member of the Executive Board of Kapsch TrafficCom AG since April 1, 2010. In November 2014 he was appointed COO.

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

Dr. Alexander Lewald has been a member of the Executive Board and CTO of Kapsch TrafficCom AG since November 2015.

Following his studies in electrical engineering at Munich Technical University, Mr. Lewald worked for three years at DLR (Deutsches Zentrum für Luft- und Raumfahrt – the German Aerospace Center) at the Institute for Robotics and System Dynamics. Within this framework, Mr. Lewald wrote his thesis in the field of system dynamics of multi-axle robots at the Ruhr University Bochum, and expanded on this subject at the Engineering School of Stanford University, Palo Alto, USA.

After his employment at McKinsey & Company, Alexander Lewald has for the past 15 years worked in various management positions at Kappa IT Ventures, Gilde IT, SAP as well as at Parametric Technology Corp. in particular with the development of new businesses in the information and communications technology (ICT) industry. Alexander Lewald does not have any appointments to Supervisory Boards outside of Kapsch TrafficCom Group.



l. to r.:
André Laux, Member/Chief Operating Officer
Georg Kapsch, Chairman/Chief Executive Officer
Alexander Lewald, Member/Chief Technology Officer

Remuneration for the Executive Board.

	Total 2016/17	Fixed 2017/18 (and in % of total remuneration)		Variable 2017/18 (and in % of total remuneration)		Total 2017/18
Georg Kapsch	1,060	668	59%	467	41%	1,135
André Laux	670	439	74%	150	26%	589
Alexander Lewald	444	381	72%	150	28%	531
Total	**2,175**	**1,488**	**66%**	**767**	**34%**	**2,255**

Georg Kapsch is employed by Kapsch AG. His services are part of the management and consulting services provided by Kapsch AG and settled by Kapsch TrafficCom AG. These are shown in the notes to the Consolidated Financial Statement under “Related parties”. The remuneration on the level of Kapsch AG comprises a fixed and a variable element, which depends on the consolidated earnings before tax of KAPSCH-Group Beteiligungs GmbH.

The remuneration for André Laux and Alexander Lewald comprises both a fixed and a profit-based component. The latter amounts to 0.25% of the operating result (EBIT) provided that this exceeds EUR 20 million. In addition, both men possess an individual and contributory pension plan. In this context, the company pays EUR 65,000 annually for Mr. Laux and EUR 30,000 for Mr. Lewald into an external pension fund. If they leave the Executive Board, both men are subject to a non-compete clause for the period of one year (except in the case of a departure for good causes).

For all members of the Executive Board of Kapsch TrafficCom AG there exists a financial incentive which is geared to employee satisfaction. An employee survey shall be carried out in intervals of several years. After submission of the results of the survey and it is found that all of the defined criteria are achieved, an amount of EUR 10,000 per member of the Executive Board shall be paid out for each year since the last such survey. For this, it is required that an appointment to the Executive Board has been retained for at least two years.

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

The profit-based remuneration is based on the operating result (EBIT). The percentage rate to be applied for the calculation is to be measured at the time of the conclusion of the contract in such a way that this variable part is not forecast to exceed the fixed payment in any year of the appointment to the Executive Board. In this way, additional upper limits for the variable remuneration components can be waived. In years with poor company results (a minimum EBIT is to be defined for this), the directors should not receive any such performance bonuses. Satisfied employees are an essential component for the success of Kapsch TrafficCom Group. Therefore, there exists a variable remuneration component for all members of the Executive Board, which is bound to the sustainable achievement of non-financial criteria, specifically to certain results of the employee survey. This survey shall take place at intervals of several years.

Due to the increasing significance of the company pension plans alongside the state pension fund, Kapsch TrafficCom AG pays into an external pension fund for the directors employed by it. Following the end of the appointment over time, a director cannot make any more claims whatsoever against the company. In order to limit the amount of possible severance pay in the case of the premature termination of an appointment to the Executive Board without cause, it is envisaged to limit the duration of employment contracts to three years per term of office.

There is no stock options program at Kapsch TrafficCom AG.

Directors and officers liability insurance.
The members of the Executive Board are insured against financial losses within the framework of directors and officers liability insurance. Alongside the Executive Board, the members of the Supervisory Board and the management staff of Kapsch TrafficCom Group are insured. Because a total premium is paid, it is not possible to allocate to individual members of the Executive Board.

Supervisory Board.

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2019
Kari Kapsch	Deputy Chairman	1964	2002	2019
Sabine Kauper [1]	Member	1968	2011	2018
Harald Sommerer	Member	1967	2013	2019
Christian Windisch	Member [2]	1963	2002	–
Martin Gartler	Member [2]	1970	2015	–

[1] Proposal to the Annual General Meeting to extend Ms Kauper's mandate for another three years.
[2] Delegated by the works council which may recall a member it has delegated at any time.

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

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

- October 2001: CFO of Kapsch AG
- March 2003: CFO of Kapsch BusinessCom AG, since April 2010 also CEO
- April 2005: CFO of KAPSCH-Group Beteiligungs GmbH
- February 2010: Member of the Supervisory Board of Kapsch CarrierCom AG

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

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

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

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

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

Dr. Harald Sommerer has been self-employed since December 2013 and is working on establishing an investment portfolio. Before that he was CEO and Chairman of the Executive Board of Zumtobel AG from May 2010 to September 2013. From 1997 to 2010, Harald Sommerer was a member of the Executive Board of

AT & S Austria Technologie & Systemtechnik AG, CFO between 1998 and 2005 and CEO from 2005 to January 2010. He is a doctor of social and economic sciences from the Vienna University for Economics and Business and Master of Management from the J. L. Kellogg Graduate School of Management, Northwestern University.

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

Martin Gartler has been working in the area of operations at Kapsch TrafficCom AG since February 2008. He holds a degree from the Technical School of Electrical and Telecommunications Technology and in 1992 completed his training as foreman for industrial electronics.

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

In the fiscal year 2017/18 (from April 1, 2017 to March 31, 2018), besides the constituting meeting the Supervisory Board held another five meetings. The Executive Board also took part in the latter. No member of the Supervisory Board took part in less than half of the meetings.

Committees of the Supervisory Board:
- audit committee
- committee for Executive Board matters (remuneration committee).

Committees of the Supervisory Board.
The **audit committee** has the duties listed in Section 92 (4) “Aktiengesetz” (Austrian Stock Corporation Act) and article 5(4) of Regulation EU/537/2014, and is competent to make decisions to this extent. This includes auditing and preparing the approval of the annual Financial Statements and annual Consolidated Financial Statements, auditing the consolidated Corporate Governance Report and consolidated Non-Financial Report, handling the report on risk management pursuant to C-rule 83 of the ACCG, the review of the audit process and the independence of the auditor (including the evaluation and approval of non-audit services), the preparation of a proposal for the distribution of profit as well as the preparation of the report to the Annual General Meeting. Moreover, the audit committee prepares the proposal of the Supervisory Board for the selection of the annual auditor (consolidated accounts auditor), reviews the accounting process as well as the effectiveness of the internal control system and the risk management system. A member of the audit committee must be a so-called financial expert. Persons who were formerly members of the Executive Board, managing director or annual auditor, as well as persons who certified the annual Financial Statements or annual Consolidated Statements in the last three years, cannot act as financial experts or as chairperson of the audit committee. This committee is made up of Franz Semmernegg (Chairman and financial expert), Harald Sommerer (financial expert) and Christian Windisch. The annual auditor is to be included in the meetings of the audit committee which concern the preparation of the approval of the annual Financial Statements (Consolidated Financial Statements) and their auditing. The audit committee held a total of four meetings in the 2017/18 fiscal year. The annual auditor was present at two meetings; there was no need for a joint meeting without the presence of the Executive Board. No member of the audit committee took part in less than half of the meetings.

The **committee for Executive Board matters (remuneration committee)** is responsible for the relations between the company and the members of the Executive Board (including remuneration issues) and to this extent has decision-making authority. This excludes the appointment and recall of members of the Executive Board, however (responsibility of the full Supervisory Board). The committee is composed of two members of the Supervisory Board who are selected by the Annual General Meeting, including the Chairman of the Supervisory Board. This committee is made up of Franz Semmernegg (Chairman) and Harald Sommerer. Both men possess knowledge and experience in the area of remuneration policy. Mr. Semmernegg is CEO and is the director responsible for personnel agenda at Kapsch BusinessCom. Mr. Sommerer was CEO and also the director responsible for personnel agenda at Zumtobel AG, as well as previously at AT & S Austria Technologie & Systemtechnik Aktiengesellschaft. The committee for Executive Board matters (remuneration committee) did not hold a meeting in the past fiscal year.

Remuneration for the Supervisory Board.

In EUR thousand	2016/17	2017/18
Franz Semmernegg	50	50
Kari Kapsch	30	30
Sabine Kauper	16	16
Harald Sommerer	24	24
Total	**120**	**120**

With the resolution of the Annual General Meeting of September 9, 2015, the total remuneration of the selected members of the Supervisory Board was determined to be EUR 120,000 per year, whereby the Chairman is responsible for distributing this amount. This shall apply until a future Annual General Meeting decides on another remuneration. In addition, the members of the Supervisory Board are entitled to expenses. In the 2017/18 fiscal year, travel costs amounting to EUR 2,000 were compensated. No stock options program is provided for members of the Supervisory Board.

Directors and officers liability insurance.
The members of the Supervisory Board are insured against financial losses within the framework of Directors and officers liability insurance. Alongside the Supervisory Board, the members of the Executive Board and the management staff of Kapsch TrafficCom Group are insured. Because a total premium is paid, it is not possible to allocate to individual members of the Supervisory Board.

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

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

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

All members of the Supervisory Board are independent pursuant to C-rule 53 ACCG.

Sommerer and Kauper are also independent pursuant to C-rule 54 ACCG.

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

Transactions which require approval.
Besides those transactions requiring approval listed alongside the "Related parties" in the group notes, in 2017/18 there were no transactions requiring approval pursuant to Section 95 (5) no. 12 Aktiengesetz.

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

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

Operation of the Executive Board and Supervisory Board.

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

The Supervisory Board monitors the management of the Executive Board regularly and comprehensively and provides consultation. The Chairman of the Supervisory Board was in regular contact with the Chairman of the Executive Board in order to discuss the company development, strategy and state of implementation of the strategy, as well as the risk management of the company. The Supervisory Board has provided itself with rules of procedure, in which, inter alia, the composition and the chairmanship, the terms for being called and votes, the area of activity, duties to provide information, transactions between the company and Executive Board members as well as the committees are governed.

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

Diversity.

Kapsch TrafficCom has developed into a globally active company in recent years. This led to an increase in diversification in many different facets.

In order to take account of this development, great importance is placed on diversity in internal training programs. It is important that employees and managers familiarize themselves with this topic in order to gain a suitable understanding of diversity and thus create the basis for smooth collaboration within the company. Since Kapsch TrafficCom often forms international project teams, there are also special programs for intercultural management.

An important point in terms of diversity is cooperation between men and women. Various measures to promote women within the Group (explained in the consolidated Non-Financial Report of Kapsch TrafficCom) should lead to an increasing number of women in management positions.

In general, the selection of candidates for a position on the Executive Board, Supervisory Board or in a managerial position is made with a view to the best possible filling of vacancies. We attach great importance to professional and social competence, personal networking, and experience, as well as the ability to work on a team. Kapsch TrafficCom AG does not have a detailed plan for the advancement of women in the Executive Board, Supervisory Board and executive functions in the company and its subsidiaries. A person may be appointed to the Executive Board up until the age of 65 and to the Supervisory Board up until the age of 75. Origin, gender, religious and sexual orientation are not appointment criteria.

No new members were appointed to the Executive Board or Supervisory Board in the previous financial year. Ms. Kauper's Supervisory Board mandate will expire at the 2018 Annual General Meeting. The Supervisory Board will propose the re-election of Ms. Kauper for another three-year term at the Annual General Meeting.

Kapsch TrafficCom AG does not apply the statutory quota for women on the Supervisory Board (it has fewer than 1,000 employees and fewer than six shareholder representatives on the Supervisory Board). In the previous fiscal year, the Supervisory Board was composed of Sabine Kauper and three male shareholder representatives. There was no woman on the Executive Board. Women hold various management positions within Kapsch TrafficCom AG (such as Head of Finance and Head of Legal) and its subsidiaries (such as Head of Production at Kapsch Components GmbH & Co KG and Head of Finance in the APAC region).

External evaluation.

This consolidated Corporate Governance Report has not been audited externally. The 2016/17 Corporate Governance Report was externally evaluated and no objections were raised.

The Executive Board

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

Report from the Supervisory Board.

Dear Shareholders,

The Supervisory Board of Kapsch TrafficCom AG held a total of five meetings in the fiscal year from April 1, 2017 to March 31, 2018. No member of the Supervisory Board took part in fewer than half of the meetings.

The Supervisory Board was moreover constantly informed by the Executive Board in writing and verbally as well as in the meetings which were held together with the Executive Board about the situation and about the development of the company and its strategic orientation; in the reporting period it constantly monitored the management of the Executive Board and supported it in an advisory capacity.

As the Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Executive Board in order to discuss the company's development, strategy and the risk management of the company.

In the past fiscal year there were no transactions requiring approval pursuant to Section 95 (5) no. 12 AktG (Austrian Stock Corporation Act) with members of the Supervisory Board or with companies in which a member of the Supervisory Board has a significant economic interest, with the exception of the transactions in the group notes under "Related parties".

The Financial Statements as of March 31, 2018 submitted by the Executive Board along with the Management Report from Kapsch TrafficCom AG of June 4, 2018 as well as the Consolidated Financial Statements along with the Consolidated Management Report of June 4, 2018 were audited by the appointed auditor PwC Wirtschaftsprüfung GmbH, Vienna, and issued with the unqualified audit certificate.

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

The Supervisory Board checked these documents pursuant to Section 96 AktG and approved the annual accounts so that these are adopted pursuant to Section 94 (4) AktG. The Supervisory Board follows the Executive Board's proposal for the allocation of profits. Therefore, the Executive Board will propose to the Annual General Meeting on September 6, 2018 to pay a dividend of EUR 1.50 per share for the fiscal year 2017/18.

The audit committee held a total of four meetings in the fiscal year from April 1, 2017 to March 31, 2018 and fulfilled the tasks listed in Section 92 (4a) AktG. Besides the review and preparation for the approval of the annual Financial Statements and annual Consolidated Financial Statements, this also included the audit of the consolidated Corporate Governance Report, the review of the final audit and the independence of the auditor (including the evaluation and approval of non-audit services), preparation of the proposal for the distribution of profits as well as the preparation of the report to the Annual General Meeting, the preparation of the proposal for the selection of annual accounts auditor (consolidated accounts auditor) as well as the review of the accounting process, the effectiveness of internal control systems and the risk management system. No member of the audit committee took part in fewer than half of the meetings.

The committee for Executive Board matters (remuneration committee) did not hold a meeting in the past fiscal year.

The Supervisory Board thanks the members of the Executive Board and all employees of Kapsch TrafficCom AG for their work in the fiscal year 2017/18.

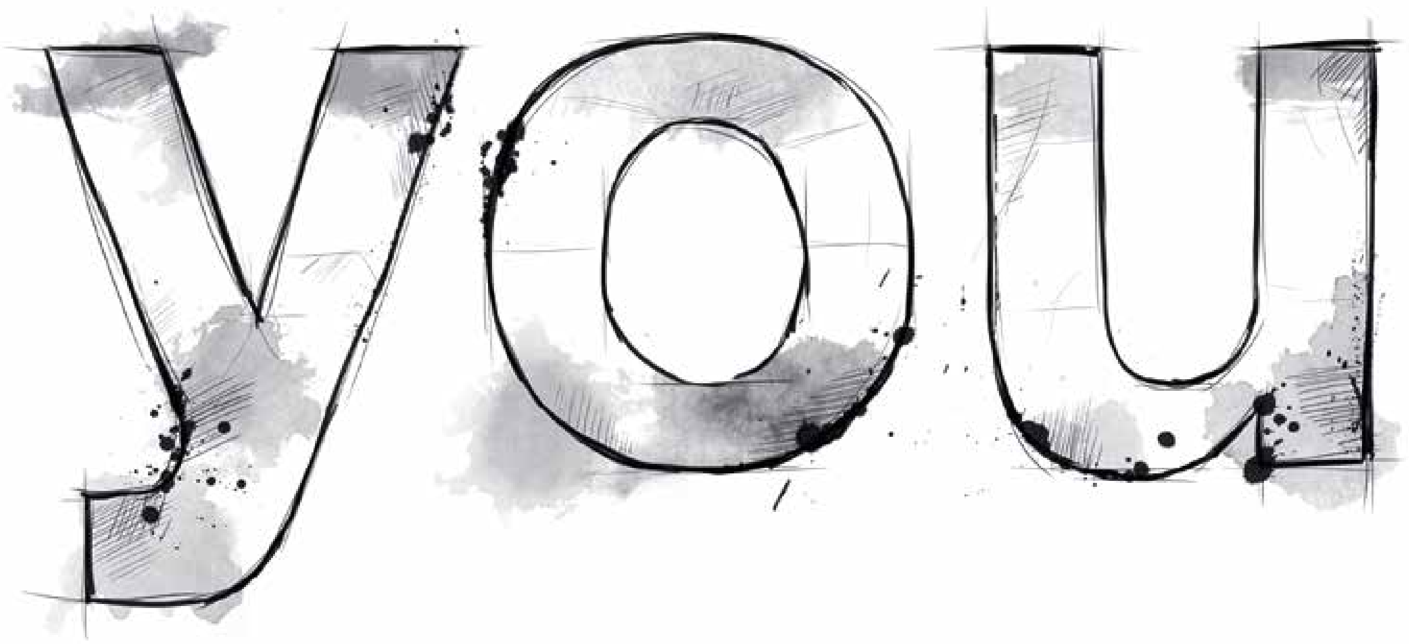
Vienna, June 13, 2018

Franz Semmernegg
Chairman of the Supervisory Board

Franz Semmernegg,
Chairman of the Supervisory Board

Kapsch TrafficCom

Consolidated Non-Financial Report.



Consolidated Non-Financial Report (§ 267a UGB).

Notes to the report.

Due to new legal requirements (Sustainability and Diversity Improvement Act, NaDiVeG), Kapsch TrafficCom is obliged for the first time to prepare an annual consolidated Non-Financial Report for the fiscal year 2017/18 in accordance with § 267a of the Austrian Commercial Code (UGB). The consolidated Non-Financial Report must contain the information necessary for understanding the business development, the operating result, the situation of the Group and the effects of its activities and address, at a minimum, environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. The report is based on the requirements of the Global Reporting Initiative—GRI Guideline G4 (Compliance Level: Core) for sustainability reports.

To avoid redundancies, the report refers to the notes to the 2017/18 Consolidated Financial Statements, the 2017/18 Consolidated Management Report, and the consolidated Corporate Governance Report for 2017/18. A separate non-financial report for Kapsch TrafficCom AG pursuant to § 243b UGB is not required.

As a rule, the key figures specified are collected for Kapsch TrafficCom Group. Any deviations are explained directly in the key figures.

Business model.

Kapsch TrafficCom AG is a listed stock corporation under Austrian law. The company headquarters is located at Am Europlatz 2, 1120 Vienna, Austria. The Kapsch family indirectly owns 100% of the shares in KAPSCH-Group Beteiligungs GmbH, the Group's parent company, which in turn holds 63.3% of Kapsch TrafficCom AG. The remaining shares are held by private and institutional investors.

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

Reference,
Further information:

- Note 1 to the 2017/18 Consolidated Financial Statements

Kapsch TrafficCom has implemented projects in more than 50 countries and has subsidiaries and branch offices in more than 30 countries (including Australia, Canada, Austria, Poland, Zambia, Sweden, Spain, South Africa, Czech Republic, USA, Belarus). Comprehensive information on the group structure and group companies can be found in the correspondingly titled note 1.2 to the Consolidated Financial Statements. The list of consolidated companies can be found in note 32 to the Consolidated Financial Statements.

Reference, group structure and consolidated group:

- Note 1.2 to the 2017/18 Consolidated Financial Statements
- Note 32 to the 2017/18 Consolidated Financial Statements

Company awards for sustainability aspects.

Listed in the Austrian sustainability index, VÖNIX, since 2009.

Annually since 2014: Award "Beruf & Familie" (job & family).

Kapsch Components was again awarded the City of Vienna's Ökoprofit award.

Focus on essentials.

In the context of ecological, social and societal issues, a structured process was implemented two years ago to capture stakeholder perspectives in the essential areas of activity for Kapsch TrafficCom.

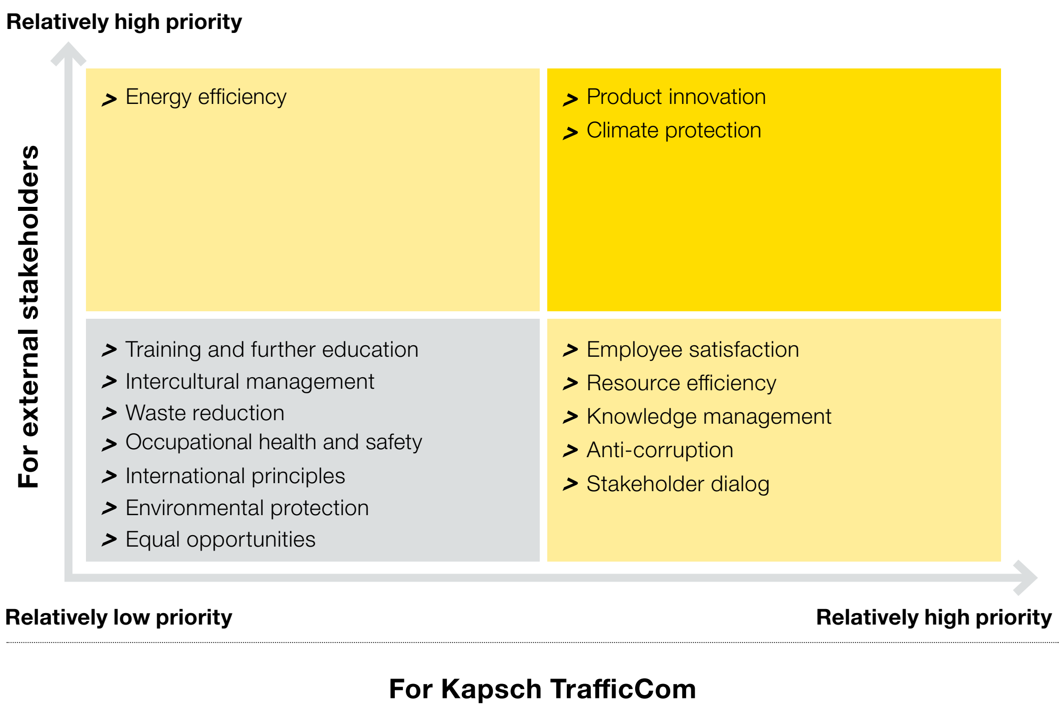
First, both company management and those responsible for key functional business areas were asked in structured interviews which stakeholder groups are to be considered essential for Kapsch TrafficCom in the context of ecological, social and societal responsibility and sustainability. The stakeholder groups were prioritized based on the number of nominations and company management's perspective and formed the basis for further analysis of the essential areas of activity.

The stakeholder groups most relevant to Kapsch TrafficCom in the context of ecological, social and societal development are shown on the left.

In order to align the focus areas and sustainability management measures with essential areas of activity, Kapsch TrafficCom implemented a comprehensive materiality process in 2016 in accordance with the requirements of the GRI-G4 Guideline. Internal and external stakeholder perspectives were collected by means of structured interviews to identify the key topics. For the first time, numerous sustainability issues were added to the global customer satisfaction survey.

These were based on industry-relevant areas of activity and sustainability requirements in the core business. A shortlist of around 20 areas of activity in the categories of environmental protection, employees and society and governance was drawn up. Representatives of Kapsch's most important business and functional units as well as relevant stakeholders such as customers and industry organizations gave their feedback and prioritized the areas of activity. In total, interviews were conducted with eight internal and two external (Austriatech, OECD ITS) stakeholders and feedback was obtained from 16 customers. In addition, the ongoing stakeholder dialog has already provided Kapsch TrafficCom with valuable information and insights on sustainability. This dialog complemented the analysis.

The result of the structured process was the selection of 15 areas of activity, above all: product innovation, climate protection, employee satisfaction, resource efficiency and knowledge management. The overview below visualizes the result. Additions can be made at any time if required.



Environment.

More than a quarter of Europe's energy consumption and CO_2 emissions are caused by the transport sector, 20% by road transport. Furthermore, 64% of all kilometers are driven in urban environments today. In Vienna, for example, about one third of traffic-related CO_2 emissions are caused by drivers searching for a parking space. The total number of kilometers driven annually in urban areas is expected to almost triple from 25.8 trillion to 67.1 trillion between 2010 and 2050. City dwellers will therefore spend 106 hours a year in traffic jams in 2050. In addition to the legal requirements for the automotive industry to curb CO_2 emissions, substantial improvements require a change in user behavior, and above all, intelligent traffic control systems.

Kapsch TrafficCom's products and solutions make an active contribution to the environmentally friendly and resource-saving design of traffic systems. In the Electronic Toll Collection (ETC) segment, the company helps to finance the necessary investments in maintaining and expanding transport infrastructure. The Intelligent Mobility Solutions (IMS) segment offers technologies and services for optimizing traffic flows and thus for better handling the increasing volume of traffic.

