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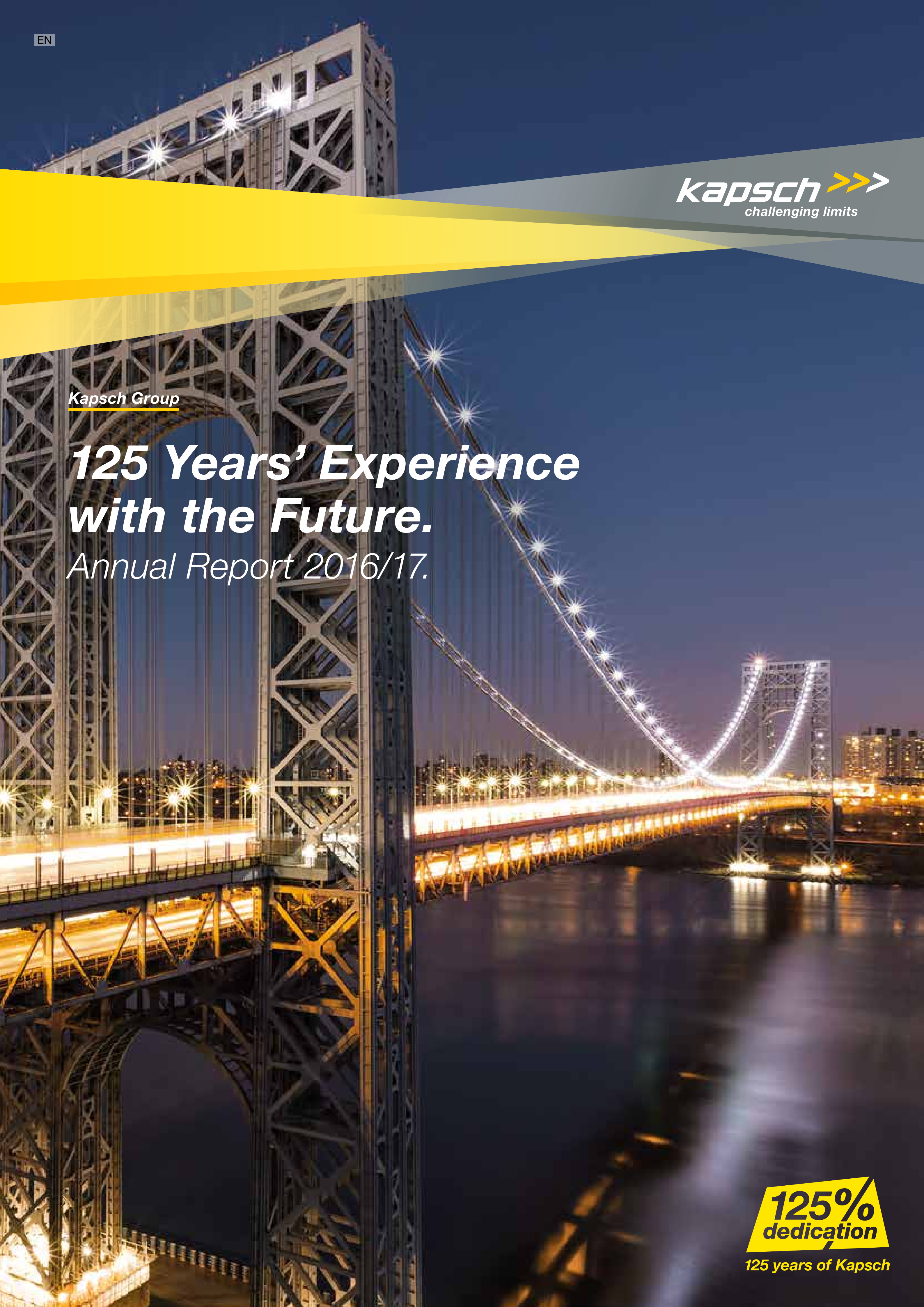

kapsch
challenging limits

Kapsch Group

125 Years' Experience with the Future.

Annual Report 2016/17.

125% dedication

125 years of Kapsch

Overview.

Fiscal Year 2016/17.

Highlights of the Fiscal Year from 1 April 2016 to 31 March 2017.

> **Kapsch Group.**
Commercial success. After seeing revenues break through the historic barrier of one billion euro last year, they increased further in this fiscal year. Consolidated revenues amounted to EUR 1,111.2 million in the fiscal year 2016/17.

> **Kapsch TrafficCom.**
Acquisitions with strategic relevance. The subsidiary Kapsch TrafficCom Transportation adds strength to the intelligent mobility solutions segment, which was created from the global transportation division acquired from Schneider Electric as of April 1, 2016. Furthermore, the remaining 48% in Kapsch Telematic Services (Czech Republic), 65% in tolltickets (Germany), and 75.5% in Fluidtime (Austria) were acquired.

Significant sales success in the USA. In the USA, we were commissioned to modernize the integrated traffic management system at the Highway Operations Center of the Massachusetts Department of Transportation. The contract will run for four years. We were also awarded the contract to renew the toll collection system for all bridges and tunnels operated by the Port Authority of New York and New Jersey (PANYNJ).

> **Kapsch PublicTransportCom.**
Mobile ticketing. In a joint effort, Kapsch TrafficCom, Kapsch CarrierCom and Kapsch PublicTransportCom have developed a Mobile Ticketing System (MTS) for the Metropolitan Atlanta Rapid Transit Authority (MARTA), making it possible for travelers to order, purchase, and electronically validate tickets via a mobile app or a mobile website. It gives users access to 38 train stations, 565 bus lines and 210 transit buses in the Greater Atlanta metropolitan area.