In addition, Kapsch TrafficCom is also working consistently in its own area of operations, especially at its production sites, to minimize resource consumption and any impact on the environment.

Concepts.

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

Guide to sustainable product design.
A comprehensive guide ensures that environmental, economic, social, health and safety aspects are taken into account in the design and development of products in the best possible way and in a structured manner. The contents of the document must be included in the requirement specifications or project tenders. The Environmental Officers of the departments, who are also members of the HSSEQ Circle, review and continually adapt this process.

Certification.
Kapsch TrafficCom defines its processes in an integrated HSSEQ management system (Health-Safety-Security-Environment-Quality). The basis for this are group certifications according to ISO 9001: Quality Management (since 2002), according to OHSAS 18001: Occupational Safety Management (since 2005) and according to ISO 14001: Environmental Management (since 2005), ISO 27001: Information Security Management and ISO 20000: IT Service Management. Kapsch TrafficCom has anchored the necessary measures to safeguard the associated standards in its internal processes and monitors them on an ongoing basis.

HSSEQ programs and goals are published annually by executive management. The established HSSEQ Circle meets once a quarter to discuss the status of goals and activities with the business units and to implement measures to ensure further improvements.

Kapsch TrafficCom consolidates its key performance indicators in the HSSEQ Management Report on a quarterly basis, involving all company divisions. In addition, an annual Management Review Report is prepared, which serves as a basis for the Executive Board and company management to evaluate the integrated management system. The responsibilities in all areas of the HSSEQ system are clearly defined. Over the past few years, effective structures and responsibilities have been defined for the priority areas of activity on the sustainability agenda.

All efforts in this regard are coordinated by a Sustainability Officer who reports directly to the Executive Board. This direct reporting ensures that the top management bodies of Kapsch TrafficCom are not only involved in all central issues of sustainable corporate management, but can also actively participate in their further development.

The following group companies are ISO 14001-compliant: Environmental Management certified: Kapsch TrafficCom AG (parent company, Austria), Kapsch Components GmbH & Co KG (Austria), Kapsch Telematic Services spol. s r.o. (Czech Republic), Kapsch TrafficCom Transportation S.A.U. (Spain), Kapsch TrafficCom Arce Systemas S.A.U. (Spain) and Kapsch TrafficCom AB (Sweden). They represent more than 60% of the workforce in Europe.

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

- **Manufacturing sites.** The aim is to use electricity as efficiently as possible. Processes are optimized and new machines are purchased as required for this purpose, and the energy efficiency of machines is taken into account when purchasing new equipment. In addition to energy efficiency, Kapsch TrafficCom also ensures that the highest possible proportion of energy used in production comes from non-fossil sources. For packaging, Kapsch TrafficCom strives to use materials that are as environmentally friendly as possible.
- **Administration.** Here, too, efforts are being made to achieve energy efficiency and to minimize the consumption of office materials, especially paper.
- **Vehicle fleet.** When new cars are purchased, their fuel consumption is taken into account.

Environmentally friendly procurement.

- **Reduction of environmental effects in upstream processes and in the use of raw and auxiliary materials.** In addition to economic and quality-related aspects, special consideration is given to this criteria in procurement processes. A detailed guide serves as a decision-making aid in procurement and takes particular account of properties such as longevity, recyclability and reparability.
- **Supplier evaluation.** Kapsch TrafficCom assesses suppliers successively with regard to their conformity with the ecological procurement criteria. Where economically justifiable, suppliers with a qualified environmental management system are given preference.
- **Handling hazardous or harmful substances.** Where possible, the Group avoids the use of hazardous or environmentally harmful substances and products containing such substances. Safety data sheets are used to assess the hazard potential. The procurement of products and raw materials that would have to be disposed of as hazardous substances after processing or use is avoided wherever possible.
- **Transport.** For bulk goods, rail transport is preferable to truck transport. If quality and economy are comparable, local suppliers are preferred in order to minimize transport routes.
- **Responsible handling of chemicals.** Kapsch TrafficCom has taken extensive precautions to comply with the REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals). This EU regulation requires companies that produce or import a chemical substance in quantities of more than one ton per year to register this substance in a central database. Kapsch TrafficCom played a leading role in the foundation of the "Octopus – RRC Solution" association, which has set itself the task of covering the requirements of the REACH regulation, the RISL (Railway Industry Substance List) and the OECD recommendation on conflict minerals for SMEs in Austria in an economically acceptable manner. It is thus possible for members to receive and manage information about their products in a structured way, in a cost-efficient and resource-efficient manner.

Raising employee awareness of climate and environmental protection issues. Potential savings in resource consumption are pointed out in internal communications.

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

Leading the climate protection agenda.
Kapsch TrafficCom is seen as an important stakeholder in climate protection and mobility, not only in Austria, but also internationally. One example of the company's role in international efforts to achieve climate-neutral mobility is its involvement in the "Decarbonizing Transport" project, which is coordinated by the International Transport Forum. Kapsch is named by the platform as one of the key players in this topic.

Kapsch is also involved in the discussions of the United Nations Framework Convention on Climate Change (UNFCCC) as a technical expert. In particular, the role of information and communication technology (ICT) and Kapsch's experience in this area will be key elements in the development towards decarbonized transport.

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

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

Important risks.

Kapsch TrafficCom's business activities involve the consumption of resources and the generation of climate-relevant emissions. Without corresponding concepts for environmental and climate protection and their proper implementation, Kapsch TrafficCom would have a greater than necessary impact on the environment (global warming, fine dust pollution, etc.).

Non-financial key figures.

	2016/17	2017/18	2018/19 goals
Proportion of employees equipped with Skype for Business	100%	100%	keep at 100%
Electricity consumption for production in Austria and Canada (in MWh)	3,919	3,835	keep under 3,900 MWh
CO_2 emissions from production due to electricity consumption and heating (in tons of CO_2 equivalents) [1) 2)]	575	488	keep under 500 tons
Proportion of order value with ISO 14001-certified suppliers	32.7%	32.4%	Sustainably over 30%
Number of business trip flights [3)]	4,388	5,541	n. a. [4)]
resulting CO_2 emissions (in tons) [2)]	1,968	2,336	n. a. [5)]

1) Emissions from electricity consumption come only from production in Canada. Energy is generated there from around 95% (2016/17: around 90%) non-fossil fuels. Austrian production exclusively uses hydropower and other green energy. Both locations use natural gas for heating.

2) Approximate values due to the use of emission factors for the energy mix.

3) The year-on-year increase is due to the acquisition of Schneider Electric's global transportation division in 2016. This made Kapsch TrafficCom's business activities more international and increased the number of employees by around 900.

4) The number of plane trips depends on business needs and acquisition agendas. Therefore, a target value for business flights is not applicable.

5) This value depends directly on the number of business flights.

Employees.

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

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

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

Overview.

As of March 31, 2018, the Group had 5,259 employees, 436 more than on the previous year's balance sheet date. This increase is primarily due to the acquisition of the remaining shares in Simex (Mexico) and a higher number of interns. The proportion of women in the workforce rose slightly from 41.5% to 41.6%.

Employment relationships.

At Kapsch TrafficCom, on the balance sheet date there were predominantly salaried employees working (76% of the workforce). Workers employed in the production facilities made up only 17% of the workforce.

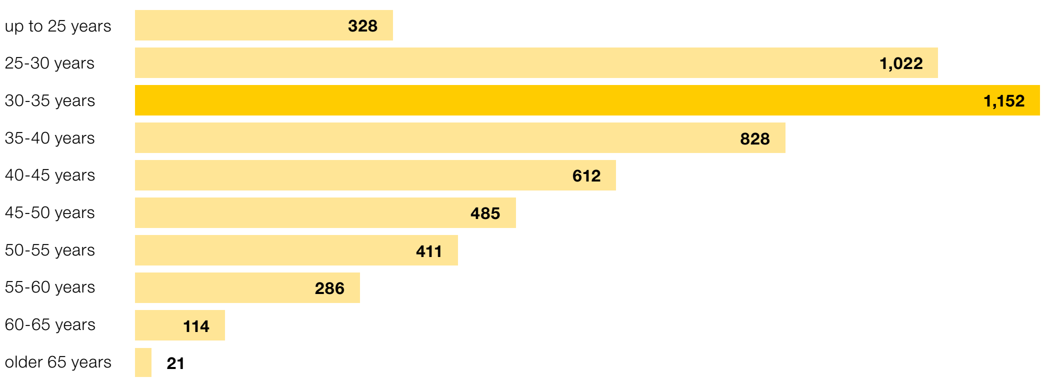
	2016/17	2017/18	+/-
Employees	3,824	3,995	171
Workers	757	890	133
In training/education	88	238	150
Inactive [1]	154	136	-18
Total	**4,823**	**5,259**	**436**
thereof part-time	152	194	42

[1] People on parental leave, military service, etc.

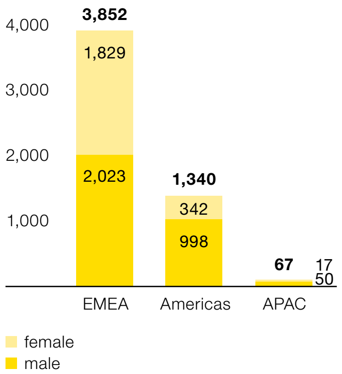
Age distribution.

Kapsch TrafficCom was founded in 2002 and since then has grown rapidly. This is also reflected in the relatively young workforce: About 26% of all employees are younger than 30 years, 48% are 35 years old or younger and 75% are no older than 45 years.

Age structure of Kapsch TrafficCom's workforce.



Employees by regions and sex.



Number of employees according to regions.
Kapsch TrafficCom is a globally active company with a large part of its workforce outside of Austria:

- In EMEA, the Group employs 3,852 people and therefore the most employees. The countries with the highest number of employees are: South Africa (1,589), Poland (617), Austria (606), Spain (480), Belarus (186), the Czech Republic (161) and Sweden (129).
- Of the total 1,340 employees in the Americas region, 592 work in the USA, 258 in Argentina, 211 in Mexico, 130 in Canada, and 112 in Chile.
- 63 of the total 67 employees in the APAC region are in Australia.

Concepts.

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

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

Apprenticeship. Kapsch TrafficCom offers vocational training to young people in Austria. As of the balance sheet date, 16 persons completed an apprenticeship in the areas of "Information Technology – Technology," "Electronics – Information and Telecommunications Technology" or "Industrial Sales Management Assistant."

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

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

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

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

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

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

In South Africa, 17.1% of the shares in the group company TMT were sold in order to introduce an Employee Participation Scheme Trust. This enables all group employees in South Africa to voluntarily participate in TMT's success.

Retirement fund. Kapsch TrafficCom pays contributions to an external pension fund for employees of group companies in Austria according to a defined contribution scheme. The amount of these contributions depends on the respective income and the sales profitability of the company.

Health care and occupational safety. Health information campaigns, vaccination campaigns, health check-ups and vision tests are carried out regularly for employees, and fitness packages and comparable services are supported. A company doctor is also available to staff at the Vienna site.

Reference, HSSEQ management system:
> Section "Environment" of this Non-Financial Report

Kapsch TrafficCom has an integrated HSSEQ management system (see section: "Environment"). The following group companies are certified according to the OHSAS 18001 occupational health and safety management system: Kapsch TrafficCom AG, Kapsch Components GmbH & Co KG (i.e., production in Austria) and Kapsch Telematic Services spol. s r.o. (Czech Republic).

Reference, Diversity concept:
> Consolidated Corporate Governance Report, section "Diversity"

Diversity and the advancement of women.
The diversity concept and information on the promotion of women to the Executive Board, Supervisory Board and executive positions are depicted in the "Diversity" section of the consolidated Corporate Governance Report.

The current low number of female executives at Kapsch TrafficCom has to do with the fact that the proportion of women in technical areas remains comparatively low. From the point of view of a technology company, a broader base of female technicians should be available. Talented female colleagues are valued and can gain leadership positions within the organization. Achieving this to a greater extent than what is the case today requires long-term initiatives: Kapsch TrafficCom
- cooperates with schools, universities and technical colleges, and
- is committed to promoting the advancement of women by participating in special programs such as "FiT Frauen in die Technik" (Women in Engineering) or "FEMtech."

The compatibility of career and family is an important issue to Kapsch TrafficCom. The working environment is an essential factor here.

The flexible working hours model at Kapsch TrafficCom AG makes it easier to deal with various personal and professional needs. A group of committed employees has founded the "women@kapsch" initiative, which offers support for individual development through events and networking opportunities. One initiative within the framework of women@kapsch is women@ktc with the specific goal of increasing the proportion of women in management positions at Kapsch TrafficCom. The company also wants to promote cooperation between men and women with the aim of harnessing the talents of both. This is not about a classic distribution of roles, but about the strengthening of strengths. Other measures include the "Women in Sales" trainee program and a separate committee for equal treatment.

Important risks.

The main risks for employees include:
- Loss of job if high order volumes are lost in the country of employment.
- Health risks due to accidents, illness or in connection with computer/screen work.
- Discrimination due to lack of implementation of the diversity concept.

Non-financial key figures.

	2016/17	2017/18	2018/19 goals
Average education and training days per employee [1]	2.7	3.5	maintain the 2017/18 level
Conducting performance reviews	76%	n. a.[2]	100% cumulated over the fiscal year

[1] Data for employees in the following countries and regions is collected: Austria, Czech Republic, Poland, Spain and South America.
[2] At Kapsch TrafficCom, annual employee reviews have been held since 2004. In 2017/18, the composition and structure were revised and expanded with additional components (e.g., career aspects, psychosocial aspects), which is why performance reviews are available on a voluntary basis but are not mandatory.

Human rights and anti-corruption measures.

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

Concepts.

Company culture. The Code of Conduct (http://kapsch.net/kapsch/about-us/code-of-conduct), which applies to all Kapsch Group companies, and thus also to Kapsch TrafficCom, contains requirements for ethical conduct and a clear rejection of corruption, bribery, preferential treatment and the violation of human rights. Kapsch TrafficCom is also committed to the 10 principles of the United Nations Global Compact.

Reference,
Human Relations department:
> Section„Employees" of this Non-Financial Report

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

Guidelines and training. There are internal guidelines on various aspects of corruption prevention which are regularly reviewed and adjusted if necessary. These guidelines are accessible to employees via the intranet and the HSSEQ platform. At the time of writing this report, the guidelines are being revised and new training materials will be prepared.

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

Kapsch TrafficCom AG's customers and vendors are subject to regular ''restricted party screening.'' The data for verification is obtained directly from the accounts receivable and accounts payable entries of the ERP system (Enterprise Resource Planning system) and is automatically compared daily with embargo and sanctions lists in order to avoid transactions with sanctioned parties. Lists queried via ''restricted party screening'' include embargo lists and various international and national sanctions lists. These lists contain, among other things, persons and companies that are connected to human rights violations. ''Restricted party screening'' will soon also be available at other group companies.

At Kapsch TrafficCom, Kapsch Group's internal audit, which is part of Kapsch Aktiengesellschaft, may also include an audit of internal control system processes and their compliance, in addition to fraud and corruption, if so requested by the Executive Board.

"Kapsch TrafficCom is committed to the ten universal principles of the UN Global Compact and the 17 Sustainable Development Goals of the United Nations."

Georg Kapsch, CEO

Important risks.

Corruption can tempt representatives of public authorities or companies to make decisions that are not in the best interests of the community or organization. In addition, corruption is usually associated with other offenses, e.g., tax evasion. Unauthorized benefits to or from Kapsch TrafficCom employees may have serious consequences in terms of employment, civil and criminal law. Since only around 21% of the workforce is covered by a collective agreement, there is a risk that not all employees are granted the right to freedom of association (collective agreement).

Non-financial key figure.

	2016/17	2017/18	2018/19 goal
Proven significant claims or proceedings, sanctions or fines against Kapsch TrafficCom Group companies in connection with corruption or human rights violations.	0	0	0

Social responsibility.

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

Products and solutions from Kapsch TrafficCom. Products and solutions can only remain competitive in the long term if they deliver added value for customers and end users, and ultimately also benefit society and the environment. The company's service portfolio addresses the following social aspects directly:

- Safety.
- Environment and climate protection.
- Quality of life.

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

Concepts.

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

Beyond these operational areas of activity, the company assumes social responsibility, mainly organized by Kapsch Group. In Austria, this commitment to society focuses on promoting health and development and supporting educational, artistic and cultural institutions. The activities of international subsidiaries are aimed at local conditions and may also include, for example, support for sports activities. Kapsch TrafficCom also operates in emerging and developing countries. From the company's point of view, it is important to be seen as an equal partner there. This includes meeting local social requirements for companies and not exploiting any position of strength.

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

**Reference,
Research and development:**
- Consolidated Management Report 2017/18, section 3.1

More detailed information on research and development activities can be found in section 3.1 of the 2017/18 Consolidated Management Report.

Customer proximity.
Customer proximity is a key success factor. It is determined by the Group's local presence, which is ensured by branches and representative offices in 32 countries. Kapsch TrafficCom creates an additional dimension of proximity through intensive, respectful cooperation with international project partners and customers as well as through the conscious promotion of regional value creation. Participation in industry events and trade fairs also makes an important contribution to promoting exchange with our customers.

Sales staff approach a representative proportion of customers and use proven questionnaires in order to obtain a well-founded idea of customer satisfaction. Prompt and effective measures for continuous improvement of customer satisfaction are defined and implemented in a subsequent analysis of the answers.

Reference, Procurement:
- Section "Environment" of this Non-Financial Report

Procurement: Handling conflict minerals.
From Kapsch TrafficCom's perspective, a company's social responsibility includes vetting the suppliers it buys from (see section: "Environment"). In addition to price, quality and environmental aspects, the topics of human rights, corruption and social aspects are also relevant. As part of the supplier evaluation, Kapsch TrafficCom asks whether control mechanisms exist for compliance with OECD standards on "Responsible Mineral Supply Chains." Suppliers must also explain their risk assessment model and how they avoid the use of materials whose production is influenced by wars.

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

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

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

Kapsch TrafficCom uses a variety of communication channels for regular communication with various interest groups. Topicality, transparency and fairness are always in the foreground.
- Especially developed online portals and service hotlines have been set up for customers. In addition, customer surveys are conducted annually.
- Existing and potential shareholders are supported by the Investor Relations department.
- There is also a lively exchange with non-governmental organizations relevant to the industry such as motor clubs and interest groups.
- The active involvement of employees and employee representatives takes place through regular information events and the use of online media. Reference is also made here to the employee survey (see section: "Employees").

Reference, Employee survey:
- Section "Employees" of this Non-Financial Report

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

Synergy between industry, education and research.
Kapsch Group is committed to building bridges between industry and research/educational institutions. We primarily support technically and scientifically oriented institutions and projects in order to meet the future demand for highly qualified employees. These include the Institute of Electrical Engineering and Information Technology at the Vienna University of Technology (TU Wien) and the FH Campus Wien University of Applied Sciences. The Kapsch Award for the best masters theses at the University of Applied Sciences Technikum Wien was presented for the tenth time in 2017. The Kapsch Career Lounge series of events has been inviting students for several years to devote themselves to technical questions within the framework of projects or special lectures. Master lectures and workshops are also offered.

In order to get children and young people interested in technology at the earliest possible age, Kapsch Group supports a number of projects and offers workshops as part of the wienXtra holiday games and the "Smart Kids" initiative.

Promotion of cultural institutions and projects.
Kapsch Group actively assumes its social responsibility and promotes selected cultural and social projects and institutions locally, regionally and globally. The Group is well aware of the importance of the sustainability and long-term character of this support.

- **Wiener Konzerthaus.** Since 1992 there has been a general partnership with the Vienna Konzerthaus, which combines the cultivation of tradition with the development of new audiences through its exciting program.
- **Wien Modern.** Kapsch has supported this now world-renowned festival of contemporary music since its foundation in 1989.
- **Kapsch Contemporary Art Prize.** A further initiative to promote young artists with a center of life and work in Austria was launched in 2016 with the award of this prize in cooperation with the mumok Wien—MUseum MOderner Kunst Stiftung Ludwig Wien (Museum of Modern Art Foundation Ludwig Vienna). The aim is to enable young talents to make first appearances in front of an international audience through solo museum exhibitions.

In addition, Kapsch Group supports a series of events entitled "Culture in the Temple" in the Kobersdorf synagogue and the Jewish Museum Vienna — both institutions that make Jewish life and culture understandable and tangible for younger generations.

Promotion of social projects.

- **Institute for Cooperation in Development Projects (Institut zur Cooperation bei Entwicklungs-Projekten, ICEP).** This independent private initiative makes a significant contribution to the global fight against poverty. ICEP supports education-oriented projects that improve the living conditions of people in developing countries in the long term.
- **Doctors Without Borders.** This internationally recognized and globally active organization helps people with insufficient medical care.
- **St. Anna Children's Cancer Research.** Since 2013, there has been a funding agreement between St. Anna Children's Cancer Research and Kapsch Group: Research work within the framework of the "Next Generation Sequencing" project is supported here. The aim of this project is to obtain information on the human genome and thus gain insights into the genetic changes associated with the course of the disease and therapy. Kapsch supports this complex project with the conviction that it can significantly increase the chances of curing cancer in children.
- **Other supported institutions:** Caritas Socialis and CONCORDIA Sozialprojekte.

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

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

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

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

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

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

Important risks.

Malfunctions and failures of our products can lead to the less than optimal control of traffic flows. In extreme cases this could cause accidents.

Conflict minerals could be used in the supply chain.

Personal data could be disclosed without authorization and/or processed unlawfully due to theft, accident, or improper handling.

Non-financial key figures.

	2016/17	2017/18	2018/19 goals
Proportion of product complaints	1.4%	1.2%	<1.2%
Research ratio in relation to revenues (in %) [1]	approx. 13%	approx. 15%	approx. 10% or higher
Average tonality of media coverage of Kapsch TrafficCom [2] (5 = positive, 4 = somewhat positive, 3 = neutral, 2 = somewhat negative, 1 = negative)	4.5	4.4	at least 4.0

[1] Research ratio includes expenses for customer-specific development, product management, IPR management, development support and generic development.
[2] Source: Media resonance analysis by META Communications.

The Executive Board

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

The challenge of Ryan Doyle.

Client: Virginia DOT
Solution: Traffic management in tunnels

Within the Elizabeth River Crossings Project, Kapsch has provided the ITS and SCADA systems used to manage traffic and facilities at four tunnel bores — two each, with opposing traffic flows, at the Midtown and Downtown tunnels — and the MLK Expressway extension. The new Midtown Tunnel and expressway extension increases vehicle capacity and realises more systematic traffic flows. Managed from either of the Norfolk, VA control centers or concurrently, the system integrates numerous tunnel subsystems and devices, including a gate system to reverse traffic flows, a Geographical Information System, tunnel environmental systems, dynamic signage, reversible lane signals and vehicle detection sensors.

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of March 31, 2018.

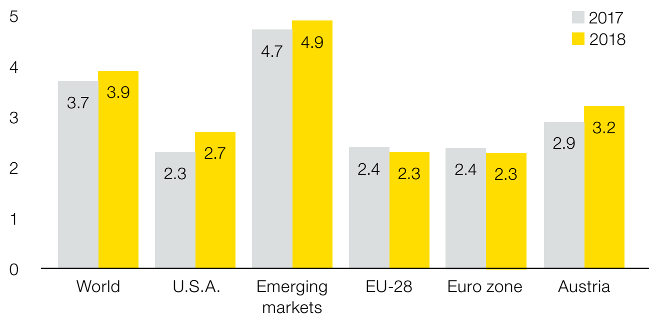
1 Economic Climate.

1.1 General economic situation.

Global economic growth at 3.7%.

Global economy.
In 2017, global economic activity developed more dynamically than expected. Compared to the previous year, the expansion rate of aggregate output accelerated from 3.2% to 3.7%. Unlike before, both the advanced economies and the emerging and developing countries benefited from this rise in momentum. World trade also received a noticeable boost. Having expanded by only 1.3% in 2016, the overall volume of goods and services exchanged worldwide rose by 3.6% in the year under review. In a longer-term context, this constitutes the highest growth rate since 2011 despite a recent increase in protectionist tendencies. As for 2018, economists expect business activity to follow a stable growth path. While global GDP is forecast to go up by 3.9% according to the latest IMF report, worldwide trading volumes should expand by 3.2% based on current WTO estimates.

GDP growth 2017/18.
(in %)



US economic growth again over 2-percent mark.

U.S.A.
In the United States, GDP growth exceeded the 2% level in 2017. Despite uncertainties over the political course of the new administration, the current phase of economic expansion, already the third-longest in US history, is expected to continue well into 2018. The tax reform implemented in late 2017 is set to have a positive impact on growth, albeit only in the short term. Most notably, US companies are likely to expand their investment activities in light of the reduction in the corporate tax rate from 35% to 21%. Overall, the US economy is estimated to grow by 2.7% in 2018.

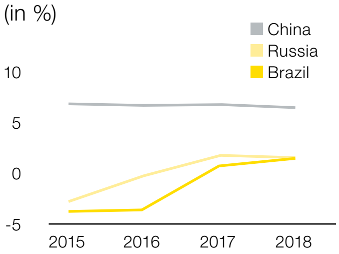
GDP of emerging and developing countries rose by 4.7%.

Emerging Markets and Developing Economies.
Economic activity in the emerging and developing economies firmed up in 2017, with aggregate GDP increasing by 4.7%. Asia continued to be the main driver of growth on a regional level. In China, for instance, the projected economic deceleration did not materialise in the year under review due to strong external demand. Instead, Chinese output went up by 6.8% in 2017, after having expanded by 6.7% in the preceding year. As far as the ASEAN-5 region (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) is concerned, economic growth amounted to 5.3%. India's development, by contrast, was slightly less dynamic than before as the economy had to adjust to a recent currency reform. In 2018, Asia is set to remain the fastest-growing region worldwide, even though geopolitical tensions in the Eastern part pose a downside risk.