> **Kapsch CarrierCom.**
New railway technologies. The successful transition to a future wireless standard is one of the biggest challenges for railway operators. Kapsch CarrierCom has implemented 15+ core networks worldwide for leading train operators like Network Rail in the United Kingdom, SNCF Réseau/SYNERAIL in France as well as the German National Railways. Kapsch CarrierCom guarantees support, tailored to customer needs, for these railway-specific networks until 2035 and beyond.

Innovative telecoms. Telekom Srbija has commissioned Kapsch CarrierCom to implement and support the ariesoGEO performance application, developed by Viavi Solutions. It brings unified visibility and customer-centric, geo-location intelligence across the entire network. It also makes it possible to optimize network planning and performance. Kapsch CarrierCom holds SDN/NFV workshops for major European operators.

> **Kapsch BusinessCom.**
Largest outsourcing contract in the history of Kapsch BusinessCom. Kapsch BusinessCom became the new ICT partner of ORF, delivering quality and reliable IT services for the areas of workplace, applications, business solutions and broadcast IT. What this means specifically is managing the entire workflow chain including end user services and workplace services for around 8,000 end devices.

Internet of everything. Together with Microtronics and the ORF subsidiary ORS, Kapsch BusinessCom set up the first LoRa™ network in Austria. The new radio technology offers an efficient and cost-effective way of integrating devices and sensors into communication networks, thereby making a major contribution to the process of digitization in Austria.

Kapsch Group.

Annual Report 2016/17.

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

Disclaimer

Imprint

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Picture credits

Contents.

Management Report

Consolidated Financial Statements

Selected Key Financial Data.

Earnings figures		2014/15	2015/16	2016/17	+/-
Revenues	in million EUR	908.8	1,046.8	1,111.2	6.2 %
EBITDA	in million EUR	77.4	102.3	68.1	-33.4 %
EBITDA margin	in %	8.5	9.8	6.1	-3.6 %p
EBIT adjusted [1]	in million EUR	43.5	72.3	59.7	-17.4 %
EBIT margin adjusted [1]	in %	4.8	6.9	5.4	-1.5 %p
EBIT	in million EUR	6.6	72.3	20.1	-72.1 %
EBIT margin	in %	0.7	6.9	1.8	-5.1 %p
Profit before tax	in million EUR	-12.8	59.7	19.3	-67.6 %
Profit after tax	in million EUR	-20.8	39.4	4.4	-88.9 %
Free cash flow	in million EUR	41.6	100.1	25.6	-74.4 %
Research & development	in million EUR	88.2	98.2	125.0	27.4 %
Employees	as of 31 March	5,734	5,838	6,868	17.6 %

Statement of financial position figures		March 31, 2015	March 31, 2016	March 31, 2017	+/-
Total assets	in million EUR	943.7	942.3	1,058.1	12.3 %
Total equity	in million EUR	290.4	304.3	264.0	-13.2 %
Equity ratio	in %	30.8	32.3	25.0	-7.3 %p
Return on equity	in %	2.3	23.7	7.6	-16.1 %p
Financial liabilities	in million EUR	266.4	229.2	342.7	49.5 %
Net debt (-)/assets (+)	in million EUR	-156.6	-77.5	-107.5	-38.7 %
Gearing	in %	53.9	25.5	40.7	15.2 %p
Capital employed	in million EUR	556.8	533.5	606.7	13.7 %
Net working capital	in million EUR	376.1	371.2	437.7	17.9 %

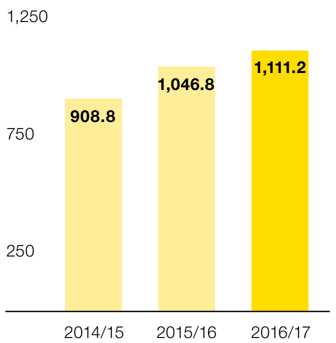
Business segments		2014/15		2015/16		2016/17		+/-
Traffic								
Revenues (share in revenues)	in million EUR	456.4	(50 %)	526.1	(50 %)	648.5	(58 %)	23.3 %
EBIT (EBIT margin)	in million EUR	32.7	(7 %)	62.3	(12 %)	60.1	(9 %)	-3.6 %
Employees (share in group)	as of 31 March	3,545	(62 %)	3,716	(64 %)	4,823	(70 %)	29.8 %
Carrier								
Revenues (share in revenues)	in million EUR	190.6	(21 %)	233.1	(22 %)	179.3	(16 %)	-23.1 %
EBIT (EBIT margin)	in million EUR	-7.3	(-4 %)	0.7	(0 %)	-48.9	(-27 %)	—
Employees (share in group)	as of 31 March	805	(14 %)	802	(14 %)	735	(11 %)	-8.4 %
Enterprise								
Revenues (share in revenues)	in million EUR	301.9	(33 %)	322.0	(31 %)	317.0	(29 %)	-1.5 %
EBIT (EBIT margin)	in million EUR	1.9	(1 %)	6.0	(2 %)	6.9	(2 %)	14.3 %
Employees (share in group)	as of 31 March	1,273	(22 %)	1,210	(21 %)	1,201	(17 %)	-0.7 %

Regions		2014/15		2015/16		2016/17		+/-
Revenues (share in revenues)								
Austria	in million EUR	276.4	(30 %)	294.6	(28 %)	296.7	(27 %)	0.7 %
Central and Eastern Europe	in million EUR	299.5	(33 %)	377.1	(36 %)	270.6	(24 %)	-28.2 %
Western Europe	in million EUR	127.7	(14 %)	135.9	(13 %)	204.2	(18 %)	50.3 %
Americas	in million EUR	93.4	(10 %)	119.3	(11 %)	197.6	(18 %)	65.7 %
Rest of the World	in million EUR	111.8	(12 %)	119.9	(11 %)	141.9	(13 %)	18.4 %
Employees (share in group)								
Austria	as of 31 March	2,042	(36 %)	1,926	(33 %)	2,009	(29 %)	4.3 %
Central and Eastern Europe	as of 31 March	1,122	(20 %)	1,332	(23 %)	1,233	(18 %)	-7.4 %
Western Europe	as of 31 March	529	(9 %)	523	(9 %)	987	(14 %)	88.7 %
Americas	as of 31 March	553	(10 %)	585	(10 %)	1,095	(16 %)	87.2 %
Rest of the World	as of 31 March	1,488	(26 %)	1,472	(25 %)	1,544	(22 %)	4.9 %

[1] Complies with the operating result excluding impairment (EUR 16.9 million) and other one-off effects (EUR 22.8 million) in the segment Carrier.

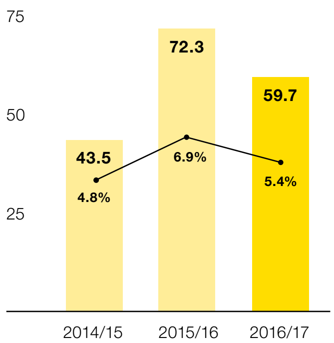
2016/17 (Fiscal Year 2016/17): April 1, 2016 – March 31, 2017
Unless otherwise stated, all values in EUR million.

Revenues



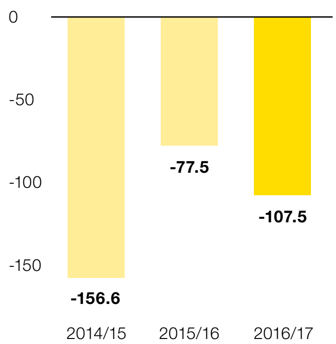
The record turnover of the previous year increased to EUR 1,111.2 million in 2016/17 (+6.2%).

EBIT adjusted and EBIT margin (adjusted)



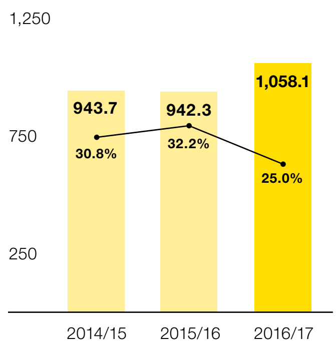
The operating result (EBIT) adjusted for one-time effects was EUR 12.6 million or 17% below the previous year (EUR 72.3 million) at EUR 59.7 million.

Net debt



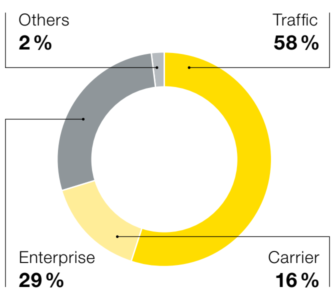
Net debt fell by EUR 30.0 million or 39% year-on-year to EUR 107.5 million.

Total assets and equity ratio



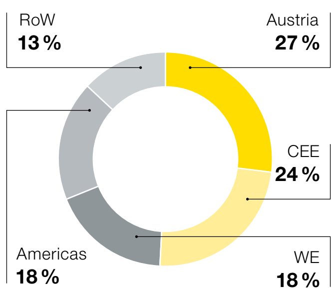
As at March 31, 2017, the balance sheet total for the first time exceeded € 1 billion – mainly due to acquisitions and the refinancing of the corporate bond in the segment Traffic.

Revenues by segment



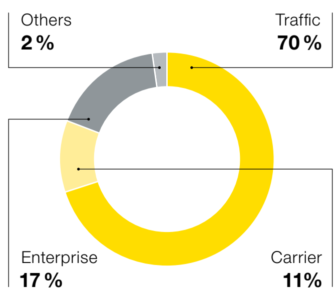
The segment Traffic is already contributing more than half to the Group's sales through acquisitions-driven revenue growth.

Revenues by region



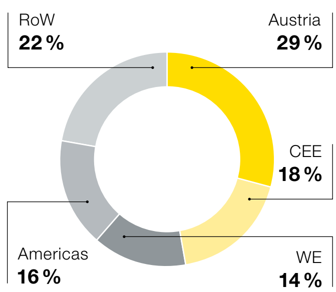
In the fiscal year 2016/17, Kapsch Group also confirms the international diversity through an even regional distribution of sales.

Employees as of March 31, 2017 by segment



Due to acquisitions, the number of employees in the segment Traffic rose significantly by 18% to 6,868.

Employees as of March 31, 2017 by region



Although most of the employees are still employed in Austria, the distribution of employees also reflects regional diversity.

Letter from the Management.

Dear readers,

125 years' experience with the future.

This year is a very special one for Kapsch Group: We will celebrate the company's 125th anniversary. As part of commemorating this anniversary, we will look back at an eventful past and look ahead to an exciting future.

125 years of Kapsch means "125 years' experience with the future". What do we mean by this? Since 1892, we, as a company, have been committed to innovation and a technologically pioneering spirit. This company has been subject to permanent change over the course of its history, always giving just that little bit more – more than some competitors, more than required by the market and more than what was expected of us. From its beginnings as a precision mechanics workshop for Morse and telegraph equipment in Vienna in 1892, to the development and widespread use of the radio, telephone and television, the implementation of the world's first electronic toll collection system, to the modern mobility, communications and digitization solutions of today. The company has always asked questions, made adjustments and re-invented itself – challenged by changes in markets and been driven by its own entrepreneurial and innovative spirit.

Technology is advancing today at a pace that is faster than ever. The need for constant change more pressing and more evident than ever. Digitization now affects almost every aspect of life, including areas that have a direct impact on Kapsch as a company – both when creating and adding value. It is our aim to help shape these changes, now and in the future. In doing so, not only do we question and improve our products and services but also our position and responsibility as an employer and a member of society.