Russian economy out of recession.

2017 marked a year of continued stabilisation for the Commonwealth of Independent States (CIS), driven primarily by Russia's economic recovery. Following two years of recession, the largest regional economy picked up by 1.8%. First and foremost, this development can be attributed to the recovery in oil prices in the second half of the year. In order to ensure the stabilisation of the oil market, OPEC and ten non-OPEC producers led by Russia agreed to extend output cuts until the end of 2018. While the oil-exporting states of the MENAP region (Middle East and North Africa, Afghanistan and Pakistan) benefited from the upward trend in prices as well, their economic performance was subdued in 2017. Contrary to the global trend, GDP growth weakened to 2.5% owing to a lack of fiscal adjustment.

GDP growth 2015–18.
(in %)



Latin America returned to a growth path in 2017. The main reason for this was the end of a two-year recession in Brazil, the leading economy in the region. Besides, solid growth rates of over 2% were registered in Argentina and Mexico, although the threat of NAFTA renegotiations continues to loom over the latter economy. The gradual recovery in commodity prices had a positive impact not only on Latin America, but also on many states in Sub-Saharan Africa. While growth in this region strengthened to 2.7% in 2017, it was still far below its potential because of persistent political uncertainties.

Economic output of the EU-28 rose by 2.4%.

Europe.

The European economy was marked by a broad-based recovery in 2017 and appears to have overcome the financial and sovereign debt crisis. More specifically, the combined GDP of the EU-28 was 2.4% higher than in the preceding year. The main reasons for this were an increase in private consumption and a growing level of corporate investment thanks to improved business expectations. Not only did the large economies like Germany (+2.2%) and France (+1.8%) perform well, but also the countries in the southern periphery showed satisfactory results. The developments on the European labour market were also positive. While the unemployment rate in the EU-28 had exceeded 12% at the peak of the sovereign debt crisis, it amounted to just above 7% at the beginning of 2018.

Maintain an open monetary policy in the euro zone.

Growth in the euro zone was as dynamic in 2017 as in the EU as a whole, with aggregate GDP going up by 2.4%. The positive economic sentiment persisted in the first months of 2018, even though the uncertain outcome of the ongoing Brexit negotiations and the secessionist movement in Spain pose downside risks. The inflation rate in the euro zone amounted to 1.5% in 2017, thus remaining below the European Central Bank's (ECB) medium-term target of 2%. Against this background, the ECB held on to its expansionary monetary policy and kept the prime interest rate at its historic low. The decision to cut the monthly pace of bond purchases in half as of January 2018 could be seen as a first sign of a trend reversal in monetary policy, though.

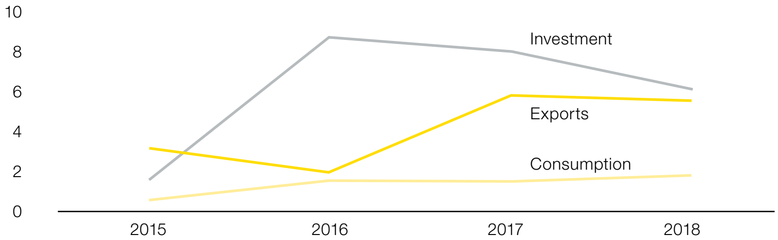
Economic activity in Central and Eastern Europe (CEE) also gathered pace in 2017, driven by rising wage levels and household incomes. On a national level, the Romanian (+6.9%), Polish (+4.6%) and Slovenian economy (+4.6%) performed particularly well, whereas crisis-torn Ukraine saw only modest recovery.

Strongest GDP growth in Austria since 2007 (+2.9%).

Austria.

In Austria, national GDP expanded by 2.9%, which constitutes the highest growth rate since 2007. Foreign trade counted among the main drivers of growth, benefiting from the favourable global environment. As for the perspectives for 2018, experts forecast a GDP increase of 3.2%. The average annual inflation rate stood at 2.1%, thus well above the level in the euro zone. For 2018, an inflation rate of 1.9% is expected. Given a steady rise in employment over the course of the year, the unemployment rate slipped below the 6% mark according to the Eurostat definition. 2018 looks set to see a continuation of this positive trend. The budget deficit decreased to 0.8% of GDP in the year under review.

Export and investment growth in Austria 2015–18.
(in %)



1.2 Market for intelligent transportation systems.

Kapsch TrafficCom addresses the market for Intelligent Transportation Systems (ITS).

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

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

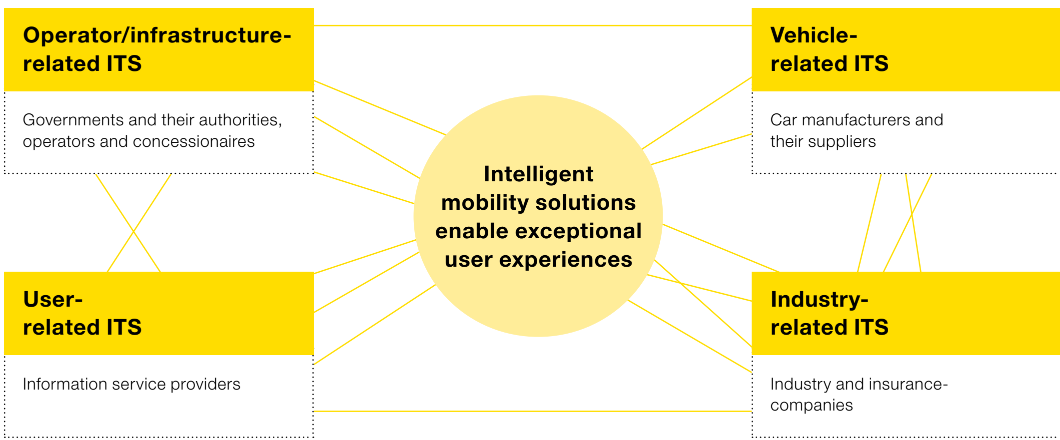
Customer segments.
Kapsch TrafficCom has developed its own understanding and its own view of the ITS market in order to define and develop its own market positioning. From this perspective, the ITS market was divided into four customer segments and the corresponding primary addressees were identified:

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

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

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

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



Market positioning.

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

Intelligent, integrated mobility solutions will be the future.

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

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

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

- Mobility.
- Urbanization.
- Climate protection.
- Expansion and financing of transportation networks.

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 about 800 cars, the ratio in South American countries falls to just 314 (Argentina) cars, and the figure is even significantly lower in some African countries. If the emerging countries like China (154 cars/1,000 residents) or Brazil (249 cars/1,000 residents) continue the process of catching up to more developed nations economically, it can be assumed that individual transportation will experience strong growth as well.

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. By then, the global middle class will have grown by more than two billion people, mainly in emerging countries. Since many of these people also want to afford a car, a strong increase in revenues is expected. Some analysts estimate that the global automobile fleet will double (2017: 1.2 billion) over the period 2017-2030, assuming sustained growth momentum. These developments pose fundamental challenges to urban transport infrastructure and require investment in intelligent, sustainable transport systems and mobility solutions.

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 alone. 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.

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

Expansion and financing of transportation networks. The basic need for mobility, the growing population, increasing urbanization, as well as the increasing volume of freight traffic in global economic exchange show the limits of today's transport systems. The road network must be developed, especially in emerging countries, and highways built decades ago no longer meet requirements. The willingness and ability of governments to invest in the expansion of transport networks is linked, among other things, to reliable financing options.

According to studies, global investment in transport infrastructure will grow at an average annual rate of 5% in the period 2015-2025. The largest share is accounted for by investments in roads. The highest growth rates for transport infrastructure investments are forecast for sub-Saharan Africa, while by far the highest investments are made in the APAC region.

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 collection systems and traffic management systems will take on greater importance in the future to ensure the economical operation of highways.

Technology and concepts.

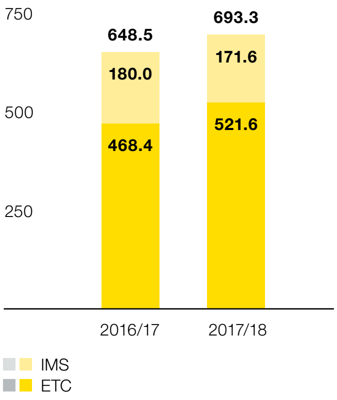
Transport industry in a radical change.

The transport industry is undergoing radical change with new technologies and concepts such as electric mobility, mobility as a service (MaaS), connected vehicles, big data-based applications, etc. This is increasingly leading to a convergence of ITS market segments, which calls for intelligent, holistic mobility solutions.

2 Economic situation of Kapsch TrafficCom.

2.1 Business performance.

Revenue growth by 6.9%.
(in EUR million)



Kapsch TrafficCom Group increased revenues by 6.9% from EUR 648.5 million to EUR 693.3 million in fiscal year 2017/18. This was mainly due to strong growth (11.4%) in the Electronic Toll Collection (ETC) segment, which more than compensated for the decline in revenues (-4.7%) in the Intelligent Mobility Solutions (IMS) segment.

Some of the highlights of the past fiscal year:

- In September 2017, the joint venture between Kapsch TrafficCom and Zambian Lamise Trading Limited received a nation-wide concession agreement from the Zambian government covering the design, construction and operation of systems and solutions for traffic surveillance, vehicle speed enforcement and vehicle inspection as well as vehicle registration. The various service components will be provided gradually during the start-up phase of a 17-year contract. In the first three years of operation, the joint venture is expected to generate revenues in the order of EUR 90 million to EUR 110 million.

- In October 2017, Kapsch TrafficCom was awarded the contract for the construction, technical equipping, and technical support of the nation-wide toll collection system for trucks over 3.5 tons and the introduction of the eVignette for passenger cars in Bulgaria. The satellite-supported system developed by Kapsch TrafficCom for vehicle survey and toll collection is used for this purpose. The project, which will run for 19 months (from January 2018), comprises the delivery and construction of 500 terminals for the registration and issue of electronic toll stickers, 100 enforcement vehicles, 100 weight-in-motion systems, 100 toll portals as well as a data center and back offices. The infrastructure must be built within seven months. The contract value amounts to BGN 149.9 million (approx. EUR 76.6 million).

- In the US state of Maryland, Kapsch TrafficCom was commissioned by the traffic authorities to replace and maintain all road toll collection systems on the combined lanes, cash-only lanes and express lanes managed by them. The contract includes the replacement of all tolling equipment by 2020 as well as six years of operation and maintenance. In addition, there is an option to extend the contract for another four years. The project volume of the basic contract amounts to more than EUR 55 million.

- In Poland, where Kapsch TrafficCom operates the nation-wide toll collection system, the existing contract expires in November 2018. Although a tendering process for the expansion and operation of the nation-wide truck tolling system was already underway, the Polish government decided to have the tolling system operated by a government agency in the future. Consequently, the tender was stopped. Management expects that certain services will be outsourced despite being run by the state. In any case, the company is striving to continue its activities in Poland.

- The contract for Kapsch TrafficCom's operation of a nation-wide toll collection system in the Czech Republic was extended for further three years in 2016 (i.e., until the end of 2019). In May 2018, the Czech competition authority canceled the tender. Kapsch TrafficCom will continue to try to remain a strong partner for the Czech government in the collection of truck tolls.

- In July 2017, Kapsch TrafficCom took over the remaining shares of the Mexican transportation telematics company Simex. Kapsch TrafficCom had already been in possession of 33% of the company since 2012. With more than 30 years on the market and 255 employees, the company is one of the important companies on the Mexican market involved in intelligent transportation systems.

- In addition, Kapsch TrafficCom acquired a minority interest in Traffic Technology Services, U.S.A., in 2017. The company develops and distributes software solutions in the area of networked vehicles. Furthermore, the minority interest in ParkJockey Global, Inc., U.S.A., was increased. This company provides intelligent parking solutions for parking garages and other off-street parking spaces.

- Kapsch TrafficCom S.A.S. was founded in Colombia in 2017 and a shell company was acquired in Norway and renamed Kapsch TrafficCom Norway AS at the beginning of 2018.

2.2 Earnings situation.

Kapsch TrafficCom's revenues reached EUR 693.3 million in fiscal year 2017/18, an increase of EUR 44.8 million (6.9%) compared to the previous year.

The EMEA region (Europe, Middle East, Africa) accounted for 63.7% of revenues. The Americas region (North, Central and South America) generated 30.2% of group revenues. The APAC region (Asia-Pacific) contributed 6.1% to revenues.

Kapsch TrafficCom's operating result (EBIT) was EUR 50.1 million, 16.7% below the previous year (EUR 60.1 million). The EBIT margin fell to 7.2% (previous year: 9.3%). A one-off effect ("badwill") of EUR 3.0 million (difference between the purchase price for the transportation business acquired from Schneider Electric and the net assets acquired, according to purchase price allocation) had a positive effect in the previous year. The operating currency result (which can only be influenced to a limited extent) amounted to EUR -5.2 million in 2017/18 and was thus EUR 9.9 million lower than in the previous year. The "Smart Urban Mobility" and "Connected Vehicles" segments, which should be seen as investments in future growth, also had a negative impact on group results.

The operating result before depreciation and amortization (EBITDA) fell from EUR 77.8 million in the previous year to EUR 64.9 million.

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

Electronic Toll Collection (ETC). This segment includes projects for the construction, maintenance and operation of systems that include electronic toll collection for the payment of tolls without stopping at a toll station, but also manual toll collection systems. As a rule, these are projects put out to tender and awarded by public authorities or private concessionaires. These are systems on individual road sections or nation-wide road networks. After installation, components for the expansion or adaptation of the systems are often delivered at a later date.

Revenues. In fiscal year 2017/18, revenues in the ETC segment rose by 11.4% from EUR 468.4 million to EUR 521.6 million.

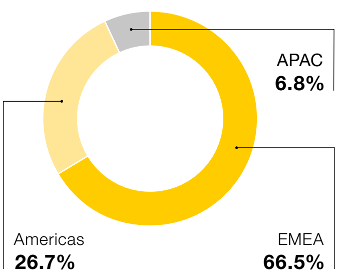
The largest revenue contribution of EUR 346.8 million (2016/17: EUR 307.1 million) was again generated in the EMEA region this fiscal year with nation-wide toll collection projects in the Czech Republic, Poland, Belarus, Austria and South Africa. In the construction projects, the further expansion of truck tolling systems in Austria and Poland made a major contribution to the increase in revenues. The project we were awarded this year to establish a nation-wide toll collection system in Bulgaria has also already made a positive contribution to revenues. Component revenues in the EMEA region were roughly at the previous year's level.

Revenues in the Americas region increased to EUR 139.3 million in the previous fiscal year (2016/17: EUR 122.4 million). Among other things, the projects acquired in the course of the takeover of the Mexican traffic telematics company Simex contributed to this positive development.

In light of the high proportion of new construction projects in the previous year, revenues in the APAC region fell to EUR 35.5 million (2016/17: EUR 39.0 million). Due in particular to the Sydney Harbour Bridge and tunnel construction project, revenues were down this fiscal year due to the high degree of project completion in the previous year.

A new record number of 12.7 million on-board units were sold in fiscal year 2017/18 (2016/17: 11.7 million units). Increases were recorded in particular in the U.S.A. (over 7.4 million units, compared with 6.2 million in the previous year), Denmark and Morocco, while revenue figures in Norway, Chile and Russia fell compared with the same period last year.

Revenue distribution ETC.



Segment Electronic Toll Collection (ETC).

in EUR million	2016/17	2017/18	+/-
Revenue	**468.4**	**521.6**	**11.4%**
Design & Build	96.9	138.9	43.3%
Operations	269.0	278.1	3.4%
Components	102.6	104.7	2.0%
EBIT	**65.5**	**53.5**	**-18.3%**

EBIT. The operating result fell by 18.3% compared to the same period of the previous year and reached a value of EUR 53.5 million (2016/17: EUR 65.5 million). The decline was due to lower earnings contributions from operating projects — particularly in the EMEA region — which could not be offset by higher earnings contributions from component sales and construction projects. Earnings in this segment were also impacted by lower revenues for construction projects in the APAC region.

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

Revenues. In the IMS segment, revenues declined slightly from EUR 180.0 million to EUR 171.6 million in fiscal year 2017/18. This was mainly due to the expiration of non-core projects acquired from Schneider Electric's transportation business in 2016 and the decline in component sales in the EMEA region.

Revenues in the EMEA region amounted to EUR 95.1 million, compared to EUR 100.6 million in the same period of the previous year. This development was mainly due to lower component sales in Austria and could not be compensated by the start of the project to establish a traffic management system in Zambia.

There was also a small decline in revenues from EUR 72.9 million to EUR 69.8 million in the Americas region. This was also mainly due to the decline in revenues from operating projects in Brazil.

In the APAC region, revenues increased slightly from EUR 6.5 million to EUR 6.8 million, mainly due to operating projects in New Zealand.

Segment Intelligent Mobility Solutions (IMS).

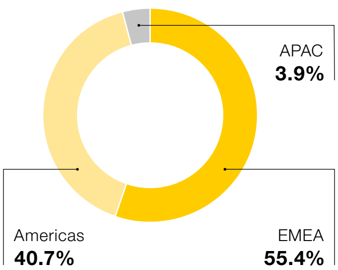
in EUR million	2016/17	2017/18	+/-
Revenue	**180.0**	**171.6**	**-4.7%**
Design & Build	87.5	83.4	-4.7%
Operations	80.4	78.9	-1.8%
Components	12.1	9.3	-23.3%
EBIT	**-5.4**	**-3.4**	**36.3%**

EBIT. The operating result amounted to EUR -3.4 million and was better than in the same period of the previous year (2016/17: EUR -5.4 million). The improvement was mainly due to the positive development of operating projects in the Americas region. This development is all the more positive as the absence of the positive one-off effect ("badwill") of EUR 2.1 million from the KTT acquisition was more than offset in this segment.

Revenues by region.

in EUR million	2016/17	2017/18	+/-
EMEA	**407.7**	**441.9**	**8.4%**
Design & Build	64.1	104.7	63.2%
Operations	294.7	291.6	-1.1%
Components	48.8	45.6	-6.6%
Americas	**195.4**	**209.1**	**7.0%**
Design & Build	91.8	96.3	4.9%
Operations	48.7	57.2	17.5%
Components	54.8	55.5	1.3%
APAC	**45.4**	**42.3**	**-6.9%**
Design & Build	28.4	21.3	-25.1%
Operations	5.9	8.1	37.5%
Components	11.1	12.8	16.1%
Total	**648.5**	**693.3**	**6.9%**

Revenue distribution IMS.



Significant items in the overall results.

Cost of material and other production services increased in line with revenues by EUR 37.7 million to EUR 279.8 million (2016/17: EUR 242.1 million). The ratio of material and other production services to revenues rose from 37.3% to 40.4%.

Personnel expenses increased by 6.1%, or EUR 13.7 million, to EUR 237.9 million (2016/17: EUR 224.2 million), partly due to the increase in the average number of employees (+360 to 5,134). At 34.3%, the personnel ratio (ratio of personnel expenses to revenues) was virtually unchanged compared to the previous year (34.6%).

The expense for scheduled depreciation decreased by EUR 2.9 million to EUR 14.8 million (2016/17: EUR 17.7 million). There were no extraordinary depreciation or impairment losses in the fiscal year.

Other operating expenses were at the previous year's level (EUR 134.9 million compared to EUR 134.4 million in 2016/17). The ratio of other operating expenses to revenues fell significantly compared to the previous year from 20.7% to 19.5%. Particular increases were recorded in exchange rate losses from operating activities and IT expenses, while legal and consulting fees declined.

The proportional operating result from joint ventures relating to the joint venture in Zambia was shown in EBIT for the fiscal year and amounted to EUR 0.5 million (2016/17: n/a).

The financial result deteriorated in the current fiscal year from EUR 0.4 million in the previous year to EUR -5.2 million. The main reason was a decline in currency gains of EUR -4.6 million, primarily in connection with the US dollar (USD) and the South African rand (ZAR).

The result from other joint ventures and associated companies amounted to EUR -0.7 million (2016/17: EUR 0.1 million); this can be attributed to the result and devaluation of the investment in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico, following the purchase of the remaining shares.

As a result of these developments, earnings before taxes fell by 27.1% to EUR 44.2 million (2016/17: EUR 60.6 million).

Profit for the period fell by 34.3% to EUR 28.0 million. The profit attributable to the shareholders of the company amounted to EUR 28.7 million, corresponding to earnings per share of EUR 2.21 (2016/17: EUR 3.35).

2.3 Financial situation.

The balance sheet total of Kapsch TrafficCom as at March 31, 2018 amounted to EUR 621.1 million, EUR 27.6 million lower than on the balance sheet date of the previous year (EUR 648.8 million).

Primarily due to current depreciation, among "Non-current assets," "Property, plant and equipment" declined by EUR 1.7 million to EUR 21.4 million (previous year: EUR 23.1 million) and "Intangible assets" declined by EUR 1.2 million to EUR 70.8 million (previous year: EUR 72.0 million). This was offset by a significant increase in shares in associated companies and joint ventures from EUR 5.4 million to EUR 7.5 million due to the acquisition of a 50% stake in Intelligent Mobility Solutions Ltd., Zambia, and the acquisition of the remaining shares in Simex, Mexico, which was thus regrouped into the fully consolidated companies.

"Other non-current financial assets and investments" increased by EUR 4.8 million to EUR 23.2 million (previous year: EUR 18.4 million). This is mainly due to the acquisition of minority interests in Traffic Technology Services Inc., U.S.A., and further minority interests in ParkJockey Global Inc., U.S.A. "Non-current assets" increased by EUR 7.5 million to EUR 135.7 million (previous year: EUR 128.2 million).

"Inventories" remained almost unchanged at EUR 38.9 million (previous year: EUR 39.3 million).

"Trade receivables and other current assets" decreased by EUR 7.5 million to EUR 254.4 million (previous year: EUR 261.9 million) since March 31, 2017.

"Cash and cash equivalents" decreased by EUR 29.5 million to EUR 181.8 million (previous year: EUR 211.3 million). This is primarily due to the fact that the corporate bond was repaid on schedule in the past fiscal year and new financial liabilities were not taken up to the same extent.

Corporate bond redeemed on schedule.

On the liabilities side of the balance sheet, there was the biggest change in financial liabilities. Due to the above-mentioned scheduled repayment of the corporate bond, "Current financial liabilities" decreased by EUR 71.2 million. "Non-current financial liabilities" increased by EUR 44.3 million to EUR 141.8 million, mainly due to a new loan of EUR 50.0 million with a term of 6 years. The favorable refinancing of the corporate bond was thus achieved.

"Non-current provisions" decreased slightly by EUR 1.1 million to EUR 8.9 million. "Other non-current liabilities" decreased significantly by EUR 6.2 million to EUR 4.3 million compared to the previous year. This was mainly due to the reclassification of a long-term receivable from the purchase of Kapsch Telematic Services GmbH, Vienna, in the amount of EUR 3.5 million to current liabilities as well as the earn-out payment of EUR 3.0 million from the purchase of Kapsch Telematic Services spol. s r.o., Czech Republic.

"Trade payables" amounted to EUR 58.3 million (previous year: EUR 55.9 million) and thus rose slightly by EUR 2.3 million. "Other liabilities and deferred income" rose by EUR 9.3 million to EUR 112.8 million (previous year: EUR 103.5 million). "Current provisions" fell significantly to EUR 9.6 million (previous year: EUR 17.6 million), which is related to the reduction of provisions for legal disputes in the U.S.A.

Despite acquisitions and dividend payments, equity exceeded the previous year's level.

Equity as at March 31, 2018 was EUR 229.9 million, and thus was EUR 2.6 million higher than at the end of the last fiscal year. The increase was based on the overall result of EUR 22.0 million less the dividend payment of EUR 19.5 million. The equity ratio rose from 35.0% to 37.0%.

Despite the dividend payment, the balance sheet shows a net credit of EUR 16.2 million.

Net working capital decreased to EUR 239.2 million as at March 31, 2018 (March 31, 2017: EUR 247.9 million).

2.4 Financial situation.

Net cash flow from operating activities amounted to EUR 41.8 million in the reporting period (previous year: EUR 55.0 million). At EUR 56.1 million (previous year: EUR 94.9 million), the earnings before changes in net working capital declined significantly due to the decline in "Non-current liabilities and provisions" and the increase in non-current receivables, however, the changes in net working capital led to a significantly higher receipt of payments than in the same period of the previous year. On the one hand, "Trade receivables and other current assets" were reduced by EUR 12.0 million (previous year: increase of EUR 6.2 million). On the other hand, "Trade payables and other current liabilities" increased by a total of EUR 5.1 million (previous year: decrease of EUR 14.0 million). The decline in current provisions of EUR 8.1 million was only able to counteract the distinctly positive cash effects of the net working capital to a minor extent.

While interest income and interest payments remained at the previous year's level, income tax payments increased to EUR 22.0 million (previous year: EUR 16.5 million), a significant portion of which was paid to Kapsch Group due to Austrian group taxation.