"Technological progress was never, and has never been, just an end in itself for Kapsch, as it always focuses on people."

Georg Kapsch, CEO

After all, our continued success over the past 125 years is thanks to the fact that we have never seen technology and progress as ends in themselves. We work on commercially solutions that benefit our customer, as our technical developments are always focused on the needs of users. This is the only way we can create added value – today and in the future, commercially and for society.

However, we can only ultimately achieve this added value through the expertise and dedication of our staff. This is particularly the case in the technology sector, where we are reliant on finding and keeping the brightest minds. Consequently, great importance is attached to investing in the training of our employees at Kapsch. Kapsch Group employed a total of 6,868 employees in the prior fiscal year, representing an increase of over 1,000 new employees over the prior year as a result of acquisitions and project work, demonstrating complete faith in the prospect of sustainable growth. In order to remain an innovative partner to our customers in the future, we are working to safeguard our established position, investing EUR 125.0 million in research and development in the fiscal year 2016/17. This represents a new record level of investment and is intended to guarantee the long-term growth of the Group.

Solid structure despite negative one-time effects.

Commercial success. After breaking through the historic barrier of one billion euro last year, revenues increased further in this fiscal year. Consolidated revenues amounted to EUR 1,111.2 million in the fiscal year 2016/17. EBIT of EUR 20.1 million were generated. This relatively low degree of profitability is due, on the one hand, to project-related one-time effects in the segment Carrier caused by restructuring measures and, on the other, to unscheduled write-downs and impairment charges in the new public transport business, which contributed to this result. Management has already taken strategic decisions and converted these into operational measures aimed at safeguarding profitability and sustainable growth. Kapsch Group continues to enjoy a solid balance sheet structure. Although the equity ratio fell from 32.3% to nearly 25% as a result of dividend payments made, acquisitions to be recognized in equity and an increase in total assets due to necessary additions to the cash reserves, it is our aim to raise this again to above 30 percent in the coming fiscal year. Overall, the balance sheet is very healthy irrespective of these one-time effects.

In the fiscal year 2016/17, **Kapsch TrafficCom** generated revenues of EUR 648.5 million, surpassing the EUR 600 million mark for the first time. This division worked intensively to implement the 2020 strategy program defined in 2015, enabling it to boost revenues in the intelligent mobility solutions (IMS) and electronic toll collection (ETC) segments. A particularly pleasing fact is that revenues actually increased more than two-fold in the strategically important segment IMS, thereby contributing over 25% to total revenues. The main driver of this development was the first-time consolidation of Kapsch TrafficCom Transportation, the global transportation division acquired from Schneider Electric as per April 1, 2016, contributing revenues of EUR 112.8 million (of which ETC: EUR 21.8 million; IMS: EUR 91.0 million). Key projects such as those in the USA, Central and Eastern Europe, and Australia broaden both the portfolio and the income structure. Based on this solid good performance and future perspectives, the Executive Board will, as in the prior year, propose making a dividend payment to the shareholders of Kapsch TrafficCom.

In the past fiscal year, the **Kapsch CarrierCom Group** posted lower segment revenues of EUR 179.3 million, down EUR 53.8 million or 23%, returning to a level similar to the fiscal year 2014/15. As already highlighted, this decline is attributable to operational one-time effects and unscheduled write-downs relating to intangible assets associated with capitalized development costs. All the causes of these one-time effects remain under close observation by Management. By the same token, the Executive Board of Kapsch Group also monitors how synergies are sought and harnessed. Breaking revenue down by technological segments reveals very different developments. Revenues in the segment Carrier actually increased, while at the same time falling substantially in the mission-critical networks segment.

Revenues in the segment Public Transport remained virtually unchanged over the prior year, and the segment was carved out to form a separate part of Kapsch Group as of December 1, 2016, being given the name **Kapsch PublicTransportCom.** This represents our clear belief that public transport is a growing market. The change provides us with a more focused and dynamic structure and is intended to help us handle transmodal synergy effects in the urban mobility segment with Kapsch TrafficCom in a more targeted fashion. Kapsch PublicTransportCom is a wholly-owned subsidiary of Kapsch Group, meaning that it operates at the same organizational level as Kapsch TrafficCom, Kapsch BusinessCom, and Kapsch CarrierCom.

The **Kapsch BusinessCom Group** had a very successful fiscal year 2016/17, with revenues of EUR 317.0 million. Segment revenues declined by EUR 5 million or 2% in the past fiscal year, due primarily to lower revenues in the CEE region and leaving the market in Poland. Market share in Austria increased, meaning that another new record high was achieved. Despite the slight decline in revenues, the segment Enterprise also saw an improvement in its result in the past fiscal year, with EBIT rising to EUR 6.9 million (EUR +0.9 million or +14%). These positive results stemmed from the segment's successful realignment and the sale of the Polish subsidiary, which was responsible for making negative contributions to the result in the past. Kapsch BusinessCom has over 17,000 customers – including OMV, Allianz, ORF, Erste Bank, Vodafone and ÖBB – providing these with local and global support in around 40 countries. As part of this strategic alignment, its position as a sought-after service partner in Austria and Central and Eastern Europe expanded again during the year under review. It was also possible to acquire many other successful operations projects.

Responsibility vis-à-vis society and the environment. In times of considerable political and social challenges at both national and European levels, Kapsch Group is very aware of its particular responsibility to its surroundings. We have been supporting selected social projects and initiatives for a number of years now. A particular focus of ours is on supporting (international) art and cultural institutions. It is our intention here to break down barriers, promote new perspectives and ways of thinking, and to encourage social and cultural dialog. We are bound to our origins and history, while at the same always looking to the future and at an ever-changing world. Knowing that long-term commercial success is only possible when taking into account social and environmental aspects, Kapsch Group works hard to improve its key performance indicators here.

Outlook. In the coming fiscal year 2017/18, we are optimistic regarding trends and developments in the markets of Kapsch Group and expect to continue following the current growth trajectory into another successful year thanks to the strategies pursued in the individual divisions and the sound balance sheet structure. Overall, we anticipate being able, at the very least, to maintain the high revenue level. The Group and its Management will continue to focus its attention on optimizing efficiency, meaning that considerable improvements in earnings may be expected – including in the segments Public Transport and Carrier. In all segments, Kapsch Group will continue to implement its strategy of expanding its market position through targeted acquisitions in existing and related business segments. In addition to this, Kapsch Group will also take selective action to optimize individual companies and to increase the number of synergies harnessed.

We would like to take this opportunity to thank our customers and business partners for the trust they have placed in us and for their collaboration. We would like to thank our employees for their high level of commitment, creativity and willingness to perform. Let us continue working together to move Kapsch Group forward and gain further experience with the future – as 125 years are nowhere near enough.

Georg Kapsch Chief Executive Officer	Kari Kapsch Chief Operating Officer	Franz Semmernegg Chief Financial Officer

Anniversary Letter by the Kapsch Family.

Dear Reader,

When Johann Kapsch, our great-grandfather, founded a precision mechanics workshop 125 years ago, even he could not have conceived of the internationally successful company it has since become. Nevertheless, a basic underlying belief existed from the very beginning.

Since the company's founding in 1892, Kapsch has been dedicated to its role as an innovator and technological pioneer. From the production of the first portable transistor radio and participation in the digitalization of the Austrian telephone system to the setting up of comprehensive, multi-lane toll collection systems: Kapsch was, and has always been, that all-important step ahead when it comes to technological milestones in communication, employing technological developments efficiently and responsibly in the service of our customers. We recognize and appreciate technology as an instrument for opening up possibilities and doing some things even better.

Anniversary edition of the Kapsch Group Annual Report. Since its inception, Kapsch has stood for continuity, innovation and responsibility vis-à-vis its stakeholders. This Annual Report shows what this means for the 125 years of company history. In addition to current developments in the fiscal year 2016/17, 125 historical milestones are also presented. Although the current figures, projects, and successes are not directly connected to the selected historical achievements, they do show what our commitment to innovation paired with sustainable management is capable of achieving over the long term.

We present historical developments and innovations, show curiosities and blockbusters, grant unusual insights, and also provide current outlooks. As such, this special Annual Report commemorating our anniversary combines the past, present, and future. These experiences have shaped and strengthened our pioneering spirit, demonstrating how we have gathered experience with the future over 125 years.

Georg Kapsch

Kari Kapsch

Elisabeth Kapsch

Proud of the past.
Ready for the future.

1892

The foundation of Kapsch

On the occasion of this year's anniversary, we present on the following pages 125 milestones of 125 years of Kapsch. Johann Kapsch founds a precision workshop in Vienna – manufacturing Morse telegraph devices and telephones.

Corporate Profile.

About Kapsch Group.

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

A precision-mechanics workshop was founded in Vienna 125 years ago by Johann Kapsch for manufacturing telegraph appliances and telephones, thereby laying the foundations in 1892 for the modern-day Kapsch corporation. Despite all the historical turmoil and challenges, Kapsch has regularly played a pioneering role in the development and establishment of new technologies, including radio, TV and telephony, mobile and train communications. Today, Kapsch Group is a global technology group with four strong business segments.

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

Page 21: Information about investment in research and development.

The name Kapsch stands for innovative power, a pioneering spirit and customer orientation. The company has invested heavily in research and development for years in order to bring new technologies to the market to the benefit of customers and users. More than 11 % of revenues were committed to this in the fiscal year 2016/17. Kapsch makes a key contribution to shaping a mobile and interconnected world in a responsible and sustainable manner.

The group of companies based in Vienna has around 100 subsidiaries and representative offices around the world. Kapsch Group is active across almost all of Europe, with key growth markets also being located in Asia, Australia and America. At the end of the fiscal year 2016/17, Kapsch Group had 6,868 employees.

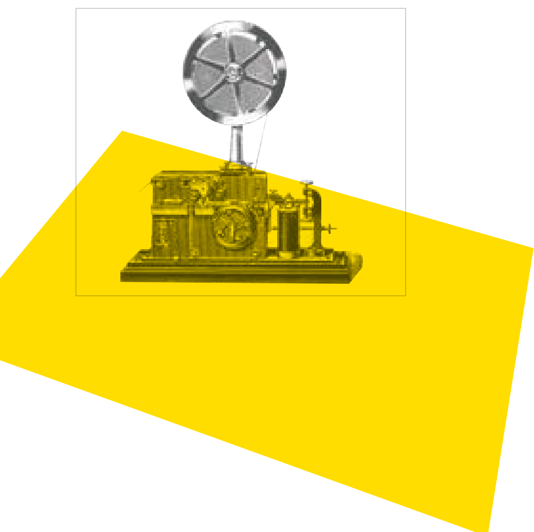
The Group's parent company is KAPSCH-Group Beteiligungs GmbH, Vienna, which is wholly owned by DATAX HandelsgmbH. The shares in this company are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private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

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

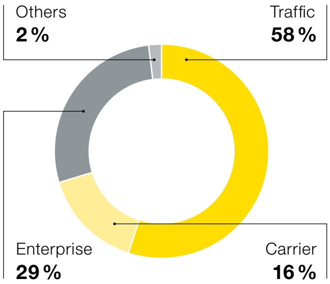
1910

Telegraph writer

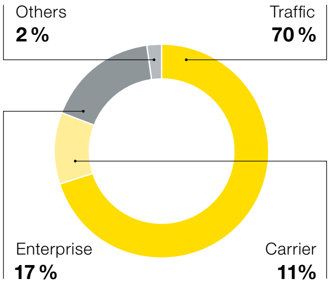
In its early years, Kapsch manufactures telegraph stations: A morse key as the sender and a telegraph as the recipient plus peripheral devices.