Net cash flow from investing activities amounted to EUR -20.0 million in fiscal year 2017/18 and was thus significantly more positive than in the previous year (EUR -37.9 million). This is mainly due to the fact that payments of EUR -22.8 million (net, after deduction of "Cash and cash equivalents" of acquired companies) for the acquisition of KTT and some other companies were included in 2016/17. In this fiscal year, this item was only EUR -1.0 million. This is due to the complete acquisition of Simex, Mexico, in which the Group previously held only 33%. In contrast, payments for the purchase of securities and investments and other non-current financial assets increased this year to EUR -6.4 million, and payments for the purchase of shares in companies consolidated at equity to EUR -4.0 million. At EUR -8.8 million, net investments in property, plant and equipment and intangible assets were again slightly below the previous year's figure of EUR -12.3 million.

Free cash flow of EUR 33.1 million.

Free cash flow (net cash flow from operating activities minus net investments) was again positive at EUR 33.1 million, but nevertheless slightly below the previous year's figure of EUR 42.6 million, mainly due to the development of cash flow from operating activities. The slightly lower level of investment, in turn, had a positive impact on free cash flow compared with the previous year.

Net cash flow from financing activities amounted to EUR -46.9 million (previous year: EUR 49.6 million). Current financial liabilities were reduced by EUR -79.9 million, in particular due to the scheduled repayment of the corporate bond in November 2017 and the dividend payment (EUR -19.5 million). This was offset by the item "Increase in non-current financial liabilities" of EUR 50.0 million, which is attributable to a new long-term loan being taken out.

Cash and cash equivalents fell by EUR 29.5 million, however, at EUR 181.8 million as of March 31, 2018 (March 31, 2017: EUR 211.3 million), they were at a level that also offers scope for future project and acquisition-related challenges.

3 Miscellaneous company information.

3.1 Research and development.

Established patent strategy with:
- Solution centers
- Corporate technology-function

The established structure with Solution Centers and a Corporate Technology function ensures the streamlined orientation of innovation processes.

Solution Centers cover a special market/solution segment. Their task is to define products and solutions for their area of responsibility, to develop them and also market them in close coordination with the sales regions. In addition, the sales regions are to be supported in the smooth implementation of customer-specific solutions.

Corporate Technology is a cross-functional organization that supports the Solution Centers. The most important goal is the identification and evaluation of promising new technologies. This is a key factor in staying competitive. In addition, Corporate Technology develops and integrates solutions, which are created based on products and solutions from several Solution Centers, and provides them with tools, processes, common services and modules as well as support in IPR matters.

Focused patent strategy:
- Patent monitoring
- Freedom of action
- Improved market knowledge

In fiscal year 2017/18, Kapsch TrafficCom further optimized its patent portfolio by focusing on areas of high strategic importance. The current patent portfolio comprises 197 patent families with more than 1,443 individual patents. In the fiscal year, four new patent families in the toll area were filed for registration.

In order to counteract the risk of patent infringements in the future by expanding business activities into new regions and new business fields, a mandatory patent analysis was included in the development process. This measure ensures that the relevant patent landscape and any existing intellectual property rights are examined before development work begins. In addition, the world-wide patent monitoring system was further expanded. Patent applications from competitors and relevant technology segments are analyzed in order to gain a better overview of competitors' strategies.

Kapsch TrafficCom has significant development sites in Austria, Sweden, Argentina, the U.S.A., Canada and Spain. Further development resources are located in Italy, South Africa and Chile. As of March 31, 2018, Kapsch TrafficCom employed 761 research and development engineers (previous year: 714). Kapsch TrafficCom's development expenses in fiscal year 2017/18 amounted to approximately EUR 103.0 million (prior year: approximately EUR 85.4 million), which corresponds to about 15% (prior year: about 13%) of total revenues. Development costs can be broken down as follows: costs for customer-specific developments amounted to EUR 59.8 million (previous year: EUR 44.2 million), while costs for product management, IPR management, development support and generic developments totaled EUR 43.3 million (previous year: EUR 41.1 million).

3.2 Non-financial performance indicators.

Kapsch TrafficCom Group prepares a separate consolidated non-financial report that complies with the legal requirements of Section 267a Austrian Commercial Code (UGB). It is part of the annual report 2017/18.

3.3 Risk report.

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

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

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

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

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

Industry-specific risks.

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

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

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

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

Technical challenges and tight schedules produce typical project risks.

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

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

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

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

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

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

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

Strategic risks.

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

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

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

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

Financial risks.

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

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

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

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

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

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

Kapsch TrafficCom is taking attractive measures to counteract personnel risk.

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

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

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

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

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

The early identification of opportunities opens up new potential.

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

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

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

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

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

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

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

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

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

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

As in the previous year, the group-wide uniform documentation of all controls for achieving the key controlling goals was improved again in the 2017/18 fiscal year, and the levels of compliance and efficiency were checked in local evaluations by Internal Audit. The standardized tracking enables improved controlling of measures and serves as the basis for future audits of the performance of local internal control systems.

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

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

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

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

The internal control system is implemented locally and monitored centrally.

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

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

The fully paid-in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no par value bearer shares. No restrictions exist with regard to the exercising of voting rights or the transfer of shares. KAPSCH-Group Beteiligungs GmbH held roughly 63.3% of the shares as of March 31, 2018. KAPSCH-Group Beteiligungs GmbH is a one hundred percent subsidiary of DATAX HandelsgmbH, the shares of which are held in equal proportions by the Traditio-Privatstiftung, the ALUK-Privatstiftung and the Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private Trusts. These are each attributable to members of the Kapsch family. On March 31, 2018, there were no other shareholders who held more than 10% of the voting rights in Kapsch TrafficCom AG.

No shares with special control rights exist. No restrictions exist with respect to the exercising of the voting right by employees with capital participation. There are no special provisions regarding the appointment and recall of the members of the Executive Board and the Supervisory Board or modification of the articles of association. Neither authorized capital nor conditional capital currently exists at the company, which empowers the Executive Board to issue shares with the approval of the Supervisory Board and without (renewed) consideration by the annual general meeting. Conventional “change of control” clauses, which may lead to termination of the contract, relate to financing agreements, such as the promissory note bond (“Schuldscheindarlehen”) and the EUR 50 million financing concluded in the past fiscal year, as well as a project contract. No compensation agreements exist between Kapsch TrafficCom AG and its Executive Board and Supervisory Board Members or employees for the event of a public takeover offer.

3.6. Corporate Governance Report.

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

4 Outlook and objectives.

Outlook 2018/19:
> Revenues +10%
> EBIT +10%

Revenues. In the fiscal year 2018/19 revenues are to be increased by around 10%, whereas business dynamics should increase as the year progresses. Positive factors include the establishment of the nation-wide toll system in Bulgaria, dynamic business in the U.S.A. and revenues in connection with the new joint venture in Zambia.

EBIT. In terms of profitability, the company also expects EBIT to increase by around 10% in 2017/18.

Medium-term (around 4 years):
> EBIT margin >10%

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

Vienna, June 4, 2018

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

Statement of all Members of the Executive Board.

Pursuant to §124 subsection 1 Stock Exchange Act 2018.

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

Vienna, June 4, 2018

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

The challenge of Dennis Cliche.

Client: Sydney Motorway Corporation
Solution: Multi-lane free-flow electronic tolling

As part of Sydney's West Connex scheme, Kapsch was asked to integrate a new tolling facility into an existing operational environment which was itself in the process of being renewed. Timelines were tight, and the solution has to work without compromise and be scalable to incorporate additional sections of the scheme as these are completed. Kapsch worked very closely with the customer to ensure on-time and on-budget delivery. The first stage is now live and delivering faster, safer and more reliable travel for around one million trips every week. The customer reports that system performance has exceeded expectations.

Consolidated Financial Statements
as of March 31, 2018.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2016/17	2017/18
Revenues	(4)	648,479,213	693,256,518
Other operating income	(5)	25,052,456	20,536,151
Changes in finished and unfinished goods and work in progress	(6)	1,409,754	2,781,723
Other own work capitalized		3,551,874	404,489
Cost of materials and other production services	(7)	-242,146,257	-279,814,687
Staff costs	(8)	-224,169,884	-237,880,654
Amortization and depreciation	(9)	-17,715,773	-14,807,528
Other operating expenses	(10)	-134,359,527	-134,908,686
Proportional operating result of joint ventures	(17)	0	492,120
Operating result		**60,101,855**	**50,059,444**
Finance income	(11)	13,534,069	7,087,307
Finance costs	(11)	-13,147,130	-12,274,612
Financial result		**386,940**	**-5,187,305**
Results from associates and joint ventures	(17)	146,868	-112,808
Losses from the revaluation of associates	(17)	0	-562,194
Result before income taxes		**60,635,663**	**44,197,137**
Income taxes	(12)	-17,953,927	-16,163,979
Result for the period		**42,681,736**	**28,033,158**
Result attributable to:			
Equity holders of the company		43,609,880	28,680,062
Non-controlling interests		-928,145	-646,904
		42,681,736	**28,033,158**
Earnings per share from the result for the period attributable to the equity holders of the company			
diluted	(35)	3.35	2.21
undiluted	(35)	3.35	2.21
Other comprehensive income for the period			
Items subsequently to be reclassified to the result for the period:			
Currency translation differences		-5,945,776	-1,409,261
Currency translation differences from net investments in foreign operations		2,673,308	-6,094,232
Available-for-sale financial assets:			
Fair value gains/losses recognized in other comprehensive income		-3,190,631	-26,758
Reclassification of cumulated net losses to the result for the period (impairment)		2,276,893	136,006
Reclassification of cumulated net gains to the result for the period (sale of available-for-sale financial assets)		-2,695	0
Cash flow hedges		424,038	37,255
Income tax relating to items subsequently to be reclassified to the result for the period		-655,344	1,496,246
Total items subsequently to be reclassified to the result for the period		**-4,420,207**	**-5,860,744**
Items subsequently not to be reclassified to the result for the period:			
Remeasurements of liabilities from post-employment benefits		-520,789	-218,967
Income tax relating to items subsequently not to be reclassified to the result for the period		139,359	39,573
Total items subsequently not to be reclassified to the result for the period		**-381,429**	**-179,394**
Other comprehensive income for the period net of tax	(13)	**-4,801,636**	**-6,040,138**
Total comprehensive income for the period		**37,880,100**	**21,993,020**
Total comprehensive income attributable to:			
Equity holders of the company		38,827,442	22,564,098
Non-controlling interests		-947,342	-571,078
		37,880,100	**21,993,020**

Consolidated balance sheet.

All amounts in EUR	Note	March 31, 2017	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	(15)	23,140,948	21,408,841
Intangible assets	(16)	71,985,004	70,798,087
Interests in associates and joint ventures	(17)	2,130,999	7,502,215
Other non-current financial assets and investments	(18)	18,363,679	23,170,180
Other non-current assets	(19)	611,149	385,055
Deferred tax assets	(25)	11,937,661	12,398,930
		128,169,439	**135,663,308**
Current assets			
Inventories	(20)	39,254,919	38,888,783
Trade receivables and other current assets	(21)	261,934,591	254,393,565
Current tax receivables		4,489,577	7,562,985
Other current financial assets	(18)	3,637,945	2,804,145
Cash and cash equivalents	(22)	211,298,792	181,834,603
		520,615,824	**485,484,082**
Total assets		**648,785,263**	**621,147,390**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(23)	13,000,000	13,000,000
Capital reserve		117,508,771	117,508,771
Retained earnings and other reserves		97,849,217	100,465,836
		228,357,988	**230,974,607**
Non-controlling interests		**-1,051,928**	**-1,045,045**
Total equity		**227,306,060**	**229,929,562**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(24)	97,481,728	141,759,129
Liabilities from post-employment benefits to employees	(26)	23,946,148	23,705,667
Non-current provisions	(29)	9,992,550	8,910,567
Other non-current liabilities	(27)	10,536,107	4,292,075
Deferred tax liabilities	(25)	2,745,150	1,910,207
		144,701,683	**180,577,646**
Current liabilities			
Current financial liabilities	(24)	97,902,189	26,674,737
Trade payables		55,949,897	58,254,579
Current provisions	(29)	17,640,384	9,599,649
Current tax liabilities		1,807,143	3,353,512
Other liabilities and deferred income	(28)	103,477,907	112,757,704
		276,777,520	**210,640,182**
Total liabilities		**421,479,203**	**391,217,827**
Total equity and liabilities		**648,785,263**	**621,147,390**

Consolidated statement of changes in equity.

All amounts in EUR	Attributable to equity holder of the company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of March 31, 2016	**13,000,000**	**117,508,771**	**-21,887,481**	**114,225,495**	**7,811,064**	**230,657,849**
Effects from acquisition of subsidiaries			0		203,757	203,757
Effects from increase in shares of subsidiaries			-13,816,239		-8,111,708	-21,927,947
Dividend				-19,500,000	-7,700	-19,507,700
Result for the period				43,609,880	-928,145	42,681,736
Other comprehensive income for the period:						
Currency translation differences			-3,921,596		-19,198	-3,940,794
Fair value gains/losses on available-for-sale financial assets			-903,450			-903,450
Remeasurements of liabilities from post-employment benefits			-381,429			-381,429
Cash flow hedges			424,038			424,038
Carrying amount as of March 31, 2017	**13,000,000**	**117,508,771**	**-40,486,160**	**138,335,376**	**-1,051,928**	**227,306,060**
Capital increase at a subsidiary					131,250	131,250
Effects from increase in shares in subsidiaries			25,232		-26,000	-768
Effects from decrease of shares in subsidiaries			-472,712		472,712	0
Dividend				-19,500,000	0	-19,500,000
Result for the period				28,680,062	-646,904	28,033,158
Other comprehensive income for the period:						
Currency translation differences			-6,055,761		75,826	-5,979,935
Fair value gains/losses on available-for-sale financial assets			81,936			81,936
Remeasurements of liabilities from post-employment benefits			-179,394			-179,394
Cash flow hedges			37,255			37,255
Carrying amount as of March 31, 2018	**13,000,000**	**117,508,771**	**-47,049,603**	**147,515,438**	**-1,045,045**	**229,929,562**

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

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

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

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

The paid dividend of Kapsch TrafficCom AG in the fiscal year 2017/18 in the amount of TEUR 19,500 was EUR 1.50 per share (2016/17: TEUR 19,500 corresponded to EUR 1.50 per share).

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

The effects from acquisition of subsidiaries in the fiscal year 2016/17 resulted from the acquisition of shares in tolltickets GmbH, Germany, as well as from the acquisition of Fluidtime Data Services GmbH, Vienna.

The effects from increase in shares of subsidiaries in the fiscal year 2017/18 resulted from the acquisition of the remaining 1% share in Kapsch TrafficCom Construction & Realization spol. s.r.o., Czech Republic. The effects from the increase in shares in subsidiaries in the financial year 2016/17 resulted both from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s.r.o, Czech Republic, of which an amount of TEUR 14,000 was paid in the previous year and an amount of TEUR 3,000 was paid in the financial year 2017/18, as well as from the acquisition of additional shares in Streetline International, Inc., U.S.A.

The effects of capital increases in the fiscal year 2017/18 relate to a capital subsidy, which was paid proportionately by the shareholders of tolltickets GmbH, Germany.

The effects from decrease of shares in subsidiaries in the fiscal year 2017/18 resulted from the liquidation of Kapsch Telematic Services Solutions A/S, Denmark.

Consolidated cash flow statement.

All amounts in EUR	Note	2016/17	2017/18
Cash flow from operating activities			
Operating result		60,101,855	50,059,444
Adjustments for non-cash items and other reconciliations:			
Scheduled depreciation and amortization		17,715,773	14,807,528
Increase/decrease in obligations for post-employment benefits		-1,142,501	-819,819
Increase/decrease in other non-current liabilities and provisions		6,208,605	-5,222,239
Increase/decrease in other non-current receivables and assets		5,387,530	-165,030
Increase/decrease in trade receivables (non-current)		11,094,251	237,188
Increase/decrease in trade payables (non-current)		-372,680	371,767
Other (net)		-4,141,106	-3,144,148
		94,851,727	**56,124,691**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets		-6,154,327	11,953,954
Increase/decrease in inventories		-1,794,485	3,532,349
Increase/decrease in trade payables and other current payables		-13,990,553	5,122,024
Increase/decrease in current provisions		1,587,303	-8,113,880
		-20,352,062	**12,494,447**
Cash flow from operations		**74,499,665**	**68,619,138**
Interest received	(11)	2,671,148	1,294,240
Interest payments	(11)	-5,657,361	-6,124,926
Net payments of income taxes		-16,545,681	-21,964,518
Net cash flow from operating activities		**54,967,771**	**41,823,934**
Cash flow from investment activities			
Purchase of property, plant and equipment	(15)	-12,387,929	-10,149,534
Purchase of intangible assets	(16)	-2,711,023	-1,607,477
Purchase of securities, investments and other non-current financial assets	(18)	-2,850,742	-6,393,337
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(31)	-22,806,653	-1,017,137
Payments for the acquisition of shares in at-equity-consolidated entities	(17)	0	-4,038,900
Proceeds from the disposal of shares in subsidiaries		0	180,644
Proceeds from the disposal of property, plant and equipment and intangible assets		2,773,296	2,996,436
Proceeds from the disposal of securities and other financial assets		71,820	4,793
Net cash flow from investment activities		**-37,911,231**	**-20,024,512**
Cash flow from financing activities			
Contributions from shareholders in a subsidiary		0	131,250
Dividends paid to parent company's shareholders		-19,500,000	-19,500,000
Dividends paid to non-controlling interests		-7,700	0
Payments for the acquisition of non-controlling interests	(14)	-14,094,405	-3,000,768
Increase in non-current financial liabilities	(24)	100,375,177	50,035,968
Increase in current financial liabilities	(24)	2,666,048	5,371,619
Decrease in current financial liabilities	(24)	-19,828,320	-79,930,185
Net cash flow from financing activities		**49,610,801**	**-46,892,115**
Net increase/decrease in cash and cash equivalents		**66,667,341**	**-25,092,693**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year		140,782,047	211,298,792
Net increase/decrease in cash and cash equivalents		66,667,341	-25,092,693
Exchange gains/losses on cash and cash equivalents		3,849,404	-4,371,495
Cash and cash equivalents at end of year	(22)	**211,298,792**	**181,834,603**

Notes to the Consolidated Financial Statements.

1 General information.

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

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

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

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

1.1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of March 31, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of March 31, 2018 are prepared under the historical cost concept, 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 Executive Board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity as well as areas where assumptions and estimates are material to the consolidated financial statements are disclosed in note 3.

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

1.2 Group structure and consolidated group.

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

As of March 31, 2018 KAPSCH-Group Beteiligungs GmbH has a share of 63.3% (March 31, 2017: 63.3%) in Kapsch TrafficCom AG. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since June 26, 2007.

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

As of March 31, 2018 the consolidated group (including parent company Kapsch TrafficCom AG, Vienna) consists of 55 entities (March 31, 2017: 57 entities). The consolidated group changed as follows:

	2016/17	2017/18
Amount of entities at the beginning of the fiscal year	48	57
Initial consolidation	9	5
Mergers	0	-2
Deconsolidations	0	-5
Amount of entities in the consolidated group	**57**	**55**

On July 18, 2017, Kapsch TrafficCom AG acquired the remaining 60.03% of Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico. In 2012, 33% of Simex were already acquired by the Group and increased by a capital reduction, in which the Group did not participate, on July 18, 2017 to 39.97%. Before full consolidation, Simex has been included in the result from associates (see note 17).

In the fiscal year 2017/18, 100% of the shell company Athomstart Invest 253 AS (now: Kapsch TrafficCom Norway AS), Norway, were acquired. Since no business was purchased, no information is provided in accordance with IFRS 3.

Kapsch TrafficCom S.A.S, Colombia, was newly founded.

The consortium Kapsch Traffic Solutions, Bulgaria, was formed to handle the nation-wide toll system in Bulgaria, in which several Kapsch companies are involved.

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

Kapsch TrafficCom USA, Inc., U.S.A., and Kapsch TrafficCom Transportation NA, Inc., U.S.A., have been merged into Kapsch TrafficCom IVHS Inc., U.S.A. Kapsch TrafficCom IVHS Inc., U.S.A., was subsequently renamed Kapsch TrafficCom USA Inc., U.S.A.

In the fiscal year 2017/18, Kapsch TrafficCom (M) Sdn Bhd, Malaysia, Kapsch Telematic Services Solutions A/S, Denmark, Kapsch TrafficCom d.o.o., Slovenia, Streetline International Inc., U.S.A., and SPS Funding Co. LLC, U.S.A., were liquidated and therefore deconsolidated.

The regional distribution of the subsidiaries is as follows:

	2016/17	2017/18
Austria	7	7
EMEA (Europe excl. Austria, Middle East, Africa)	29	30
Americas	16	14
APAC (Asia and Pacific)	5	4
Total	**57**	**55**

For further information on interests in subsidiaries see note 32.

1.3 Consolidation.

1.3.1 Subsidiaries.

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

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

1.3.2 Transactions with non-controlling interests.

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

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

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

1.3.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

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

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

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

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

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

1.3.4 Associates.

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

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

The cumulative shares of the Group in the profits and losses as well as in the other comprehensive income of the associate after the acquisition are offset against the carrying amount of the investment. If the Group's share in the losses of an associate, including any unsecured receivables, equals or exceeds its interest in that associate, the Group will not disclose any additional losses, unless it has made commitments or payments to the associate.

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

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

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

1.4 Business combinations.

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

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

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

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

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

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

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

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

The Group determines the goodwill at the acquisition date as:

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

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

1.5 Foreign currency translation.

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

1.5.1 Translation of foreign financial statements.

In accordance with IAS 21, financial statements of foreign subsidiaries (except for foreign entities from hyperinflationary countries) that have a functional currency different from the euro which are included in the consolidated financial statements are translated as follows:

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

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

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

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

	Average exchange rate		Exchange rate as at balance sheet date	
	2016/17	2017/18	2016/17	2017/18
AUD	1.458	1.512	1.398	1.604
CAD	1.440	1.504	1.427	1.590
CZK	27.038	25.965	27.030	25.425
GBP	0.838	0.879	0.856	0.875
PLN	4.352	4.216	4.220	4.209
SEK	9.503	9.761	9.532	10.284
USD	1.097	1.170	1.069	1.232
ZAR	15.467	15.096	14.240	14.621

1.5.2 Foreign currency transactions.

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

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

2 Accounting principles.

2.1 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2017/18.

	New/amended IFRS	Published by the IASB (adopted by the EU)	Applicable to fiscal years beginning on or after	Material impact on group's consolidated financial statements
IAS 12	Amendments to IAS 12 "Income Taxes": Clarification of the Recognition of Deferred Tax Assets on Temporary Differences from Unrealized Losses	January 2016	January 1, 2017	None
IAS 7	Amendments to IAS 7 "Cash Flow Statements": Disclosure Initiative	January 2016	January 1, 2017	None
AIP 2014–2016	Amendments to IFRS 12 "Disclosure of Interests in Other Entities"	January 2016	January 1, 2017	None
	Annual improvement to IFRSs, Cycle 2014–2016			
IFRS 1	Deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose	December 2016	January 1, 2018	None
IFRS 12	Disclosure of Interests in Other Entities (clarified the scope of the standard)	December 2016	January 1, 2017	None
IAS 28	Investments in Associates and Joint Ventures (clarification)	December 2016	January 1, 2018	None

If applicable in detail, the stated regulations have been implemented in these consolidated financial statements. The amendments to IAS 7 lead to additional disclosures for the Group. The amendments to IAS 12 have not had a material impact on the presentation of the consolidated financial statements.

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

	New/amended IFRS	Published by the IASB (not yet adopted by the EU)	Applicable to fiscal years beginning on or after	Material impact on group's consolidated financial statements
IFRS 15	Revenue from Contract with Customers	May 2016	January 1, 2018	Described below
IFRS 15	Clarification of Revenues from Contracts with Customers	May 2016	January 1, 2018	Described below
IFRS 9	Financial Instruments	July 2016	January 1, 2018	Described below
IFRS 16	Leases	January 2016	January 1, 2019	Described below
IFRS 4	Disclosure of IFRS 9 in combination with IFRS 4	September 2016	January 1, 2018	Described below
AIP 2014–2016 (IFRS 1, IAS 28)	Amendment of IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	December 2016	January 1, 2018	Described below
IFRS 2	Classification and Measurement of Share-based Payment Transactions	June 2016	January 1, 2018	None
IAS 40	Transfer of Investment Property	December 2016	January 1, 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	December 2016	January 1, 2018	None
IFRS 9	Prepayment Features with Negative Compensation	October 2017	January 1, 2019	None

	New/amended IFRS	Published by the IASB (not yet adopted by the EU)	Applicable to fiscal years beginning on or after	Material impact on group's consolidated financial statements
IAS 28	Long-term Investments in Associates and Joint Ventures	January 2016	January 1, 2019	None
IFRIC 23	Uncertainty over Income Tax Treatments	April 2016	January 1, 2019	None
IFRS 17	Insurance Contracts	September 2016	January 1, 2021	None
IFRS 14	Regulatory Deferral Accounts	January 2014	The final IFRS standard is awaited	None
IAS 28 IFRS 10	Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Moved indefinitely	None
IAS 19	Amendment to IAS 19: Plan Amendment, Curtailment or Settlement	December 2016	January 1, 2019	None
	Annual improvement to IFRSs, Cycle 2015–2017			
IFRS 3 IFRS 11	The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	December 2017	January 1, 2019	None
IAS 12	The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.	December 2017	January 1, 2019	None
IAS 23	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	December 2017	January 1, 2019	None

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

Kapsch TrafficCom will apply the new standard for the first time from April 1, 2018 (fiscal year 2018/19).

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

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

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

When selling components, in contrast to IAS 18, which follows a risks and rewards approach, it must be judged when the transfer of control for a good takes place. This results in no other revenue recognition than before.