Revenues by business segment



Empoyees as of March 31, 2017 by business segment



Kapsch TrafficCom is a provider of intelligent transportation systems in the fields of road user charging, traffic management, smart urban mobility, traffic safety and security, and connected cars. 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. For more information about Kapsch TrafficCom, please refer to page 28 of this report.

Kapsch PublicTransportCom is an international producer and supplier of intelligent infrastructure solutions for public transport operators and transportation agencies. The company's portfolio comprises solutions and relevant services for Intermodal Transport Control Systems (ITCS), Automatic Fare Collection (AFC), electronic and mobile ticketing systems as well as Real-Time Passenger Information (RTPI). Kapsch PublicTransportCom is an expert for cloud-based, end-to-end network solutions for smart infrastructure such as control and administration systems for public transport by rail and road. Objectives of the solutions are, amongst others, to lower energy expenditure as well as increasing operational efficiency. For more information about Kapsch PublicTransportCom, please refer to page 30 of this report.

Kapsch CarrierCom is an established global producer, supplier and systems integrator of end-to-end telecommunications solutions. The company is pursuing the mission to shape the path for railway operators and carrier networks as well as for public authorities, public transport operators and airports to leverage technologies for their specific and often mission-critical communication demands. Its portfolio comprises innovative, business and mission-critical products, solutions and services, based on in-house research and development, completed with the portfolio of selected strategic partners. The expertise of Kapsch CarrierCom covers, amongst others, solutions for the next generation of mission-critical communication, digitization of railways, and virtualization in the communication domain. For more information about Kapsch CarrierCom, please refer to page 31 of this report.

Kapsch BusinessCom supports companies in taking their business performance to the next level and developing new business models. As a distinguished partner in digitization, the company operates as a consultant, system supplier, and service provider. Kapsch BusinessCom is the ideal partner for keeping abreast of rapidly evolving digital technologies thanks to its widespread expertise in handling large quantities of data and matters of security, in addition to the valuable experience gained from successful implementation of a variety of use cases across numerous industries. The company's comprehensive portfolio in Austria and the CEE countries includes technology solutions for intelligent and – most importantly – secure ICT infrastructure along with smart building technology, media and security technology, and outsourcing services. Kapsch pursues a strategy of manufacturer independence, cooperates with leading global providers such as Cisco, Hewlett Packard Enterprise, and Microsoft, and participates in a wide network of research partners and industry-specific solution providers ranging from startups to major corporations. Kapsch BusinessCom services more than 17,000 customers both locally and globally, including Allianz, Erste Bank, ÖBB, OMV, ORF, and Vodafone. For more information about Kapsch BusinessCom, please refer to page 32 of this report.

1910

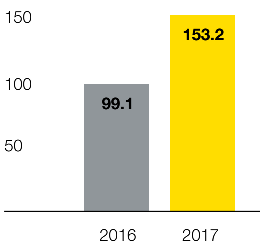
Early telephone

To make a call, the crank of this telephone has to be turned. It causes an inductor to move which generates electricity.

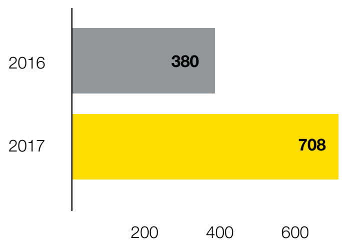
Global Presence.

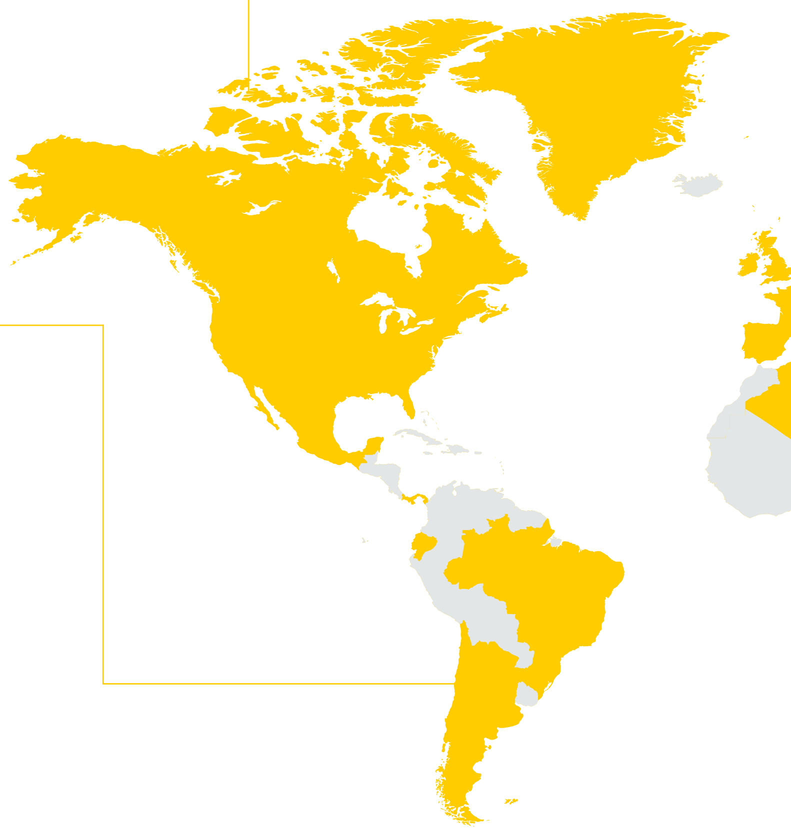
North America

Revenues (in million EUR)