Certain costs incurred in initiating or fulfilling a contract, which are expensed as per the previously applicable standard, must now be capitalized in accordance with IFRS 15 if the criteria are met. In fiscal year 2017/18, no costs were incurred that can be capitalized in accordance with IFRS 15.

Due to the first-time application of IFRS 15 as of April 1, 2018, there is no material deviation from the previous accounting for revenue in the Group. Thus the equity effect is insignificant and amounts to less than 0.5% of the total revenue of Kapsch TrafficCom Group.

The presentation and disclosure requirements of IFRS 15 are very extensive. Many disclosure requirements are completely new information. The implementation of these disclosure requirements calls for appropriate systems, policies and internal controls. This will be achieved with the introduction of the new software solution.

The Group adopts the standard using the modified retrospective method. As a result, the cumulative impact at the time of initial application is recognized in the retained earnings and the comparative period is not adjusted.

Clarification on IFRS 15 "Revenue from Contracts with Customers": In this clarification, the remarks as well as examples of the following areas are selectively revised and new examples are added.

The identification of performance obligations and the examination of separability in the contract context is based on the "nature of the promise". When classifying as a principal or agent, it is made clear that a company acts as a principal when it controls the specific goods or services before transitioning to the customer, while it is classified as an agent if it only mediates the provision by a third party.

It further clarifies that the activities of the licensor have a material effect on the intellectual property underlying the contract, if either: these activities are expected to alter the form (e.g. design) or functionality of the intellectual property, or the customer's ability to benefit from the intellectual property is significantly influenced by these activities or is dependent on this (e.g. trademark).

Under IFRS 15.B63, revenue from sales-based or usage-based intellectual property royalties should not be recognized until later than either of the following: actual sale or performance of the performance obligation. The new paragraphs IFRS 15.B63A and B63B clarify that this rule may also be applied if the sales-based or usage-based license fee is paid for multiple performance obligations (hybrid service bundle), but mainly for intellectual property licensing, and the intellectual property therefore determines the bundle of services.

Furthermore, there are relief regulations for the first-time application of IFRS 15, according to which contracts do not have to be fully reflected in their history.

The application of these clarifications is not expected to have a significant impact on the consolidated financial statements of the Group.

IFRS 9 "Financial Instruments", addresses the classification, recognition and measurement of financial assets and financial liabilities. The full version of IFRS 9 was issued in July 2014. This standard replaces IAS 39, "Financial Instruments: Recognition and Measurement", with the exception of the option to retain hedge accounting under IAS 39 (preliminary). In addition, the requirements of IFRIC 9 "Reassessment of Embedded Derivatives" have been incorporated into IFRS 9.

IFRS 9 maintains the mixed measurement model with simplifications and creates three valuation categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on the business model of the company and the characteristics of the contractual cash flows of the financial asset. Investments in equity instruments are generally required to be measured at fair value through profit or loss. Only at initial recognition the irrevocable option of recognizing changes in the fair value in other comprehensive income can be elected. The only exception concerns liabilities designated as at fair value through profit or loss, for which changes in fair value due to changes in own credit risk are now to be recognized in other comprehensive income. As the Group does not sell trade receivables as part of factoring, the corresponding rules of IFRS 9 are not relevant.

The Group has reviewed its financial assets and liabilities and expects the following effects of the new standard as of April 1, 2018:

The available-for-sale (AFS) debt instruments meet the criteria for classification as "fair value through other comprehensive income (FVOCI)" and therefore do not have to be treated differently in the balance sheet under IFRS 9.

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

Accordingly, the new standard has no material impact on the classification and measurement of these financial assets. Gains or losses on the sale of previously existing financial assets classified as FVOCI are, however, no longer reclassified to profit or loss but to retained earnings.

In addition, according to IFRS 9, the previously applicable exemption to valuing equity instruments of unlisted companies, subject to fulfillment of the requirements, at amortized cost less impairments was eliminated. In this regard, IFRS 9 severely restricts the ability to waive fair value measurement. No significant effect is expected from this change.

There are no expected effects on the Group's financial liabilities as there are no liabilities designated as FVPL. Since the rules for derecognition in IFRS 9 were carried over from IAS 39, no changes are expected here either.

IFRS 9 facilitates hedge accounting. An economic connection between the hedged underlying transaction and the hedging instrument is required. In addition, the hedging relationship must correspond to what the Executive Board actually uses for risk management purposes. Simultaneous documentation is still required, but differs from the documentation currently produced under IAS 39. In addition, potential sources of ineffectiveness in the hedge documentation must now be disclosed. It should be noted that with regard to hedge accounting, there is a choice between the regulations of IFRS 9 and those of IAS 39. The decision is to be made uniformly. At the beginning of each fiscal year following initial application, it is possible to change the exercise of the option and to apply IFRS 9 to all hedging relationships. However, in the case of retaining hedge accounting in accordance with IAS 39, the other provisions of IFRS 9 (e.g. notes in connection with hedging) must be applied. The Group plans to continue to apply the rules of IAS 39 for hedge accounting.

There is also a new impairment model based on expected losses, which replaces the model of IAS 39, which is based on losses incurred. For financial liabilities, the categorization and valuation has basically not changed. The new impairment model requires the recognition of impairments based on expected credit losses rather than the incurred loss model under IAS 39. It applies to financial assets measured at amortized cost, debt instruments that are part of the FVOCI contractual assets under IFRS 15, lease receivables, loan commitments and certain financial guarantees.

The Group uses the simplified model for trade receivables without a significant financing component as well as contract assets in the meaning of IFRS 15 and calculates the allowance in the amount of credit losses expected over the term accordingly. The expected credit loss is determined on the basis of a provision matrix, in which the financial assets are broken down according to the age structure and the respective default rates are determined for different age bands. To create a provision matrix, historical data about actually occurred failures are considered first. However, in addition to the historical perspective, the Group also considers future-oriented information and expectations. Due to the historically low defaults, the Group expects only insignificant effects.

The Group will apply the new standard for the first time as of April 1, 2018 (fiscal year 2018/19), with the exception of the new rules of hedge accounting, and take advantage of the practical facilitations. The comparative figures for the fiscal year 2017/18 will not be not adjusted.

IFRS 7 also contains expanded disclosure requirements and changes in presentation that are expected to change the nature and scope of disclosures by the Group regarding financial instruments at the date of first-time adoption of IFRS 9.

IFRS 16 "Leases" specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. IFRS 16 introduces a single accounting model that recognizes future leases, regardless of whether they are operating or finance leases under the criteria of IAS 17, in the lessee's balance sheet. A lessee recognizes a right-of-use asset on the underlying asset and a liability that represents its liability to lease payments. There are exemptions for short-term leases and leases for low value assets. The lessor continues to distinguish between finance or operating leases for accounting purposes. In this regard, the accounting model of IFRS 16 does not differ significantly from that in IAS 17.

The Group has begun an initial analysis of the contracts and a process for selecting a software solution. The most significant effect is expected to result from the capitalization of assets and liabilities arising from operating leases for motor vehicles and buildings as well as IT equipment. As of the balance sheet date, the Group has non-cancellable operating leases in the amount of TEUR 54,647 (see note 30). However, the Group has not yet assessed which further adjustments may be necessary, for example due to the change in the definition of the term of the lease, the different treatment of variable lease payments, and extension and termination options. It is therefore not yet possible to estimate the amount of the rights of use and the corresponding lease liabilities to be recognized when the new standard is first applied and how this affects the consolidated profit and the classification of cash flows. In any case, a significant balance sheet extension is to be expected, which in turn will have an effect on many balance sheet ratios (e.g. reduction of the equity ratio).

The Group will not apply the standard prematurely and plans to use the simplification rules and not to provide comparative figures for the previous period.

From today's perspective, the amendments to **IFRS 4** and the **annual improvements to IFRS (2014–2016 cycle)** are not expected to have a material impact on the Group's financial position and results of operations.

Standards and interpretations already published by the IASB but not yet adopted by the EU: These standards or interpretations or amendments to the standards and interpretations are not yet mandatory, however from today's perspective they will not have a material impact on the Group.

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

2.3 Accounting and valuation principles.

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

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

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

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

3.1 Percentage-of-completion method for contract work.

The Group uses the percentage-of-completion method in accounting for its construction contracts. At the balance sheet date of March 31, 2018, the amounts due from customers for contract work amounted to TEUR 76,966 (March 31, 2017: TEUR 77,205) and the amounts due to customers for contract work amounted to TEUR 31,486 (March 31, 2017: TEUR 29,097). The use of the percentage-of-completion method requires the Group to estimate the expected profit mark-up for a construction contract. Sensitivity analyses on assumptions made by the Executive Board of Kapsch TrafficCom AG indicate that the operating result would fluctuate by TEUR 5,619 (March 31, 2017: TEUR 7,088) and the total comprehensive income for the period would fluctuate by TEUR 4,155 (March 31, 2017: TEUR 5,071) 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 largely reliable up to now.

3.2 Estimated impairment of goodwill.

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

3.3 Further assumptions and estimates.

Further areas where assumptions and estimates are significant to the consolidated financial statements include inventories, deferred tax assets/liabilities, liabilities from post-employment benefits to employees and provisions for warranties, project risks and losses for onerous contracts. Sensitivity analyses of the assumptions made by the Executive Board in connection with inventories, deferred 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 liabilites from post-employment benefits to employees are detailed in note 26.

4 Segment Information.

Operating Segments.

A business segment is an entity that conducts business activities that generate revenues and incur expenses. The operating results of the segments are regularly reported to the Executive Board (chief operating decision maker). Resource allocation decisions are reviewed based on these segments.

The Executive Board has identified two reportable segments:
- Electronic Toll Collection (ETC)
- Intelligent Mobility Solutions (IMS)

The **ETC** segment comprises activities relating to the installation and the technical and commercial operation of toll collection systems. Toll collection systems may comprise both individual road sections and nation-wide road networks. The manufacture and procurement of components both for the expansion and adaptation of the systems installed by Kapsch TrafficCom and on behalf of third parties complete the portfolio of ETC services offered by Kapsch TrafficCom.

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

The segment results for the fiscal year ended March 31, 2018 are as follows:

	ETC	IMS	Total
Revenues	521,647	171,609	693,257
Operating result	53,474	-3,415	50,059
EBIT margin in %	10.3%	-2.0%	7.2%

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

	ETC	IMS	Total
Revenues	468,449	180,030	648,479
Operating result	65,463	-5,361	60,102
EBIT margin in %	14.0%	-3.0%	9.3%

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

	ETC	IMS	Total
Segment assets	306,206	87,231	393,437
Investments in associates and joint ventures	3,796	3,706	7,502
Segment liabilities	175,132	45,741	220,874
Capital expenditure	8,871	2,886	11,757
Depreciation	9,998	4,810	14,808
Other non-cash-effective positions	679	634	1,314

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

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

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

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

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

	2016/17			2017/18		
	Revenue	ETC	IMS	Revenue	ETC	IMS
Customer 1	64,604	X		88,047	X	
Customer 2	83,398	X	X	81,118	X	X

Information by region.

In addition to the operating segments, the Executive Board has decided to present revenues and non-current non-financial assets by geographical segment. Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

The figures for the fiscal year ended March 31, 2018 are as follows:

	Austria	EMEA (excluding Austria)	Americas	APAC	Total
Revenues	50,363	391,532	209,096	42,265	693,258
Non-current non-financial assets	12,422	37,440	34,204	8,141	92,207

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

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

Revenues per category.

Revenues are classified into the following categories:

	2016/17	2017/18
Sales of goods	129,781	130,434
Sales of services	481,148	512,301
Sales of maintenance	36,379	39,480
Accrued/deferred sales, license sales and discounts on invoiced sales	1,172	11,041
	648,479	**693,257**

5 Other operating income.

	2016/17	2017/18
Exchange rate gains from operating activities	8,085	6,982
Income from research tax credits	2,162	2,558
Income from insurance refunds	208	5,836
Income from the sale of non-current assets	60	53
Badwill	2,982	0
Sundry operating income	11,556	5,107
	25,052	**20,536**

Income from insurance refunds mainly related to compensation for a fire in the business premises of the Swedish subsidiary in April 2017.

The badwill in the fiscal year 2016/17 resulted from the difference between the purchase price for the global transportation division acquired from Schneider Electric on April 1, 2016 and the acquired net assets.

Other operating income includes cost transfers of the transaction accounting for the nation-wide electronic truck toll collection system in the Czech Republic in the fiscal year 2016/17.

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

	2016/17	2017/18
Change in unfinished goods and work in progress	-2,261	513
Change in finished goods	3,671	2,268
	1,410	**2,782**

7 Costs of materials and other production services.

	2016/17	2017/18
Cost of materials	108,090	120,494
Cost of purchased services	134,057	159,321
	242,146	**279,815**

8 Staff costs.

	2016/17	2017/18
Wages, salaries, and other remunerations	184,660	195,366
Expenses for social security and payroll-related taxes and contributions	28,432	30,790
Expenses for termination benefits (see note 26)	302	590
Expenses for pensions (see note 26)	6	7
Contributions to pension funds and other external funds (see note 26)	2,041	2,364
Fringe benefits	8,728	8,764
	224,170	**237,881**

As of March 31, 2018, the number of staff amounted to persons 5,259 (March 31, 2017: 4,823 persons) and averaged 5,134 persons in the fiscal year 2017/18 (2016/17: 4,774 persons).

9 Expenses for amortization, depreciation and impairment.

	2016/17	2017/18
Depreciation of property, plant and equipment	9,072	7,347
Amortization of intangible assets	8,644	7,460
	17,716	**14,808**

10 Other operating expenses.

	2016/17	2017/18
Communication and IT expenses	17,539	23,268
Rental expenses	18,455	17,314
Legal and consulting fees	31,738	16,217
Exchange rate losses from operating activities	3,386	12,159
Travel expenses	11,598	11,876
Marketing and advertising expenses	7,350	7,840
Maintenance	4,406	7,622
Automobile expenses	5,347	6,689
License and patent expenses	5,886	5,325
Office expenses	5,684	4,387
Insurance costs	4,160	4,368
Taxes and charges	5,795	3,054
Training costs	2,050	2,891
Damages	49	2,168
Bank charges	1,574	2,118
Transport costs	1,484	1,758
Allowance and write-off of receivables	1,476	1,079
Warranty costs and project financing	860	1,069
Adjustment of provision for warranties	1,995	596
Membership fee	486	543
Commissions and other fees	449	441
Losses on disposal of non-current assets	144	234
Director's fees	120	120
Operating losses from changes in the fair value of derivative financial instruments and earn-out liabilities	1,366	96
Other	963	1,677
	134,360	**134,909**

The increase in communication and IT expenses is due to higher IT costs associated with projects in the U.S.A. Exchange rate losses from operating activities increased from TEUR 3,386 in the 2016/17 fiscal year to TEUR 12,159 in the 2017/18 fiscal year, primarily due to exchange rate fluctuations of the currencies USD, ZAR, PLN and SEK. Damages mainly related to a fire in the business premises of the Swedish subsidiary in April 2017. Higher maintenance costs and automobile expenses in connection with projects also contributed to an increase in other operating expenses. On the other hand, legal and advisory expenses declined due to lower expenses related to litigation, particularly in the U.S.A.

11 Financial result.

	2016/17	2017/18
Finance income:		
Interest income	2,623	1,257
Income from securities	48	37
Income from interest accretion of non-current receivables	2,040	921
Gains from the disposal of financial assets	58	6
Gains from the change of the fair value of derivative financial instruments	83	827
Exchange rate gains from financing activities	8,682	4,039
	13,534	**7,087**
Finance cost:		
Interest expense	-5,657	-6,125
Impairment of other investments	-2,398	-1,026
Expense from interest rate hedges	0	-19
Expense from interest accretion of non-current liabilities	-318	-286
Exchange rate losses from financing activities	-4,308	-3,914
Interest expense from liabilities from post-employment benefits to employees (see note 26)	-455	-388
Interest expense from liabilities from anniversary bonuses to employees (see note 29)	-10	-15
Expense from change in fair value of derivative financial instruments	0	-297
Expense from the disposal and impairment of financial assets	0	-204
	-13,147	**-12,275**
	387	**-5,187**

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

The impairment of other investments in the 2016/17 and 2017/18 fiscal years relates to the impairment recognized in profit or loss for the period due to the sustained negative share price development of the shareholding in Q-Free ASA, Norway (see note 13).

12 Income taxes.

	2016/17	2017/18
Current income taxes	-18,680	-17,218
Deferred tax assets/liabilities	726	1,054
Total	**-17,954**	**-16,164**
There of income/expense from group taxation	-9,520	-5,367

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:

	2016/17	2017/18
Result before income taxes	60,636	44,197
Arithmetic tax income/expense based on a tax rate of 25% (2016/17: 25%)	-15,159	-11,049
Unrecognized deferred tax assets on current losses	-9,646	-2,501
Effects of different tax rates in the Group	4,869	2,274
Change of tax rate	0	45
Tax allowances claimed and other permanent tax differences	-2,374	-166
Income and expenses not subject to tax and other differences	4,875	-748
Adjustment in respect to prior year	-519	-4,019
Recognized tax expense	**-17,954**	**-16,164**

The tax effects from previous periods relate to adjustments to the previous year's figures due to tax audits and adjustments in connection with the preparation of tax returns.

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

13 Other comprehensive income.

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

The unrealized gains/losses on available-for-sale financial assets recognized in the fiscal year 2017/18 amounting to TEUR -27 relate to fluctuations in the fair value of available-for-sale securities. For fair value fluctuations of the investment in Q-Free ASA, Norway, TEUR 1,026 were recognized in profit or loss in the financial result due to the ongoing negative development of the share price in the fiscal year 2017/18. Losses from a security were also recognized in profit or loss in the financial result (TEUR 136).

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

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

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

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

14 Additional disclosures on financial instruments by category.

	Note	2016/17			2017/18		
		Carrying amount	Fair value	Level of FV-hierarchy	Carrying amount	Fair value	Level of FV-hierarchy
Trade receivables and other non-current assets							
Trade receivables	(21)	132,929	132,929	n/a	133,600	133,600	n/a
Amounts due from customers for contract work	(21)	77,205	77,205	n/a	76,966	76,966	n/a
Amounts due from customers for service and maintenance contracts	(21)	6,879	6,879	n/a	6,937	6,937	n/a
Loans and receivables		**217,013**			**217,503**		
Derivative financial instruments		198	198	2	12	12	2
At fair value through profit and loss		**198**			**12**		
Derivative financial instruments – Cash flow hedges		5	5	2	0	0	
Hedging instruments		**5**			**0**		
Other receivables and prepaid expenses		44,718			36,879		
Other non-financial assets [1]		**44,718**			**36,879**		
Total trade receivables and other current assets		**261,935**			**254,394**		
Other financial assets and investments (non-current and current)							
Available-for-sale securities	(18)	2,940	2,940	1	2,906	2,906	1
Available-for-sale securities	(18)	663	663	2	599	599	2
Available-for-sale investments	(18)	11,683	11,683	1	10,657	10,657	1
Available-for-sale financial assets (AFS)		**15,286**			**14,162**		
Derivative financial instruments	(18)	0	0		154	154	2
At fair value through profit and loss		**0**			**154**		
Other financial assets and loans	(18)	1,770	1,770	n/a	2,822	2,822	n/a
Fixed income securities	(18)	2,161	2,161	n/a	2,214	2,214	n/a
Loans and receivables		**3,931**			**5,036**		
Other investments		2,785	2,785	n/a	6,622	6,622	n/a
Other investments		**2,785**			**6,622**		
Total non-current and current financial assets and investments		**22,002**			**25,974**		
Cash and cash equivalents							
Cash and cash equivalents		211,299	211,299	n/a	181,835	181,835	n/a
Total cash and cash equivalents		**211,299**			**181,835**		
Financial liabilities (non-current and current)							
Corporate bond	(24)	70,702	72,943	1	0	0	
Promissory note bond	(24)	75,376	72,442	2	73,622	71,497	2
Other financial liabilities	(24)	49,305	49,309	2	94,812	90,151	2
Financial liabilities		**195,384**			**168,434**		

	Note	2016/17			2017/18		
		Carrying amount	Fair value	Level of FV-hierarchy	Carrying amount	Fair value	Level of FV-hierarchy
Trade payables							
Trade payables		55,950	55,950	n/a	58,255	58,255	n/a
Financial liabilities		**55,950**			**58,255**		
Other liabilities and deferred income (non-current and current)							
Amounts due to customers for contract work	(28)	29,097	29,097	n/a	31,486	31,486	n/a
Variable purchase price components (earn-out)	(28)	11,851	11,851	3	12,751	12,751	3
Other financial liabilities		1,685	1,685	n/a	1,836	1,836	n/a
Financial liabilities		**42,633**			**46,073**		
Derivative financial instruments		10	10	2	1	1	2
At fair value through profit and loss		**10**			**1**		
Derivative financial instruments – Cash flow hedges		72	72	2	6	6	2
Hedging instruments		**72**			**6**		
Other liabilities and deferred income		71,299			70,970		
Other non-financial liabilities [1]		**71,299**			**70,970**		
Total non-current and current financial liabilities		**114,014**			**117,050**		

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

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

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

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

Specific valuation techniques used to value financial instruments include:
- Quoted market prices for securities.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

Level n/a: The carrying value of these items is a reasonable approximation of the fair value in accordance with IFRS 7.29 and therefore no fair value-hierarchy is disclosed.

The development of **level 3 earn-out liabilities** is as follows:

Earn-out liabilities	2016/17	2017/18
Carrying amount as of March 31 of prior year	**2,077**	**11,851**
Addition	8,331	3,794
Disposal	0	-3,000
Adjustment of earn-out liability in other operating expenses	1,356	0
Interests	87	105
Carrying amount as of March 31 of fiscal year	**11,851**	**12,750**

Details to the earn-out liabilities can be found in notes 27 and 28.

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

	2016/17	2017/18
Available-for-sale-financial assets	-2,209	-1,187
Loans and receivables	7,082	1,471
Financial liabilities recognized at (amortized) cost	-5,975	-6,431
At fair value through profit or loss	-10	515
	-1,112	**-5,631**

Derivative financial instruments.

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

To hedge the foreign currency risk, certain derivative financial instruments are designated as cash flow hedges to an insignificant extent. These are forward exchange contracts with different maturities and currencies. Changes to cash flow hedges are shown in other comprehensive income. The table in this note shows the balance sheet values. The operating income/losses from the change in the fair value of derivative financial instruments amounted to TEUR +73 and TEUR -96 respectively (2016/17: TEUR +198 and TEUR -10). The gains and losses included in the financial result are shown in note 11.

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

15 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Prepayments	Total
Carrying amount as of March 31, 2016	**4,628**	**7,989**	**917**	**7,333**	**0**	**20,867**
Currency translation differences	47	323	32	349	0	751
Reclassification	0	418	-540	123	0	0
Additions from business combinations	286	159	0	505	0	950
Additions	284	3,046	4,150	4,908	0	12,388
Disposals	0	-173	-2,380	-190	0	-2,742
Scheduled depreciation	-1,036	-3,274	0	-4,762	0	-9,072
Carrying amount as of March 31, 2017	**4,209**	**8,488**	**2,180**	**8,265**	**0**	**23,141**
Acquisition/production costs	11,594	49,071	2,180	32,723	0	95,568
Accumulated depreciation	-7,386	-40,583	0	-24,458	0	-72,427
Carrying amount as of March 31, 2017	**4,209**	**8,488**	**2,180**	**8,265**	**0**	**23,141**
Carrying amount as of March 31, 2017	**4,209**	**8,488**	**2,180**	**8,265**	**0**	**23,141**
Currency translation differences	-132	-507	-137	-649	0	-1,425
Reclassification	0	-79	-813	892	0	0
Additions from business combinations	1	0	0	47	0	48
Additions	385	2,379	4,644	2,742	0	10,150
Disposals	-9	-764	-2,309	-76	0	-3,158
Scheduled depreciation	-1,064	-2,612	0	-3,671	0	-7,347
Carrying amount as of March 31, 2018	**3,389**	**6,905**	**3,565**	**7,550**	**0**	**21,409**
Acquisition/production costs	11,601	44,548	3,565	33,754	0	93,467
Accumulated depreciation	-8,212	-37,643	0	-26,204	0	-72,058
Carrying amount as of March 31, 2018	**3,389**	**6,905**	**3,565**	**7,550**	**0**	**21,409**

16 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayment	Total
Carrying amount as of March 31, 2016	**0**	**19,452**	**45,328**	**0**	**132**	**64,911**
Currency translation differences	135	32	0	36	0	203
Reclassification	-1,312	0	0	1,312	0	0
Reclassification of prepayments	0	132	0	0	-132	0
Additions from business combinations	6,337	2,739	2,227	1,500	0	12,803
Additions	1,420	1,206	0	69	17	2,711
Disposals	0	0	0	0	0	0
Scheduled amortization	-2,216	-6,427	0	0	0	-8,644
Carrying amount as of March 31, 2017	**4,363**	**17,133**	**47,555**	**2,917**	**17**	**71,985**
Acquisition/production costs	20,987	86,939	61,953	2,917	17	172,814
Accumulated amortization	-16,624	-69,806	-14,399	0	0	-100,829
Carrying amount as of March 31, 2017	**4,363**	**17,133**	**47,555**	**2,917**	**17**	**71,985**
Carrying amount as of March 31, 2017	**4,363**	**17,133**	**47,555**	**2,917**	**17**	**71,985**
Currency translation differences	-155	-64	0	-187	0	-406
Reclassification	0	1,500	0	-1,500	0	0
Reclassification of prepayments	0	17	0	0	-17	0
Additions from business combinations	0	5,000	76	0	0	5,076
Additions	220	683	0	705	0	1,607
Disposals	0	-4	0	0	0	-4
Scheduled amortization	-1,644	-5,816	0	0	0	-7,460
Carrying amount as of March 31, 2018	**2,784**	**18,450**	**47,630**	**1,934**	**0**	**70,798**
Acquisition/production costs	18,951	89,353	62,029	1,934	0	172,267
Accumulated amortization	-16,167	-70,904	-14,399	0	0	-101,469
Carrying amount as of March 31, 2018	**2,784**	**18,450**	**47,630**	**1,934**	**0**	**70,798**

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

	2016/17	2017/18
CGU **ETC-Americas**: Electronic Toll Collection, Americas	11,723	11,783
CGU **ETC-EMEA**: Electronic Toll Collection, Europe, Middle East and Africa	21,316	21,316
CGU **ETC-APAC**: Electronic Toll Collection, Asia and Pacific	7,378	7,378
CGU **IMS-Americas**: Intelligent Mobility Solutions, Americas	3,349	3,364
CGU **IMS-EMEA**: Intelligent Mobility Solutions, Europe, Middle East and Africa	3,559	3,559
CGU **IMS-APAC**: Intelligent Mobility Solutions, Asia and Pacific	230	230
	47,555	**47,630**

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

	2016/17	2017/18
Determination of recoverable amount	Value in use	Value in use
Detailed planning period	4 years	4 years
Terminal value growth rate	2.00%	2.00%

16.1 Cash-generating unit CGU ETC-Americas.

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

Parameters CGU ETC-Americas.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	11,723	11,783
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	0
Value in use of the CGU	205,574	107,809
Carrying amount of the CGU	49,445	49,781
Discount rate	7.1%	7.0%
Discount rate before tax	8.8%	9.6%
Break-even discount rate before tax	39.2%	17.2%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	18,956	-14,321
Revenue growth	± 10%	-1,406	1,431
EBITDA margin	± 10%	-4,212	4,212
Terminal value growth rate	± 0.5%	-8,887	10,851

16.2 Cash-generating unit CGU ETC-EMEA.

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

Parameters CGU ETC-EMEA.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	21,316	21,316
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	530
Value in use of the CGU	381,530	533,245
Carrying amount of the CGU	113,006	93,121
Discount rate	7.1%	9.7%
Discount rate before tax	9.0%	12.6%
Break-even discount rate before tax	23.2%	70.5%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	74,112	-57,618
Revenue growth	± 10%	-2,283	2,293
EBITDA margin	± 10%	-14,747	14,747
Terminal value growth rate	± 0.5%	-24,091	27,424

16.3 Cash-generating unit CGU ETC-APAC.

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

Parameters CGU ETC-APAC.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	7,378	7,378
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	0
Value in use of the CGU	152,924	181,849
Carrying amount of the CGU	16,516	13,519
Discount rate	7.1%	6.6%
Discount rate before tax	8.7%	8.7%
Break-even discount rate before tax	116.6%	137.5%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	28,514	-21,379
Revenue growth	± 10%	-548	825
EBITDA margin	± 10%	-3,229	3,229
Terminal value growth rate	± 0.5%	-14,299	17,816

16.4 Cash-generating unit CGU IMS-Americas.

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

Parameters CGU IMS-Americas.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	3,349	3,364
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	1,417	1,230
Value in use of the CGU	57,994	89,000
Carrying amount of the CGU	21,146	18,641
Discount rate	7.1%	7.6%
Discount rate before tax	9.0%	10.3%
Break-even discount rate before tax	25.5%	36.5%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	14,468	-11,024
Revenue growth	± 10%	-1,058	1,081
EBITDA margin	± 10%	-2,696	2,696
Terminal value growth rate	± 0.5%	-6,207	7,413

16.5 Cash-generating unit CGU IMS-EMEA.

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

Parameters CGU IMS-EMEA.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	3,559	3,559
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	1,500	174
Value in use of the CGU	135,830	46,418
Carrying amount of the CGU	30,353	22,178
Discount rate	7.1%	9.7%
Discount rate before tax	8.7%	12.6%
Break-even discount rate before tax	42.7%	20.6%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	8,139	-6,335
Revenue growth	± 10%	-696	709
EBITDA margin	± 10%	-3,120	3,120
Terminal value growth rate	± 0.5%	-2,636	3,002

16.6 Cash-generating unit CGU IMS-APAC.

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

Parameters CGU IMS-APAC.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	230	230
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. Goodwill)	0	0
Value in use of the CGU	32,446	44,156
Carrying amount of the CGU	1,538	1,402
Discount rate	7.1%	6.7%
Discount rate before tax	8.7%	9.2%
Break-even discount rate before tax	371.4%	160.3%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	7,198	-5,415
Revenue growth	± 10%	-1,435	1,559
EBITDA margin	± 10%	-1,241	1,241
Terminal value growth rate	± 0.5%	-3,514	4,343

16.7 Capitalized development costs.

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

Additional research and development costs of the Group in the fiscal year 2017/18 amounted to EUR 103.0 million (2016/17: EUR 85.4 million). In the fiscal year 2017/18, EUR 59.8 million thereof (2016/17: EUR 44.2 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 43.3 million (2016/17: EUR 41.1 million) was recognized as an expense.

17 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2016/17	2017/18
Carrying amount as of March 31 of prior year	**1,917**	**2,131**
Addition from business combinations	2	0
Additions	0	7,833
Share in operating result	0	492
Adjustments for elimination of intercompany transactions	0	-825
Loss from revaluation of shares due to business combination	0	-562
Disposal due to business combination	0	-1,370
Share in result from financial investments	147	-113
Currency translation differences	65	-84
Carrying amount as of March 31 of fiscal year	**2,131**	**7,502**
thereof shares in associates	2,130	0
thereof interests in joint ventures	1	7,502

Interests in associates.

LLC National operator of telematic services, Russia.
On December 3, 2015, together with a partner, the Group founded the Russian company LLC National operator of telematic services and holds an interest of 49%. The company is classified as an associated company. Therefore the investment is accounted for using the equity method. As of March 31, 2018, the carrying amount of the interest amounts to TEUR 0 (March 31, 2017: TEUR 0). Proportional earnings from this associate are reported in the result before income taxes after the financial result.

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

	March 31, 2017	March 31, 2018
Non-current assets	67	1
Current assets	8	21
Non-current liabilities	0	0
Current liabilities	-384	-399
Net assets	**-310**	**-377**
Revenue	0	0
Result for the period	-218	-101
Other comprehensive income	0	0
Total comprehensive income	**-218**	**-101**

Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.
On July 31, 2012, the Group acquired 33% of the shares in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico (hereinafter referred to as Simex). The investment was accounted for using the equity method.

On July 18, 2017, a capital reduction was approved at Simex, in which Kapsch TrafficCom did not participate and thus held 39.97% of Simex as of July 18, 2017, before acquiring the remaining shares. The shares were measured at fair value as of July 18, 2017, based on a business valuation of TEUR 1,370 and were disposed of as associate with this value. As of March 31, 2017, the book value amounted to TEUR 2,130. The revaluation of the shares due to the business combination on July 18, 2017, resulted in a loss amounting to TEUR -562.

On July 18, 2017, the remaining shares were acquired, so that Kapsch TrafficCom now holds 100% of the shares and the company is fully consolidated starting from July 18, 2017 (see note 31).

Proportional results from this associate were reported in the result before income taxes after the financial result until the transition to full consolidation.

Interests in joint ventures.

Intelligent Mobility Solutions Limited, Zambia.
The addition to the interests in joint ventures relates to the acquisition of 50% of Intelligent Mobility Solutions Limited in Zambia on August 30, 2017. A part of the purchase price of TEUR 3,794 is variable due to the signing of another project in the company. The company is responsible for the planning, construction and operation of traffic monitoring, speed and vehicle control systems and solutions as well as the registration of vehicles in Zambia. Since Kapsch TrafficCom has control over the company together with a partner, the company is accounted for as a joint venture using the equity method. As the activities and strategy of this company are part of the core business of Kapsch TrafficCom, the proportional results from this joint venture are reported separately in the result from operating activities. Since the acquisition, pro rata earnings in the amount of TEUR 492 have been generated. As of March 31, 2018, the book value amounted to TEUR 7,501.

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

	March 31, 2017	March 31, 2018
Non-current assets	n/a	9,821
Current assets	n/a	671
Non-current liabilities	n/a	-1,540
Current liabilities	n/a	-5,474
Net assets	**n/a**	**3,479**
Revenue	n/a	6,883
Result for the period	n/a	983
Other comprehensive income	n/a	0
Total comprehensive income	**n/a**	**983**
Cash and cash equivalents	n/a	86
Financial liabilities (non-current and current)	n/a	1,580
Reconciliation		
Net assets at beginning of fiscal year	n/a	1
Increase of nominal capital and capital reserve	n/a	2,496
Total comprehensive income	n/a	983
Currency translation differences	n/a	0
Dividend payments	n/a	0
Net assets as of March 31 of fiscal year	**n/a**	**3,479**
Share of Kapsch TrafficCom (50%)	n/a	1,740
Goodwill	n/a	6,586
Adjustments of intercompany profit elimination	n/a	-825
Carrying amount as of March 31 of fiscal year	**n/a**	**7,501**

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

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

As of March 31, 2018, the book value of the shares amounts to TEUR 1 (March 31, 2017: TEUR 1).

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

	March 31, 2017	March 31, 2018
Non-current assets	221	12
Current assets	46	485
Non-current liabilities	-40	-6
Current liabilities	-227	-477
Net assets	**0**	**15**
Revenue	385	969
Result for the period	-1	12
Other comprehensive income	0	1
Total comprehensive income	**-1**	**13**

Joint operations.

The Group has several joint arrangements in the fiscal year, mainly for maintenance projects, which are designated as joint operations, none of which is material to the Group individually. In the fiscal year 2017/18, pro rata revenues in the amount of TEUR 13,827 (2016/17: TEUR 8,518) and pro rata results in the amount of TEUR 990 (2016/17: TEUR -10) were included in the respective items in the consolidated financial statements.

18 Other current and non-current financial assets.

	2016/17	2017/18
Other non-current financial assets and investments	18,364	23,170
Other current financial assets	3,638	2,804
	22,002	**25,974**

Other non-current financial assets and investments	**Available-for-sale securities**	**Available-for-sale investments**	**Other investments**	**Other non-current financial assets**	**Total**
Carrying amount as of March 31, 2016	**3,723**	**14,825**	**4**	**99**	**18,651**
Currency translation differences	0	0	83	7	90
Additions	0	0	2,679	171	2,851
Additions from business combinations	0	0	27	16	43
Disposals	-72	0	-9	0	-81
Change in fair value	-49	-3,141	0	0	-3,191
Carrying amount as of March 31, 2017	**3,602**	**11,683**	**2,785**	**293**	**18,364**
Currency translation differences	0	0	-428	-31	-459
Additions	0	0	4,266	2,128	6,393
Disposals	-71	0	-1	-4	-75
Impairment	-136	-1,026	0	0	-1,162
Change in fair value	109	0	0	0	109
Carrying amount as of March 31, 2018	**3,505**	**10,657**	**6,622**	**2,386**	**23,170**

According to the prior year, as of March 31, 2018, the available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of March 31, 2018, an impairment of shares in investment funds in the amount of TEUR 136 was recognized in profit and loss.

As of March 31, 2018, the available-for-sale investments essentially relate to a 15.4% interest in the listed Q-Free ASA, Norway (March 31, 2017: 15.4%). In the fiscal year 2017/18, an impairment of TEUR 1,026 to the lower market value was required. This was recognized in profit or loss.

Unrealized changes in fair value are recognized in other comprehensive income of the period (see note 13).

Additions in other investments in the fiscal year 2017/18 mainly include the acquisition of a minority interest in Traffic Technology Services Inc., U.S.A., in the amount of TEUR 2,550 and the acquisition of further minority interests in ParkJockey Global Inc., U.S.A., in the amount of TEUR 1,710. The addition in other investments in the fiscal year 2016/17 mainly relates to the acquisition of non-controlling interests in ParkJockey Global, Inc., U.S.A.

Additions to other non-current financial assets in the fiscal year 2017/18 include a long-term derivative in the amount of TEUR 154. The remaining additions relate mainly to loans of Kapsch TrafficCom AG, Vienna, to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540.

Other current financial assets	Available-for-sale securities	Current loans	Other	Total
Carrying amount as of March 31, 2016	**0**	**97**	**0**	**97**
Currency translation differences	0	29	171	201
Additions	0	1,119	1,990	3,109
Additions from business combinations	0	282	0	282
Disposals	0	-50	0	-50
Carrying amount as of March 31, 2017	**0**	**1,477**	**2,161**	**3,638**
Currency translation differences	0	-17	-53	-69
Additions	0	0	106	106
Additions from business combinations	0	0	0	0
Disposals	0	-870	0	-870
Carrying amount as of March 31, 2018	**0**	**590**	**2,214**	**2,804**

Additions to other current financial assets in the fiscal year 2017/18 relate to a short-term fixed income security.

Disposals of current loans for the 2017/18 fiscal year relate to repayments of current loans in the amount of TEUR 730 in Spain as well as the fiscal of a loan in the amount of TEUR 139 in Russia.

Additions to current loans in the fiscal year 2016/17 mainly relate to the acquisition of the entities of Kapsch TrafficCom Transportation.

Unrealized changes in fair value are recognized in other comprehensive income of the period (see note 13).

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

Current and non-current financial assets	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2017/18
Non-current financial assets				
Available-for-sale securities	2,906	599	0	3,505
Available-for-sale investments	10,657	0	0	10,657
Other non-current financial assets	0	154	0	154
	13,563	**753**	**0**	**14,316**
Current financial assets				
Available-for-sale securities	0	0	0	0
	0	**0**	**0**	**0**
Total	**13,563**	**753**	**0**	**14,316**

In the fiscal year 2017/18, other non-current financial assets amounting to TEUR 2,232, other investments amounting to TEUR 6,622 as well as other current financial assets amounting to TEUR 2,804 were recognized at cost less impairment.

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

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

19 Other non-current assets.

	2016/17	2017/18
Truck toll collection system Czech Republic	212	0
Other non-current receivables	400	385
	611	**385**

Other non-current receivables include rental guarantees for buildings of the Spanish companies. As in the previous year, the remaining term is more than 1 year but less than 5 years from the balance sheet date.

Non-current receivables were discounted on the basis of cash flows using an interest rate of 2.31% to 7.00%. The fair values approximate the carrying amounts.

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

	2016/17	2017/18
Up to 2 years	481	101
Between 2 and 3 years	7	7
More than 3 years	164	318
	652	**425**

20 Inventories.

	2016/17	2017/18
Purchased parts and merchandise, at acquisition cost	27,973	24,496
Unfinished goods and work in progress, at production cost	4,289	4,803
Finished goods, at production cost	6,542	8,810
Prepayments on inventories	451	780
	39,255	**38,889**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 21,350 (2016/17: TEUR 22,094). In the reporting period TEUR 744 were recognized in the statement of comprehensive income (2016/17: TEUR 339).

21 Trade receivables and other current assets.

	2016/17	2017/18
Trade receivables	140,926	143,050
Allowance for bad debts	-7,997	-9,450
Trade receivables – net	**132,929**	**133,600**
Amounts due from customers for contract work	77,205	76,966
Amounts due from customers for service and maintenance contracts	6,879	6,937
Receivables from tax authorities (other than income tax)	15,781	16,570
Other receivables and prepaid expenses	29,141	20,320
	261,935	**254,394**

As of March 31, 2018, trade receivables with a net value of TEUR 9,934 (2016/17: TEUR 8,269) have been impaired. The corresponding impairment amounts to TEUR -9,450 (2016/17: TEUR -7,997).

Allowance for bad debt developed as follows:

	2016/17	2017/18
Balance as of March 31 of prior year	**-2,095**	**-7,997**
Additions from business combinations	-2,664	-288
Additions	-4,499	-6,355
Utilization	5	1,880
Disposals	1,355	2,857
Currency translation differences	-99	453
Balance as of March 31 of fiscal year	**-7,997**	**-9,450**

Maturity structure of trade receivables and other current assets:

	2016/17	2017/18
Not yet due	99,709	88,027
Overdue		
Less than 60 days (not impaired)	14,219	24,235
Less than 60 days (impaired)	639	407
More than 60 days (not impaired)	18,729	20,854
More than 60 days (impaired)	7,630	9,527
	140,926	**143,050**

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 Austria, America, the Czech Republic, South Africa and Poland, as the Group generally has a large number of customers worldwide. Trade receivables relating to the installation of the truck toll collection system in the Czech Republic amounting to TEUR 1,328 (2016/17: TEUR 1,356) and to the operation and maintenance of the system amounting to TEUR 14,174 (2016/17: TEUR 12,616) are due from Ředitelství silnic a dálnic ĈR (RSD), a company of the Czech Republic. Trade receivables relating to the toll collection project and the maintenance or operation in Austria amount to TEUR 12,291 (2016/17: TEUR 3,936). Trade receivables relating to the installation of the truck toll collection system in the Republic of Belarus amounting to TEUR 2,960 (2016/17: TEUR 23,400) and to the operation of the system amounting to TEUR 770 (2016/17: TEUR 3,602) are due from BelToll.

Current amounts due from customers for contract work are as follows:

	2016/17	2017/18
Construction costs incurred plus recognized gains	585,105	984,838
Less amounts billed and prepayments received	-507,900	-907,873
	77,205	**76,966**

As of March 31, 2018, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 38,732 (2016/17: TEUR 44,731), Latin America amounting to TEUR 2,271 (2016/17: TEUR 6,364), Austria amounting to TEUR 9,220 (2016/17: liability TEUR 845), Spain amounting to TEUR 9,128 (2016/17: TEUR 6,954), Sweden amounting to TEUR 4,794 (2016/17: TEUR 7,448), Bulgaria amounting to TEUR 4,278 (2016/17: TEUR 0), as well as Australia amounting to TEUR 3,740 (2016/17: TEUR 696).

Revenues from construction contracts amount to TEUR 300,320 (2016/17: TEUR 308,189).

22 Cash and cash equivalents.

	2016/17	2017/18
Cash on hand	162	174
Deposits held with banks	211,137	181,661
	211,299	**181,835**

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

23 Share capital.

	2016/17	2017/18
Carrying amount as of March 31 of fiscal year	**13,000**	**13,000**

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

24 Current and non-current financial liabilities.

	2016/17	2017/18
Non-current		
Promissory note bond	75,376	73,622
Loans for acquisitions	21,428	17,856
Loans for project financing	0	50,000
Other non-current loans	677	281
	97,482	**141,759**
Current		
Corporate bond	70,702	0
Loans for acquisitions	3,572	3,572
Loans for project financing	0	757
Other current loans	23,628	22,346
	97,902	**26,675**
Total	**195,384**	**168,434**

Movements are as follows:

	March 31, 2017	Addition resulting from business combinations	Reclassifi-cation	Additions	Repayment	Currency translation differences	March 31, 2018
Non-current financial liabilities	97,482	152	-4,106	50,036	0	-1,805	141,759
Current financial liabilities	97,902	1,832	4,106	5,372	-79,930	-2,606	26,675
Total	**195,384**	**1,984**	**0**	**55,408**	**-79,930**	**-4,411**	**168,434**

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

Additions and repayments are cash effective.

The corporate bond of Kapsch TrafficCom AG was placed in November 2010 with a volume of TEUR 75,000, a maturity of 7 years and an interest rate of 4.25%. The effective interest rate amounts to 4.54%. In May 2015 debts with a nominal value of TEUR 4,182 of the corporate bond were reacquired prematurely. The corporate bond with a nominal value of TEUR 70,818 was redeemed at the beginning of November 2017 as scheduled.

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

The non-current financial liabilities mainly relate to a promissory note bond ("Schuldscheindarlehen") amounting to TEUR 73,622. Details to tranches, maturity periods and interest rates are shown in the table below:

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

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

	2016/17	2017/18
Carrying amount	**195,384**	**168,434**
Fair value	**194,694**	**161,647**
Gross cash flows		
In the first half year of the next fiscal year	25,330	21,542
In the second half year of the next fiscal year	76,017	7,025
Total up to 1 year	**101,347**	**28,566**
Between 1 and 2 years	5,613	5,460
Between 2 and 3 years	4,912	17,913
Between 3 and 4 years	4,893	61,367
Between 4 and 5 years	48,578	16,902
More than 5 years	39,327	48,301
	204,670	**178,509**

The classification of financial liabilities is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	2017/18
Promissory note bond	0	71,497	71,497
Other financial liabilities	0	90,151	90,151
Total	**0**	**161,647**	**161,647**

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

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

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

	2016/17	2017/18
Total financial liabilities:		
Carrying fixed interest rates	108,346	86,148
Carrying variable interest rates	87,038	82,285
	195,384	**168,434**
Average interest rates:		
Loans for project financing	–	0.80%
Corporate bond	4.54%	–
Promissory note bond	1.20–2.57%	1.20–3.20%
Loans for acquisitions	0.54%	0.80%
Other loans	0.50–2.90%	0.49–3.00%

A bill of exchange amounting to TEUR 22,853 (2016/17: TEUR 22,853) was issued for an export promotion loan and loans for the acquisitions.

25 Deferred tax assets/liabilities.

	2016/17	2017/18
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	7,316	5,244
Deferred tax assets to be recovered within 12 months	4,622	7,155
	11,938	**12,399**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	1,910	1,318
Deferred tax liabilities to be recovered within 12 months	835	592
	2,745	**1,910**
Deferred tax assets net (+)/deferred tax liabilities net (-)	**9,193**	**10,489**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to TEUR 234,887 (2016/17 adjusted: TEUR 217,766) are not recognized due to the unsecure potential for future taxable income. These loss carry-forwards relate to foreign subsidiaries, primarily in the U.S.A. and Spain, and are for the predominant part not expiring before 2030. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

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

Deferred tax assets/liabilities are attributable to the following positions (before netting):

	March 31, 2017	Addition resulting from business combinations	Through profit or loss of the period	Through other comprehensive income	Currency translation differences	Reclas-sification	March 31, 2018
Deferred tax assets							
Tax loss carry-forwards	6,439	0	-2,740	0	-221	-415	3,064
Provisions disallowed for tax purposes	4,708	0	428	40	32	0	5,207
Depreciation disallowed for tax purposes	602	0	-308	0	-4	0	290
Construction contracts	0	0	0	0	0	1,737	1,737
Other (active deferred income)	5,126	0	-1,706	1,524	-188	418	5,174
	16,876	**0**	**-4,326**	**1,563**	**-381**	**1,741**	**15,473**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	778	0	-241	0	-67	0	470
Contract work	364	0	-2,102	0	0	1,737	0
Gains from recognition at fair value	3,453	1,040	-1,389	27	0	-3	3,128
Other (passive deferred income)	3,087	0	-1,648	0	-60	6	1,385
	7,683	**1,040**	**-5,380**	**27**	**-127**	**1,741**	**4,984**
Total change	**9,193**	**-1,040**	**1,054**	**1,536**	**-254**	**0**	**10,489**

	March 31, 2016	Addition resulting from business combinations	Through profit of loss of the period	Through other comprehensive income	Currency translation differences	Reclassifi-cation	March 31, 2017
Deferred tax assets							
Tax loss carry-forwards	7,143	0	-1,336	0	633	0	6,439
Provisions disallowed for tax purposes	4,998	0	-439	139	9	0	4,708
Depreciation disallowed for tax purposes	875	0	-276	0	3	0	602
Construction contracts	0	0	0	0	0	0	0
Other (active deferred income)	4,195	668	795	-656	135	-10	5,126
	17,212	**668**	**-1,257**	**-517**	**779**	**-10**	**16,876**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	753	0	0	0	25	0	778
Contract work	1,758	0	-1,431	0	0	37	364
Gains from recognition at fair value	3,361	1,042	-950	0	0	0	3,453
Other (passive deferred income)	2,635	40	398	0	25	-10	3,087
	8,507	**1,082**	**-1,983**	**0**	**50**	**27**	**7,683**
Total change	**8,705**	**-414**	**726**	**-517**	**730**	**-37**	**9,193**

26 Liabilities from post-employment benefits to employees.

	2016/17	2017/18
Termination benefits	9,858	10,341
Pension benefits	14,088	13,364
	23,946	**23,706**

Termination benefits.

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

Pension benefits.

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

Termination benefits obligations were valued based on an interest rate of 1.30% — 1.40% (2016/17: 1.20% – 1.40%), retirement benefit obligations were valued based on an interest rate of 1.55% (2016/17: 1.60%) for the euro zone and based on an interest rate of 3.70% (2016/17: 4.00%) for Canada and compensation increases based on a rate of 2.50% (2016/17: 2.50%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2016/17: AVÖ 2008-P) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada. Pension increases were estimated at 1.97% on average (2016/17: 1.55%).

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

	2016/17	2017/18
Change in liabilities recognized in the balance sheet:		
Carrying amount as of March 31 of prior year	**9,505**	**9,858**
Addition from business combinations	85	599
Remeasurements (actuarial gains/losses)	541	138
Current service cost	302	590
Interest expense	141	122
Payments	-722	-923
Currency translation differences	7	-43
Carrying amount as of March 31 of fiscal year	**9,858**	**10,341**
Total, included in the staff costs (note 8)	302	590
Total, included in the financial result (note 11)	141	122

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

	2016/17	2017/18
Remeasurements from changes in demographic assumptions	261	0
Remeasurements from changes in financial assumptions	219	-32
Remeasurements from other changes (experience adjustments)	60	170
Total	**541**	**138**

The expected allocation for termination benefits for the next fiscal year 2018/19 amounts to TEUR 281. The weighted average duration amounts to 8.2 years.