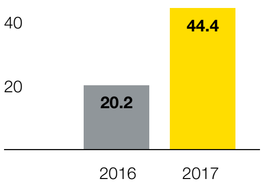
Employees



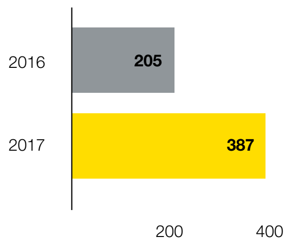


Central and South America

Revenues (in million EUR)

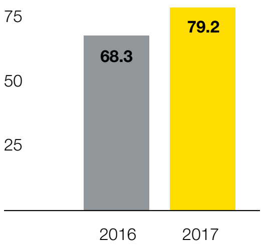


Employees

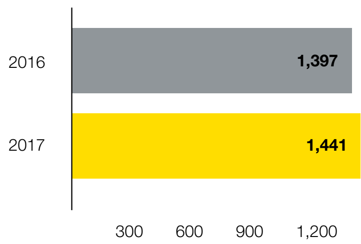


Africa

Revenues (in million EUR)

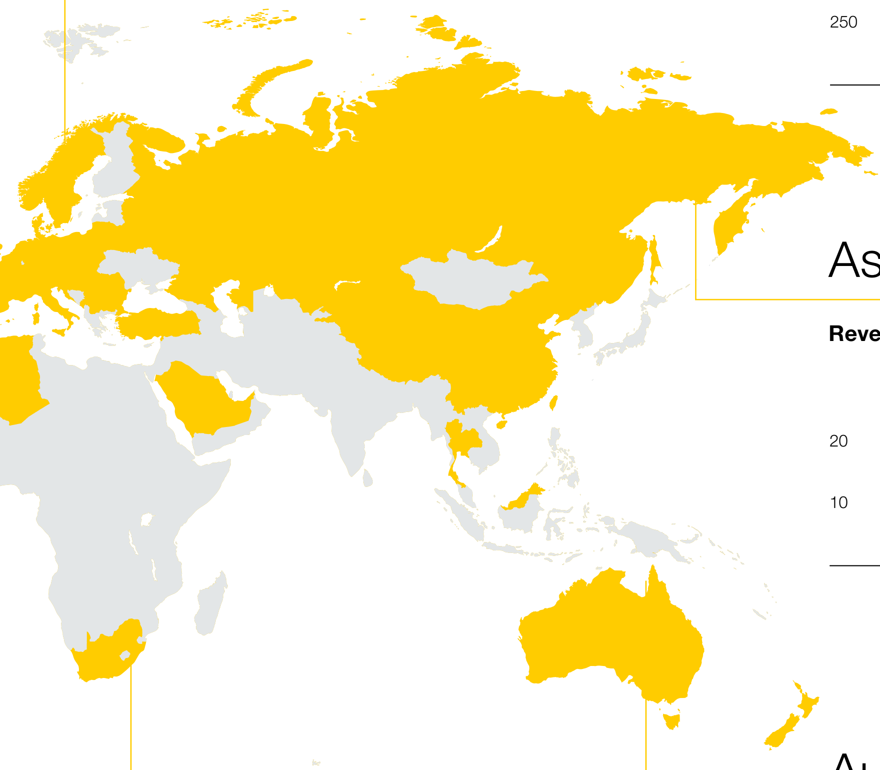


Employees



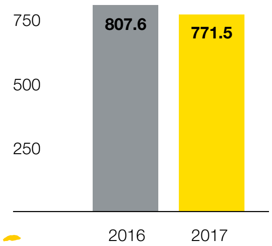
Branch offices and subsidiaries of Kapsch Group

- Algeria
- Argentina
- Australia
- Austria
- Belarus
- Belgium
- Brazil
- Bulgaria
- Canada
- Chile
- Croatia
- Czech Republic
- Denmark
- Ecuador
- France
- Germany
- Hungary
- Ireland
- Italy
- Kazakhstan
- Kyrgyzstan
- Lithuania
- Macedonia
- Malaysia
- Mexico
- Netherlands

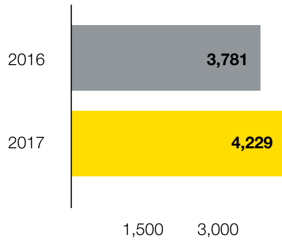


Europe

Revenues (in million EUR)

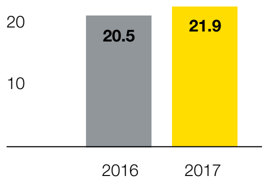


Employees

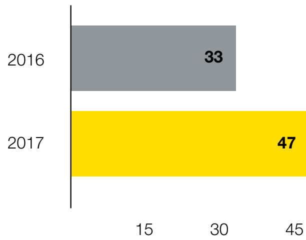


Asia

Revenues (in million EUR)

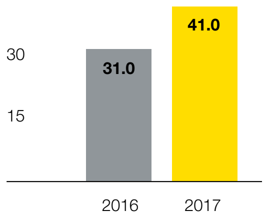


Employees

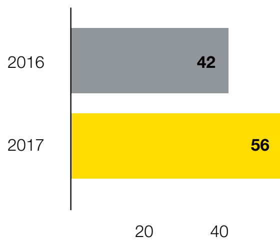


Australia

Revenues (in million EUR)



Employees



- New Zealand
- Norway
- Panama
- People's Republic of China
- Poland
- Portugal
- Romania
- Russia
- Saudi Arabia
- Serbia
- Sweden
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
- Switzerland
- Taiwan
- Thailand
- Turkey
- United Arab Emirates
- United Kingdom
- USA

Vision.

Kapsch. challenging limits.

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

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

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

Because we have been a trendsetter, visionary and pioneer for 125 years, we are: Kapsch. challenging limits.