Analysis of expected maturity of undiscounted benefits.

	2018/19	2019/20	2020/21	2021/22	2022/23	over 5 years	Total
Termination benefits	571	559	908	867	775	8,310	11,990

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

Sensitivity	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 50 Bp	403	-378
Expected annual interest expenses (IC)	± 50 Bp	-44	41
Expected annual service costs (CSC)	± 50 Bp	8	-7
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-351	370
Expected annual interest expenses (IC)	± 50 Bp	-5	5
Expected annual service costs (CSC)	± 50 Bp	-8	8
Impact of changes in fluctuation			
Defined benefit obligation (DBO)	± 5%	20	-20
Expected annual interest expenses (IC)	± 5%	0	-1
Expected annual service costs (CSC)	± 5%	1	-1

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

	2016/17	2017/18
Change in liabilities recognized in the balance sheet:		
Carrying amount as of March 31 of prior year	**14,603**	**14,088**
Remeasurements of employee benefit obligations after termination of the employment relationship	-20	81
Current service cost	6	7
Interest expense	314	266
Payments	-892	-829
Currency translation differences	76	-248
Carrying amount as of March 31 of fiscal year	**14,088**	**13,364**
Total, included in the staff costs (note 8)	6	7
Total, included in the financial result (note 11)	314	266

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

	2016/17	2017/18
Remeasurements from changes in demographic assumptions	0	0
Remeasurements from changes in financial assumptions	349	75
Remeasurements from other changes	-369	6
Total	**-20**	**81**

The expected allocation for pension benefits for the next fiscal year 2018/19 amounts to TEUR 259. The weighted average duration amounts to 9.8 years.

Analysis of expected maturity of undiscounted benefits.

	2018/19	2019/20	2020/21	2021/22	2022/23	over 5 years	Total
Pension benefits	826	805	803	800	796	12,067	16,096

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 50 Bp	688	-635
Expected annual interest expenses (IC)	± 50 Bp	-50	45
Expected annual service costs (CSC)	± 50 Bp	0	0
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-518	553
Expected annual interest expenses (IC)	± 50 Bp	-8	9
Expected annual service costs (CSC)	± 50 Bp	0	0

27 Other non-current liabilities.

	2016/17	2017/18
Liabilities from acquisition of shares	8,851	2,456
Truck toll collection system Czech Republic	174	832
Other	1,511	1,003
	10,536	**4,292**

The liabilities from acquisition of shares mainly relate to the long-term part of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s r.o., Czech Republic, amounting to TEUR 1,953 (2016/17: TEUR 4,888) and the long-term portion of the variable purchase price component (result-based earn-out payment) from the acquisition of the shares in Fluidtime Data Services GmbH, Vienna, amounting to TEUR 503 (2016/17: TEUR 498). The long-term portion of the variable purchase price component (earn-out payment) from the acquisition of the shares in Kapsch Telematic Services GmbH, Vienna, amounting to TEUR 3,465 in the previous year was reported under current liabilities in the 2017/18 fiscal year (see note 28).

The item “Truck toll collection system Czech Republic” relates to trade payables (non-current) to subcontractors for the construction of the Czech truck toll system in the amount of TEUR 832 (2016/17: TEUR 174). The remaining term, as in the previous year, is more than one year, but less than five years from the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to the interest rates used to discount long-term receivables from the Czech truck toll project (see note 19). The fair values approximate the carrying amounts.

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

	2016/17	2017/18
Less than 2 years	5,466	3,069
Between 2 and 3 years	3,685	931
More than 3 years	1,851	472
	11,001	**4,472**

28 Other liabilities and deferred income.

	2016/17	2017/18
Amounts due to customers for contract work	29,097	31,486
Other prepayments received	14,509	2,938
Other employee liabilities	26,542	31,219
Liabilities to tax authorities (other than income tax)	7,766	12,106
Liabilities from tax allocation to the tax group leader	8,268	5,349
Other liabilities and deferred income	17,295	29,660
	103,478	**112,758**

Other liabilities and deferred income include a variable purchase price component (earn-out payment) from the acquisition of the shares in Kapsch Telematic Services GmbH, Vienna, in the amount of TEUR 3,500, which had been reported under non-current liabilities with an amount of TEUR 3,465 in the previous year (see note 27), which is dependent on the EBIT of the KTS Group for the fiscal years 2015-2018, adjusted for minority interests. The short-term portion of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% interest in Kapsch Telematic Services spol. s r.o., Czech Republic, amounts to TEUR 3,000 (2016/17: TEUR 3,000). Also included is a variable purchase price component from the purchase of 50% of Intelligent Mobility Solutions Ltd., Zambia, in the amount of TEUR 3,794 (2016/17: n/a), which depends on the winning of a further concession contract.

The fair values approximate the carrying amounts.

Obligations due to customers for contract work detail as follows:

	2016/17	2017/18
Construction costs incurred plus recognized gains	-176,523	-268,850
Less amounts billed and prepayments received	205,620	300,337
	29,097	**31,486**

As of March 31, 2018, amounts due to customers for contract work mainly relate to toll collection projects in North America and Spain, as in the previous year.

29 Provisions.

	2016/17	2017/18
Non-current provisions	9,993	8,911
Current provisions	17,640	9,600
Total	**27,633**	**18,510**

The provisions changed as follows:

	March 31, 2017	Additions from business combinations	Addition from accu-mulation	Addition	Utiliza-tion	Disposal	Reclassi-fication	Currency translation differences	March 31, 2018
Obligations from anniversary bonuses	1,249	139	15	36	-16	-18	0	-15	1,391
Warranties	1,516	0	0	0	0	0	391	0	1,906
Projects (excl. impending losses)	872	0	0	0	0	0	-182	0	689
Legal fees, costs of litiga-tion and contract risks	61	0	0	0	0	0	177	0	237
Costs of dismantling, removing and restoring assets	137	0	0	0	0	0	-18	0	119
Other non-current provisions	6,158	0	257	555	0	-1,518	119	-1,005	4,567
Non-current provi-sions, total	**9,993**	**139**	**272**	**592**	**-16**	**-1,536**	**486**	**-1,020**	**8,911**
Warranties	1,371	0	0	548	-563	-318	-391	-212	435
Projects (excl. impending losses)	10,430	0	0	1,711	-4,899	-2,269	182	-269	4,887
Legal fees, costs of litiga-tion and contract risks	4,645	0	0	558	-1,434	-43	-177	-516	3,033
Costs of dismantling, removing and restoring assets	19	0	0	0	0	0	18	-21	16
Other current provisions	1,176	73	0	932	-532	-71	-119	-230	1,229
Current provisions, total	**17,640**	**73**	**0**	**3,748**	**-7,428**	**-2,701**	**-486**	**-1,248**	**9,600**
Total	**27,633**	**213**	**272**	**4,340**	**-7,443**	**-4,236**	**0**	**-2,268**	**18,510**

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

The provision for "*anniversary bonuses*" relates to non-current entitlements of employees based on Collective Agreements. The valuation was based on an interest rate of 1.15% – 1.45% (2016/17: 1.05% – 1.45%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2016/17: AVÖ 2008-P) by Pagler & Pagler. Increases in salary were considered at 2.50% (2016/17: 2.50%).

As manufacturer, dealer and service provider, the Group issues "*product warranties*" at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of TEUR 105 will be used in the first half of fiscal year 2018/19, TEUR 330 in the second half of the year and the remaining amount of TEUR 1,906 in the following fiscal years.

The provisions for "*projects (excl. impending losses)*" mainly relate to maintenance-, extension- and repair services for current toll projects. It is expected that an amount of TEUR 308 will be used in the first half of the fiscal year 2018/19, TEUR 4,579 in the second half of the year and the remaining amount of TEUR 689 in the following fiscal years.

Provisions for "*legal fees, costs of litigation and contract risks*" mainly relate to current legal cases and consulting costs. It is expected that an amount of TEUR 2,094 will be used in the first half of the fiscal year 2018/19, TEUR 939 in the second half of the year and the remaining amount of TEUR 237 in the following fiscal years.

"*Costs of dismantling, removing and restoring assets*" mainly relate to a provision for dismantling sensors in the area of mobility solutions for cities after expiry of the contract of an American subsidiary. It is expected that an amount of TEUR 8 will be used in the first half of the fiscal year 2018/19, TEUR 8 in the second half of the year and the remaining amount of TEUR 119 in the following fiscal years.

"*Other provisions*" mainly include a provision amounting to TEUR 3,886 for taxes and duties from KTT Brazil (which was acquired at the beginning of the fiscal year 2016/17) as well as provisions for commissions and bonuses, outstanding credit notes and project costs as well as discounts granted to customers. It is expected that an amount of TEUR 643 will be used in the first half of the fiscal year 2018/19, TEUR 586 in the second half of the year and the remaining amount of TEUR 4,567 in the following fiscal years.

30 Contingent liabilities, other commitments and operating lease commitments.

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

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

	2016/17	2017/18
Contract, warranty, performance and bid bonds		
South Africa (toll collection system)	42,134	34,197
Australia (toll collection systems)	22,428	19,236
Other	416	1,540
Total	**64,978**	**54,973**

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutes and insurance companies. In case the contractual obligations cannot be fulfilled, there is a risk of utilization, that can result in a recourse claim of the financial institute or insurance company against the Group. Such an outflow of resources is deemed unlikely. This kind of contract, warranty, performance and bid bonds in the amount of TEUR 351,401 (previous year: TEUR 369,605) are not included in the balance sheet or in the contingent liabilities respectively.

Assets of Kapsch TrafficCom AB, Sweden, in the amount of TEUR 11,668 (2016/17: TEUR 9,442) were pledged as collateral for contingent liabilities in favor of a Swedish bank.

Financial obligations from lease contracts.

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

	2016/17 adjusted	2017/18
Up to 1 year	17,533	16,362
Between 1 and 5 years	29,373	31,796
Over 5 years	9,215	6,490
	56,121	**54,647**

Rental and lease payments recognized as expenses in the reporting period.

Payments from operating leases recognized as expenses of the reporting period are as follows:

	2016/17	2017/18
Rent	16,671	14,027
Motor vehicle leases	2,418	2,207
IT leases	3,066	3,930
Other	569	390
	22,723	**20,553**

31 Business combinations.

Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.
On July 18, 2017, Kapsch TrafficCom AG acquired the remaining 60.03% of the Mexican company Simex, Integración de Sistemas S.A.P.I. de C.V., Mexico (hereinafter referred to as Simex). Simex is a major provider of intelligent transport systems (ITS), including hardware and software solutions. In 2012, 33% of Simex had already been acquired by the Group. These shares were increased by a capital reduction on July 18, 2017 to 39.97%, in which the Group did not participate. Up to now, Simex has been included in the result from associates (see note 17).

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

Purchase price	
Consideration paid	1,066
Not yet due part of purchase price	1,005
Fair value of previous interest	1,370
Less fair value of net assets acquired	-3,365
Goodwill	**76**

The fair value of the acquired identifiable assets and liabilities assumed of Simex at the acquisition date was:

	Fair Value
Property, plant and equipment	48
Intangible assets	5,000
Inventories	2,168
Receivables and other current assets	3,055
Cash and cash equivalents	49
Non-current financial liabilities	-152
Post-employment benefits	-599
Non-current provisions	-139
Deferred tax liabilities	-1,040
Current financial liabilities	-1,832
Trade payables	-1,505
Other current liabilities and accruals	-1,615
Current provisions	-73
Net assets acquired	**3,365**

The purchase price consists of a payment made in July in the amount of TEUR 1,066 and a payment due on March 29, 2019 in the amount of TEUR 1,045, which was discounted. The cash and cash equivalents acquired in the context of the acquisition amounted to TEUR 49, thus the preliminary net cash outflow in the fiscal year 2017/18 from the acquisition amounted to TEUR 1,017. The transaction costs directly attributable to the acquisition amounted to TEUR 433 and were recognized in the income statement and in the cash flow from operating activities.

The goodwill amounting to TEUR 76 was allocated to the cash-generating unit ETC-Americas (TEUR 61) and to the cash-generating unit IMS-Americas (TEUR 15).

The acquired company contributed an amount of TEUR 5,314 to revenues and an amount of TEUR -809 to the result of the Group for the period from July 18, 2017 to March 31, 2018. If the company had been included as of April 1, 2017, the contribution to revenues would have been TEUR 8,377 and the contribution to the consolidated result TEUR 399.

32 Interests in subsidiaries.

Entity, headquater of entity	Internal designation	March 31, 2017 Group's share	March 31, 2017 Non-controlling interests	March 31, 2018 Group's share	March 31, 2018 Non-controlling interests
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic [1]	KTC C&R CZ	99.00%	1.00%	100.00%	–
Kapsch TrafficCom Ltd., Middlesex, United Kingdom	KTC UK	100.00%	–	100.00%	–
Kapsch Components GmbH & Co KG, Vienna	KCO	100.00%	–	100.00%	–
Kapsch Components GmbH, Vienna	KCO GmbH	100.00%	–	100.00%	–
FLUIDTIME Data Services GmbH, Vienna	Fluidtime	75.50%	24.50%	75.50%	24.50%
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	ArtiBrain	100.00%	–	100.00%	–
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	KTC Italy	100.00%	–	100.00%	–
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia [2]	KTC Slovenia	100.00%	–	–	–
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4]	TTS, UAE	49.00%	51.00%	49.00%	51.00%
Kapsch TrafficCom Russia, OOO, Moscow, Russia	KTC Russia	100.00%	–	100.00%	–
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	KTTB, Bulgaria	100.00%	–	100.00%	–
Kapsch Traffic Solutions (Consortium), Sofia, Bulgaria [1]	Consortium BG	n.a.	–	100.00%	–
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	KTC Argentina	100.00%	–	100.00%	–
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	KTC Kazakhstan	100.00%	–	100.00%	–
Kapsch Telematic Services IOOO, Minsk, Belarus	KTS Belarus	100.00%	–	100.00%	–
Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan	KTC Kyrgyzstan	100.00%	–	100.00%	–
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	KTC Lithuania	51.00%	49.00%	51.00%	49.00%
tolltickets GmbH, Rosenheim, Germany	tolltickets	65.00%	35.00%	65.00%	35.00%
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	KTT Spain	100.00%	–	100.00%	–
Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain	KTC Arce	100.00%	–	100.00%	–
Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia	KTC Saudi Arabia	100.00%	–	100.00%	–
Telvent Thailand Ltd., Bangkok, Thailand	KTT Thailand	100.00%	–	100.00%	–
Kapsch TrafficCom Transportation Brasil Ltda., Sao Paulo, Brazil	KTT Brazil	100.00%	–	100.00%	–
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	KTT Argentina	100.00%	–	100.00%	–
Kapsch TrafficCom S.A.S., Bogotá, Colombia [1]	KTC Colombia	n.a.	–	100.00%	–
Athomstart Invest 253 AS (prospective: Kapsch TrafficCom Norway AS), Oslo, Norway [1]	KTC Norway	n.a.	–	100.00%	–
KTS Beteiligungs GmbH, Vienna	KTS Beteiligung	100.00%	–	100.00%	–
Kapsch TrafficCom AB, Jonkoping, Sweden	KTC Sweden	100.00%	–	100.00%	–
Kapsch TrafficCom do Brasil LTDA., Sao Paulo, Brazil	KTC Brazil	100.00%	–	100.00%	–
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	KTC Australia	100.00%	–	100.00%	–
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	KTC Chile	100.00%	–	100.00%	–
Kapsch TrafficCom France SAS, Paris, France	KTC France	100.00%	–	100.00%	–
Kapsch TrafficCom PTE. LTD., Tripleone Somerset, Singapore	KTC Singapore	100.00%	–	100.00%	–
Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia [2]	KTC Malaysia	100.00%	–	–	–
Kapsch TrafficCom New Zealand Ltd., Auckland, New Zealand	KTC New Zealand	100.00%	–	100.00%	–
Kapsch TrafficCom South Africa (Pty) Ltd., Sunninghill, South Africa	KTC SA	100.00%	–	100.00%	–
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	ETC	100.00%	–	100.00%	–
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	KTC SA Holding	100.00%	–	100.00%	–
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa [5]	TMT	100.00%	–	100.00%	–
Mobiserve (Pty) Ltd., Cape Town, South Africa [5]	Mobiserve	100.00%	–	100.00%	–
Trust South Africa, Cape Town, South Africa [5]	Trust SA	n.a.	–	100.00%	–
Berrydust 51 (Pty) Ltd., Cape Town, South Africa	Berrydust	100.00%	–	100.00%	–
Kapsch TrafficCom B.V., Amsterdam, Netherlands	KTC BV	100.00%	–	100.00%	–
Kapsch TrafficCom Canada Inc., Mississauga, Canada	KTC Canada	100.00%	–	100.00%	–
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	KTC IVHS Mexico	100.00%	–	100.00%	–
Kapsch TrafficCom Holding II US Corp., McLean, U.S.A.	KTC Hold. II US Corp.	100.00%	–	100.00%	–
Kapsch TrafficCom USA, Inc. (formerly: Kapsch TrafficCom IVHS Inc.), McLean, U.S.A. [3]	KTC USA Inc., USA	100.00%	–	100.00%	–
Kapsch TrafficCom USA Inc., Duluth, U.S.A. [3]	KTC USA, Inc.	100.00%	–	–	–

Entity, headquater of entity	Internal designation	March 31, 2017 Group's share	March 31, 2017 Non-controlling interests	March 31, 2018 Group's share	March 31, 2018 Non-controlling interests
Kapsch TrafficCom Transportation NA, Inc., Rockville, U.S.A. [3]	KTT USA	100.00%	–	–	–
SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico [1]	SIMEX	33.00%	–	100.00%	–
Kapsch TrafficCom Holding Corp., McLean, U.S.A.	KTC Holding Corp., USA	100.00%	–	100.00%	–
Kapsch TrafficCom Inc., McLean, U.S.A.	KTC Inc., USA	100.00%	–	100.00%	–
Streetline Inc., Foster City, U.S.A.	Streetline	93.94%	6.06%	93.94%	6.06%
Streetline International, Inc., Delaware, U.S.A. [2]	Streetline international	93.94%	6.06%	–	–
SPS funding Co. LLC, Delaware, U.S.A. [2]	SPS Funding	93.94%	6.06%	–	–
Kapsch Telematic Services GmbH, Vienna	KTS Austria	100.00%	–	100.00%	–
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	KTS CZ	100.00%	–	100.00%	–
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	KTS Germany	100.00%	–	100.00%	–
Kapsch Telematic Services Solutions A/S under tvangsoplosning, Copenhagen, Denmark [2]	KTSS Denmark	60.00%	40.00%	–	–
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	KTS Poland	100.00%	–	100.00%	–
Kapsch Road Services Sp. z o.o., Warsaw, Poland	KRS Poland	100.00%	–	100.00%	–

1) Foundation/acquisition/acquisition of additional shares in fiscal year 2017/18
2) Deconsolidation in fiscal year 2017/18
3) Merger in fiscal year 2017/18
4) Power over the relevant activities of the entity based on substantive rights
5) IFRS 10 control of Trust South Africa (see note 1.2) and thus full consolidation with 100%

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

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

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

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

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

33 Non-controlling interests.

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

Information on the balance sheet.

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

	Amounts before intercompany eliminations in TEUR					
Information on the balance sheet as of March 31, 2018	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**	**Net assets**	**Carrying amount of non-controlling interests**
Streetline	1,706	2,338	11,951	3,613	-11,519	-805
KTSS Denmark	0	0	0	0	0	0
Fluidtime	1,987	341	1,718	589	21	-87
tolltickets	223	3,580	24	4,262	-483	-169
KTC Lithuania	1	28	0	2	27	16
KTC C&R CZ	24	5,729	832	3,238	1,682	0
Carrying amount as of March 31, 2018						**-1,045**

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

Information on the statement of comprehensive income.

The statement of comprehensive income of the consolidated subsidiaries with material non-controlling interests are presented below (amounts before intercompany elimination):

	Amounts before intercompany eliminations in TEUR				Amounts attributable to non-controlling interests		
Information on the statement of comprehensive income 2017/18	**Revenues**	**Result for the period**	**Other comprehensive income**	**Total comprehensive income**	**Result for the period**	**Other comprehensive income**	**Total comprehensive income**
Streetline	2,280	-5,172	1,266	-3,906	-315	77	-238
KTSS Denmark	0	0	3	3	0	0	0
Fluidtime	629	-713	0	-713	-175	0	-175
tolltickets	2,087	-506	0	-506	-177	0	-177
KTC Lithuania	0	2	0	2	1	0	1
KTC C&R CZ	12,058	782	99	881	18	0	18
Total					**-647**	**77**	**-570**

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

Information on the cash flow statement and dividends.

The cash flow statement and dividends of the consolidated subsidiaries with material non-controlling interests are presented below (amounts before intercompany elimination):

	Cash flow from				
Information on the cash flow statement 2017/18	**Operating activities**	**Investing activities**	**Financing activities**	**Cash net increase/ decrease**	**Dividends paid to non-controlling shareholders**
Streetline	-3,497	-1,033	5,190	660	0
KTSS Denmark	79	0	-110	-30	0
Fluidtime	-1,000	-54	951	-102	0
tolltickets	-158	-88	371	125	0
KTC Lithuania	0	0	0	0	0
KTC C&R CZ	3,168	0	-477	2,691	0
Total					**0**

	Cash flow from				
Information on the cash flow statement 2016/17	**Operating activities**	**Investing activities**	**Financing activities**	**Cash net increase/ decrease**	**Dividends paid to non-controlling shareholders**
Streetline	-5,686	-864	6,303	-246	0
KTSS Denmark	-2	0	2	0	0
Fluidtime	-181	-62	358	115	0
tolltickets	451	-255	590	785	0
KTC Lithuania	21	0	-1	19	0
KTC C&R CZ	431	0	-770	-339	-8
Total					**-8**

34 Related parties.

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

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

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

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

	2016/17	2017/18
Parent company		
Revenues	0	8
Expenses	2,344	1,070
Affiliated companies		
Revenues	9,004	5,906
Expenses	26,660	28,571
Associated companies		
Revenues	20	26
Expenses	0	0
Joint ventures		
Revenues	0	1,661
Expenses	0	0
Other related parties		
Revenues	153	130
Expenses	299	192

	March 31, 2017	March 31, 2018
Parent company		
Trade receivables and other assets	0	0
Trade payables and other payables including liabilities from tax allocation	8,434	5,406
Liabilities from share purchase	3,465	3,500
Affiliated companies		
Trade receivables and other non-current and current assets	1,778	2,611
Trade payables and other payables	3,965	2,929
Associated companies		
Trade receivables and other non-current and current assets	149	318
Trade payables and other payables	0	0
Joint ventures		
Trade receivables and other non-current and current assets	0	4,316
Trade payables and other payables	0	0
Other related parties		
Trade receivables and other non-current and current assets	15	0
Trade payables and other payables including pension benefits	12,765	11,583

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

Parent company.
The parent company KAPSCH-Group Beteiligungs GmbH provides services to the Group in the area of group consolidation and legal advice. Expenses incurred by the Group in the fiscal year 2017/18 amounted to TEUR 1,023 (2016/17: TEUR 958). Furthermore, the parent company invoiced insurance costs (directors & officers liability insurance) to the Group amounting to TEUR 48 (2015/16: TEUR 30).

In fiscal year 2014/15 the parent company sold 3% of its shares in Kapsch Telematic Services GmbH, Vienna, to Kapsch TrafficCom AG. As of March 31, 2018, a variable purchase price component in the amount of TEUR 3,500 is still included in other current liabilities as a result of this transaction (March 31, 2017: TEUR 3,465 in other non-current liabilities) (see note 28).

The parent company acts as the tax group leader in a tax group formed in March 2005, in which the Austrian subsidiaries of this group are also members. Accordingly, all tax effects of the group companies that are tax group members are to be considered related party transactions. As of March 31, 2018, the Group has liabilities from tax allocation to the parent company in the amount of TEUR 5,349 (March 31, 2017: TEUR 8,268).

Affiliated companies.
The Group regularly provides its affiliated companies with manufacturing services in the area of GSM-R as well as logistics services. In the 2017/18 fiscal year, trade revenue relating to GSM-R amounted to TEUR 3,319 (2016/17: TEUR 6,752) and logistics services to TEUR 889 (2016/17: TEUR 1,023).

In connection with the 125th anniversary of Kapsch Group, revenues from the recharging of expenses to affiliated companies amounting to TEUR 386 (2016/17: TEUR 0) were generated in the 2017/18 fiscal year.

The Group's lease income from subletting to affiliates in the 2017/18 fiscal year totaled TEUR 349 (2016/17: TEUR 360). The remainder of revenues to affiliated companies relates to other goods and services.

Expenses from transactions with affiliated companies relate to a large extent to goods and services in the area of IT, data processing and telephone services (leasing of telephone and IT equipment as well as IT support), above all through Kapsch BusinessCom AG, Vienna. The expenses of the Group in this context amounted to TEUR 9,583 in fiscal year 2017/18 (2016/17: TEUR 7,759).

In addition, affiliated companies supplied hardware (IT equipment) on behalf of the Group as well as provided maintenance and other services for various customer projects (mainly in the U.S.A., Austria and South Africa) in the amount of TEUR 7,922 (2016/17: TEUR 8,012 mainly in Austria, the Czech Republic and Poland).

In connection with the use of the Kapsch trademark and the logo, the Group is charged royalties by Kapsch Aktiengesellschaft, Vienna. The license fee amounts to 0.5% of all third-party sales of the Group. Expenses incurred by the Group in the fiscal year 2017/18 amounted to TEUR 3,442 (2016/17: TEUR 3,213).

Services regarding human resources (payroll services, administration, recruiting, advice on labor law and human resource development) as well as the provision of apprentices and trainees are performed centrally by Kapsch Partner Solutions GmbH, Vienna for the Group. In the fiscal year 2017/18 expenses amounting to TEUR 2,104 (2016/17: TEUR 2,006) were incurred in the Group in this regard.

Other expenses of the Group from transactions with affiliated companies in the fiscal year 2017/18 include TEUR 1,937 (2016/17: TEUR 1,896) activities in the area of corporate development, public relations, sponsoring and other marketing activities, with TEUR 1,755 (2016/17: TEUR 1,800) management and consulting services, with TEUR 802 (2016/17: TEUR 625) insurance contracts covering all group companies and TEUR 115 (2016/17: TEUR 120) running costs for a software tool (Hyperion Financial Management). The remainder of the expenses to affiliated companies relates to other goods and services provided to the Group.

Joint Ventures.
Revenues with joint ventures in the fiscal year 2017/18 amounting to TEUR 1,661 (2016/17: TEUR 0) relate entirely to goods and services for the traffic safety and management project for Intelligent Mobility Solutions Ltd., Zambia.

Receivables from joint ventures include loans to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540 as of March 31, 2018 (March 31, 2017: TEUR 0).

Other related parties.
Revenues from other related parties in the 2017/18 fiscal year relate to rental income from subletting in the amount of TEUR 124 (2016/17: TEUR 153).

Expenses for other related parties relate on the one hand to the leasing of telephone and IT equipment (hardware and software) with TEUR 105 (2016/17: TEUR 195) and services in the area of vehicle management and vehicle services in the amount of TEUR 87 (2016/17: TEUR 104).

The pension obligations to other related parties are included in trade payables and other liabilities, including pension benefits and a pension obligation (pensions in payment) to the widow of Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

Details of compensation and other payments to executive bodies are presented in note 37.

35 Earnings per share.

Earnings per share (undiluted earnings) are calculated by dividing the result for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares. As of March 31, 2018, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2016/17	2017/18
Result for the period attributable to equity holders of the company in EUR	43,609,880	28,680,062
Weighted average number of ordinary shares	13,000,000	13,000,000
Earnings per share (in EUR)	**3.35**	**2.21**

36 Events after the reporting period.

In mid-May 2018, Kapsch TrafficCom acquired another one percent share in Intelligent Mobility Solutions Ltd. in Zambia and now holds 51% in the company. Since there was no adjustment to the partnership agreement and the representation rights in the committees that direct the relevant activities, yet there is no control under IFRS 10 based on the current contracts and circumstances, and Intelligent Mobility Solutions continues to be accounted for as a joint venture. Therefore, no disclosures in accordance with IFRS 3 are made. Kapsch TrafficCom, however intends to gain control and thus to fully consolidate the entity in the future.

Kapsch TrafficCom was informed at the beginning of May 2018 that the Czech competition authority UOHS had stopped the tender for a nation-wide truck toll system in the Czech Republic. Kapsch TrafficCom operates the current toll system and will continue to fulfill its obligations. The existing toll contract will run until the end of 2019 at the latest.

37 Supplementary disclosures.

The average number of staff in the fiscal year 2017/18 was 4,267 salaried employees and 867 waged earners (2016/17: 4,012 salaried employees and 762 waged earners).

Expenses for the auditor.

The expenses for the auditor amount to TEUR 209 (2015/16: TEUR 234) and are broken down as follows:

	2016/17	2017/18
Audit of the consolidated financial statements	80	75
Other assurance services	112	67
Tax advisory services	0	0
Other services	42	67
Total	**234**	**209**

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

In the fiscal year 2017/18, the following persons served on the “Executive Board”:
Georg Kapsch (Chief Executive Officer)
André Laux
Alexander Lewald

The compensation paid to members of the Executive Board in fiscal year 2017/18 is shown below:

	Total 2016/17	Fixed 2017/18	Variable 2017/18	Total 2017/18
Georg Kapsch	1,060	668	467	1,135
André Laux	670	439	150	589
Alexander Lewald	444	381	150	531
Total	**2,175**	**1,488**	**767**	**2,255**

Expenses for severance payments for members of the Executive Board amount to TEUR 17 (previous year: TEUR 17).

Individual pension agreements were granted to André Laux and Alexander Lewald. Therefore in the fiscal year 2017/18 Kapsch TrafficCom AG paid TEUR 95 (2016/17: TEUR 108) to an external pension fund.

In the fiscal year 2017/18, the following persons served on the "Supervisory Board":
Franz Semmernegg (Chairman)
Kari Kapsch (Deputy-Chairman)
Sabine Kauper
Harald Sommerer

Delegated by the works council:

Christian Windisch
Martin Gartler

Remunerations paid to Supervisory Board members (including travel costs) and recognized as an expense amounted to TEUR 122 (2016/17: TEUR 122) in total.

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

Proposed appropriation of retained earnings.

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

38 Risk management.

The Group's activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group applies, in exceptional cases, hedge accounting according to 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 department of Kapsch TrafficCom AG. According to the Group's internal control system (ICS), the existing internal control processes relating to financial reporting are documented. Local Management is responsible for implementation, design and monitoring of the ICS in order to comply with group-wide guidelines and regulations. An ICS officer has been appointed who assists local Management. The main task is to standardize and continuously improve the ICS in the entire Kapsch TrafficCom, to monitor the compliance and effectiveness of controls and improve weaknesses, as well as to report regularly to the audit committee of the Supervisory Board. The internal audit verifies the reliability of the internal control system. The defined processes are based on COSO ERM (Enterprise Risk Management Framework of the Committee of Sponsoring Organizations of the Treadway Commission) and on ONR 49000/ISO 31000 Risk Management Systems, the regulations of the Austrian Standards Institute.

38.1 Foreign exchange risk.

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech crown, the Polish zloty, the Australian dollar, 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 respective 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 below stated currencies had increased/decreased by the percentage rate ('volatility') stated below (relating to current and non-current receivables and payables), as of March 31, 2018 (March 31, 2017), the result before tax, provided all other variables had remained unchanged, would have been higher (+) or lower (-), respectively, by the following amounts:

	Effect on equity in TEUR			
	2016/17		2017/18	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
AUD	-652	797	-650	795
CAD	-470	574	-57	70
CZK	-906	1,107	-1,112	1,359
EUR	10,936	-13,366	5,272	-6,444
GBP	39	-47	-298	364
PLN	-481	588	-1,180	1,442
SEK	-390	477	-344	421
USD	-5,822	7,115	-5,849	7,149
ZAR	-2,174	2,658	-2,277	2,783

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

	Effect on equity in TEUR			
	2016/17		2017/18	
Currency	Volatility +10%	Volatility -10%	Volatility +10%	Volatility -10%
NOK	-1,062	1,298	-969	1,184

38.2 Interest rate risk.

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

In the case of variable interest balance sheet items, the risk relates to the cash flow. With variable interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable interest (both current and non-current) financial liabilities account for almost half of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of March 31, 2018, this, as in the prior year, would not have had any material impact on the result of the Group.

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

38.3 Credit risk.

As part of the Group's risk management policy, the Group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the Group sells only to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Kapsch TrafficCom endeavors to reduce the risk of customer default as best as possible by obligatory credit checks before contract signing or, in the case of large projects, by additionally collateralising payments. Nevertheless, it can not be entirely ruled out that there will be individual payment defaults that would have a material negative impact on the earnings and liquidity development of Kapsch TrafficCom in the case of an event of default.

In the case of large toll collection projects, there is a credit risk essentially in the phase of the construction of the toll system. With the exception of the toll collection projects in Austria, America, the Czech Republic, South Africa and Poland (see note 21), there is no concentration of credit risk relating to trade receivables since the Group generally has a large number of customers worldwide. Based on the Group's experiences, the default risk for trade receivables can be considered low.

The maximum credit risk corresponds to book values:

in TEUR	2016/17	2017/18
Other non-current financial assets and investments	18,364	23,170
Other non-current assets	611	385
Current securities	3,638	2,804
Trade receivables and other current assets	261,935	254,394
Current income tax receivables	4,490	7,563
Cash and cash equivalents	211,299	181,835
	500,336	**470,151**

38.4 Liquidity risk.

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

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

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

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

Kapsch TrafficCom employs a risk-averse investment strategy. Liquid funds are held such that they are generally available in the short term and can therefore be used quickly whenever needed. When it comes to securities, conservative securities funds, which are actively d on an ongoing basis and include an appropriate share of bonds, are used as a rule for the coverage and hedging of pension obligations. In the event of international financial market turbulence, however, the financial investments made might still develop unfavorably or individual securities might even become untradeable. This might result in reductions in value and impairments, which in turn have a negative impact on the financial result and equity of Kapsch TrafficCom. Such a crisis also increases the default risk of individual issuers of securities or their customers. In addition, the Group might for strategic reasons acquire a direct interest in individual entities by purchasing shares. A sufficiently bad performance of these entities might also necessitate an impairment, which in turn leads to the mentioned negative impact on the financial result and equity.

38.5 Equity price risk.

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

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

		Effect on equity in TEUR	
ISIN	**Volatility**	**2016/17**	**2017/18**
NO0003103103	+10%	1,168	1,066
NO0003103103	-10%	-1,168	-1,066

38.6 Commodity price risk.

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

39 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. Kapsch Group's capital management strategy aims among other things to ensure that the group companies' capital resources comply with local requirements. Furthermore, the Group focuses on maintaining the gearing ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. As at March, 31 2018 these were complied with. Cash and cash equivalents as at March 31, 2018 remain high, which resulted in a net debit being recognized in the fiscal year 2017/18 and in the previous year.

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

in TEUR	**2016/17**	**2017/18**
Non-current financial liabilities	97,482	141,759
Current financial liabilities	97,902	26,675
Total financial liabilities	**195,384**	**168,434**
Cash on hand and at banks	211,299	181,835
Current securities	3,638	2,804
Net credit (+) / net debt (-)	**19,553**	**16,205**
Equity	227,306	229,930
Gearing	**n.a.**	**n.a.**

40 Accounting policies.

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

40.1 Fair value measurement.

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

To the greatest extent possible, the Group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of 3 levels in the following fair value-hierarchy:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

40.2 Borrowing costs.

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

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

In the fiscal year 2017/18, none of the assets recognized by the Group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

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

40.3 Property, plant and equipment.

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

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

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

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

40.4 Intangible assets.

40.4.1 Goodwill.

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

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

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

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

40.4.2 Concessions and rights.

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

40.4.3 Research and development costs.

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

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

Other development expenditures that do not meet these criteria are recognized as an expense. The costs for producing the intangible asset are capitalized as from the point in time when the above criteria are initially met. Development costs previously recognized as an expense cannot be subsequently capitalized. Capitalized development costs are amortized, as soon as they are available for use, using the straight-line method on the basis of the normal useful life, which generally ranges between 3 and 5 years.

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

40.5 Impairment of non-financial assets.

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

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

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

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

The difference between the recoverable amount of assets and their carrying value is reported as profit or loss in the operating result. For assets (other than goodwill) for which an impairment loss has been recognized in the past, a check is carried out on each subsequent balance sheet date to determine if any reversal of impairment is required. Profits are not reported as revenues.

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

40.6 Financial instruments.

Financial instruments include financial assets (such as securities, investments, loans, trade receivables, and cash and cash equivalents) as well as financial liabilities (such as bonds and loans, trade payables, 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 months, otherwise they are classified as non-current.

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

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

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

40.6.1 Securities and investments.

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

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

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

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

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

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

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

40.6.2 Other investments.

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

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

40.6.3 Derivative financial instruments.

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

Kapsch designates certain derivative financial instruments (swaps, forwards) as collateral against certain cash flow hedge risks associated with a recognized asset, liability or expected and highly probable forecast transaction. Derivatives are currently only used as hedges of cash flows from forecast transactions. There are currently no fair value hedges recognized.

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

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the cash flow hedge reserve are shown in note 13. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

In addition to that, the Group has stand-alone derivatives that are considered as held for trading financial instruments. They are therefore designated as financial instruments held for trading and measured at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive fair values at the balance sheet date are recognized under financial assets and negative fair values under financial liabilities. Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other operating income or other operating expenses or the financial result, depending on the derivative's purpose.

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

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

40.6.4 Loans and receivables.

Loans and receivables are classified as loans and receivables and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are amounts due from customers of goods sold or services provided in ordinary business dealings. Loans and receivables (e.g. trade receivables, other financial receivables) are initially recognized at fair value plus transaction costs and subsequently at amortized cost using the effective interest method, less allowance for bad debts.

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

40.6.5 Cash and cash equivalents.

Cash and cash equivalents fall into the category loans and receivables. Cash and cash equivalents, short-term bank deposits held at call and other bank balances are included in cash and cash equivalents in the presentation of the cash flow statement. Overdrafts are reported in the balance sheet under current financial liabilities.

40.6.6 Financial liabilities.

Financial liabilities fall into the category of loans and receivables and are non-derivative financial assets with fixed or determinable payments. They are initially recognized at fair value less transaction costs incurred and subsequently at amortized cost, taking into account the effective interest method. Financial liabilities with a remaining term of up to one year are reported as current liabilities; if the remaining term is longer, they are reported under non-current liabilities. Borrowing costs are recognized as an expense in the statement of comprehensive income on an accrual basis.

40.7 Leasing.

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

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

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

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

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

40.8 Government grants.

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

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

40.9 Inventories.

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

40.10 Construction contracts.

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

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

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

40.11 Provisions.

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

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

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

40.12 Employee benefits.

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

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

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

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

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

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

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

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

40.13 Current and deferred income tax.

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

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

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

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

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

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

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

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

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

40.14 Trade payables and other 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.

40.15 Contingent liabilities.

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

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

40.16 Revenue recognition.

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

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

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

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

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

40.17 Critical judgments in the application of accounting policies.

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

40.18 Segment information.

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

Authorized for issue:
Vienna, on June 4, 2018

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Alexander Lewald
Executive Board member

Auditor’s Report.

Report on the Consolidated Financial Statements.

We draw attention to the fact that the English translation of this auditor’s report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Audit Opinion.
We have audited the consolidated financial statements of Kapsch TrafficCom AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at March 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

Basis for Opinion.
We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU-Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

1. Impairment test of goodwill
2. Estimates and assumptions regarding the recognition of revenue from construction contracts

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

1 Impairment test of goodwill.

Description.
The consolidated financial statements contain goodwill in the amount of EUR 47,630k under the item intangible assets, of which TEUR 11,783 is allocated to the CGU ETC-Americas and TEUR 21,316 to the CGU ETC-EMEA. The Group carries out an impairment test at least once a year and additionally, if a triggering event occurs (impairment test in accordance with IAS 36).

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

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

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

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

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

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

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

Description.
The major part of the Group's revenue and earnings contribution reported during the fiscal year comes from the project business. Receivables from construction contracts as of March 31, 2018 amount to TEUR 76,966 and liabilities to TEUR 31,486. In the fiscal year 2017/18 revenue from constructions contracts was generated in the amount of TEUR 300,320.
The Group uses the percentage of completion method according to IAS 11 in accounting for its construction contracts, whereby the degree of completion is determined from the ratio of the costs already incurred to the estimated total costs for the respective contract. This requires an ongoing assessment and update of the contract costs and the risks from fulfilling the contracts, which may result from technical problems, time delays or problems with subcontractors or other external framework conditions and influence the contract margin.
Furthermore, damages or contractual penalties can arise from these contracts which have to be considered in the project valuation and require a risk assessment. The major projects of the Group usually are technologically complex individual contracts with specific terms of contract and therefore have to be assessed individually with regard to revenue recognition and project risks.
Due to the material impact of the major projects, in particular during the construction phase, on the Group's financial position and results of operations and the significant estimates involved in the accounting for these contracts, there is the risk that the project revenue, the Group result and the project-related balance sheet items contain a material misstatement.

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

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

The valuation methods and underlying assumptions for the valuation of construction contracts are appropriate. The disclosures required by the relevant standards are complete and appropriate.

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements.

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

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

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

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

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

Other Information.

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

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

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

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

We were appointed as statutory auditor at the ordinary general meeting dated September 6, 2017 and engaged by the supervisory board on February 22, 2018. We have audited the Group for an uninterrupted period since 2006.

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

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

Responsible Engagement Partner.

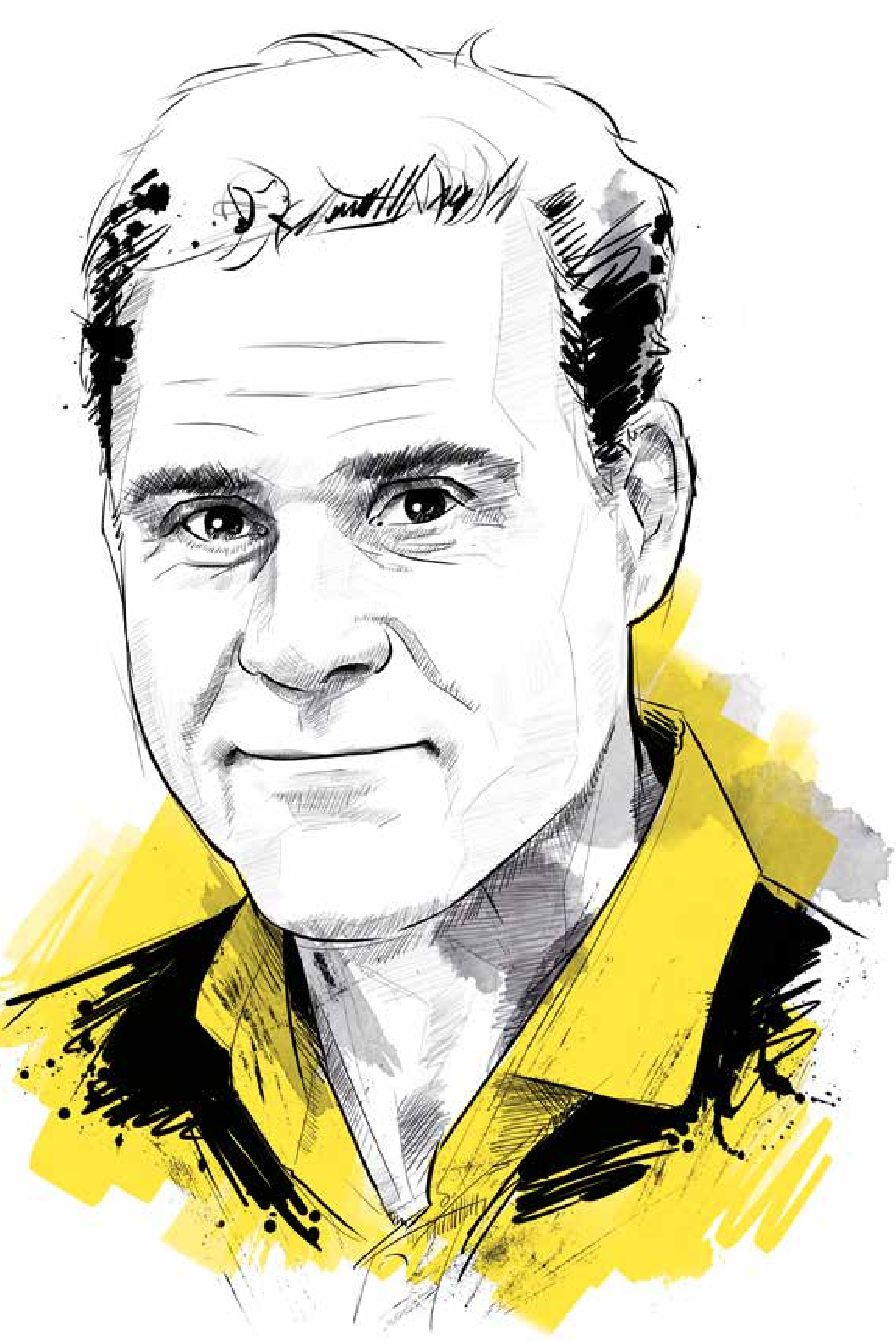
Responsible for the proper performance of the engagement is Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, June 4, 2018

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner
Austrian Certified Public Accountant



The challenge of Johan Nord.

Client: Øresundsbron
Solution: Multi-lane free-flow electronic tolling

On the Øresund Bridge, Kapsch has realized a new solution which is capable of free-flow tolling across all lanes at traffic speeds of up to 160km/h. A single-gantry solution is used which features stereoscopic vehicle detection and classification technology capable of highly accurate axle counts. Tolling is based on DSRC tag or ANPR technologies. Payment options include account and single-use with credit card, voucher and cash. Delivery took place on a brownfield site with daily movements of 20,000 vehicles and 200 trains remaining unaffected. Post go-live, Kapsch also provided a new point-of-sale system.

Glossary.

Americas	Region: North, Central and South America.
ACCG	Austrian Code of Corporate Governance.
ANPR	Automatic Number Plate Recognition.
APAC	Region: Asia-PACific.
B2B	Business-to-Business.
B2C	Business-to-Consumers.
BBBEE	Broad-Based Black Economic Empowerment, a program in South Africa giving certain previously disadvantaged groups economic privileges.
CGU	Cash-generating unit (according to IFRS) is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.
C-ITS	Cooperative-Intelligent Transportation System.
CO_2	Carbon dioxide.
CPI	Corruption Perception Index.
DSRC	Dedicated Short-Range Communications. Communication based on microwave technology.
DYNAC®	Traffic management system of Kapsch TrafficCom, primarily used on highways.
EBIT	Earnings Before Interest and Taxes.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
EcoTrafiX™	Traffic management platform of Kapsch TrafficCom designed primarily for urban requirements.
EETS	European Electronic Toll Service.
EMEA	Region: Europe, Middle East, Africa.
ERM	Enterprise Risk Management.
ERP	Enterprise Resource Planning.
ETC	Electronic Toll Collection, a reporting segment of Kapsch TrafficCom.
EU GDPR	General Data Protection Regulation of the European Union.

GNSS	Global Navigation Satellite Systems.
GRI	Global Reporting Initiative.
GSM-R	Global System for Mobile Communications – Rail.
HOT lanes	High-Occupancy Toll lanes, dedicated lanes on which drivers have to pay a fee which is based on current traffic conditions.
HOV lanes	High-Occupancy Vehicle lanes, dedicated lanes where the tariff depends on the number of vehicle occupants.
HSSEQ	Health, Safety, Security, Environment, Quality integrated management system for sustainability.
IASB	International Accounting Standards Board, an independent, private-sector body that develops and approves IFRS.
ICEP	Institute for Cooperation in Development Projects (GER: Institut zur Cooperation bei Entwicklungs-Projekten).
ICT	Information and communication technology.
IFRS	International Financial Reporting Standards.
IMS	Intelligent Mobility Solutions, a reporting segment of Kapsch TrafficCom encompassing: traffic management, safety and security, connected vehicles, smart parking and intermodal mobility.
IP	Intellectual Property.
IPR	Intellectual Property Rights.
ISO	International Organization for Standardization.
ITS	Intelligent Transportation Systems.
KTT	Kapsch TrafficCom Transportation, the transportation business acquired from Schneider Electric in 2016.
MaaS	Mobility as a Service.
MLFF	Multi-Lane Free-Flow.
n.a.	not applicable.

OBU	On-board unit, an electronic device readable and writeable via wireless communication. The OBU can identify a vehicle and serve as a means of payment or as a data memory.
OECD	Organisation for Economic Co-operation and Development
OHSAS 18001	Occupational Health and Safety Assessment Series.
PA-System	Public Address System, an electronic sound amplification and distribution system used to allow a person to speak to a large public.
R&D	Research and development.
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals.
RFID	Radio Frequency IDentification.
V2I	Vehicle-to-Infrastructure, communication between vehicles and dedicated infrastructure.
V2V	Vehicle-to-Vehicle, communication between vehicles.
V2X	Vehicle-to-X, communication between vehicles and infrastructure.
VÖNIX	VBV Österreichischer Nachhaltigkeitsindex, a stock index comprising listed Austrian companies that play a leading role in terms of their social and environmental performance.

Financial calendar.

June 18, 2018	Results FY 2017/18
August 23, 2018	Results Q1 2018/19
August 27, 2018	Record Date: Annual General Meeting
September 6, 2018	Annual General Meeting
September 10, 2018	Dividend Ex Date
September 11, 2018	Dividend Record Date
September 13, 2018	Dividend Payment Date
November 21, 2018	Results H1 2018/19
February 21, 2019	Results Q1-Q3 2018/19

Contact details for investors.

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

The paper used for this annual report comes from a FSC-certified (MixCredit) production. Due to the ISO environmental certification of the entire operation of the supplier all print productions are produced according to the requirements for environmental and resource-saving sustainable manufacturing processes.

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

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

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

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Kapsch TrafficCom

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

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

>>> www.kapsch.net

Kapsch TrafficCom AG | Am Europlatz 2 | 1120 Vienna | Austria | www.kapschtraffic.com
Press Contact | Alf Netek | Phone +43 50 811 1700 | Fax +43 50 811 99 1700 | alf.netek@kapsch.net
Investor Contact | Hans Lang | Phone +43 50 811 1122 | Fax +43 50 811 99 1122 | ir.kapschtraffic@kapsch.net