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

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

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

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

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

Through this customer orientation, our responsible actions and the willingness to progress and change, we strive to push back and redefine the boundaries of what is possible – to the benefit of our customers, partners and investors and in the interests of our employees, society and the environment. This is the focus of our dedicated 6,868 employees in the some 100 companies of Kapsch Group spread across six continents.

1910

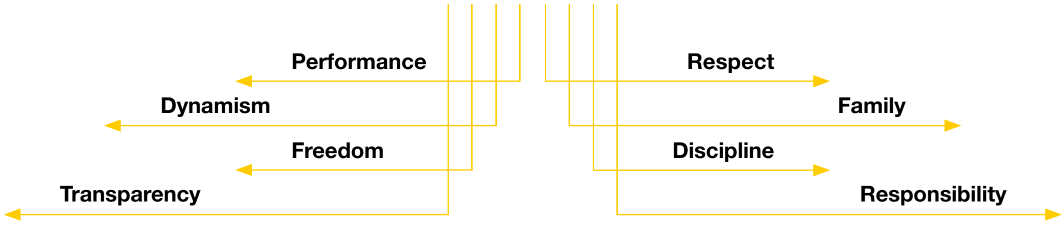
Underwater telephone

By installing an underwater telephone, Kapsch offers a complete telephone connection between divers and the team above water.

Mission.

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

Our Values.



Creating and appreciating values.

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

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

1910

Rainproof alarm clock

The rainproof alarm clock can be placed outdoors as the electrical and mechanical components are protected by the bell's shell.

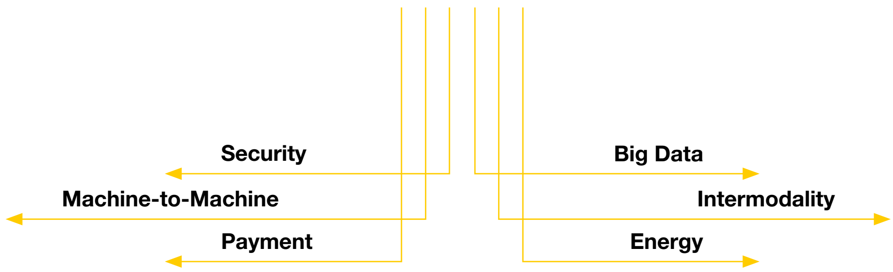
Strategy.

Shaping the future.

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

Kapsch Group is active in a highly dynamic environment that offers new challenges, application possibilities and development fields on an ongoing basis. The aim here is to actively address technological changes at an early stage to the benefit of customers and to reflect these in the portfolio of services. Corporate vision is just as essential here as investments in research and development, as well as in the training of personnel. The current trends in the individual business segments are explained in detail in the Management Report. The following chart provides a summary of the associated strategic fields of activity.

Strategic Fields.



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

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

Energy. The European energy sector is currently facing a fundamental transition. With the growing importance of renewable energies and the need to improve energy efficiency, intelligent solutions are called for. Kapsch CarrierCom offers CDMA (code division multiple access) solutions for smart metering and smart grid control, while Kapsch PublicTransportCom provides TETRA (terrestrial trunked radio) technology for reliable language solutions.

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

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

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

1913

New factory building (Werk I)

In 1912 and 1913, a modern factory building appears in Vienna’s Meidling district at the corner of Johann-Hoffmann-Platz and Wittmayergasse. This first company-owned factory on its own land, with its large, bright rooms, allows a more logical organization of the production process. The architect in charge is Ernst Epstein (1881–1938), who also designed many other residential and industrial buildings in Vienna during this period.

Page 40: Please refer to the Management Report for information about the business environment and current trends in the business segments.

Our Principles and Objectives.

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

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

Commercial success. In order to ensure the continuation of the company's 125-year history, the key is to ensure the earning power and profitability of Kapsch Group. These two aspects form the foundation of our future success and the preconditions for being able to live up to our responsibility to employees and society.

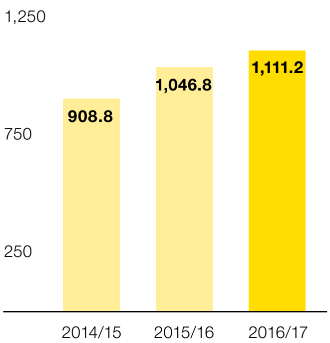
We measure the success of our company on the basis of the development of revenues and the EBIT margin. In the fiscal year 2016/17, Kapsch Group generated consolidated revenues of EUR 1,111.2 million, well above the prior year's level of EUR 1,046.8 million (EUR +64.4 million or +6%).

At EUR 20.1 million, earnings before interest and taxes (EBIT) were EUR 52.1 million or 72% below the prior year's result of EUR 72.3 million. This is due to the fact that, in the past fiscal year, there were a number of one-time effects, primarily in the segment Carrier, that weighed heavily on the result. On the one hand, these were project-related one-time effects for a project in the MCN networks area and, to a certain extent, in the Public Transport area as well. On the other hand, the costs of restructuring measures were reflected in the result. Moreover, impairments of intangible assets associated with capitalized development costs contributed significantly to this major decline in earnings.

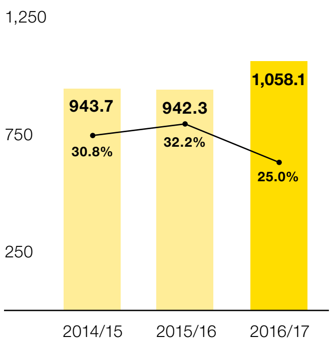
Overall, the EBIT margin of Kapsch Group narrowed from 6.9% to 1.8%. Adjusted EBIT, which excludes all the above-mentioned one-time effects in the segment Carrier amounting to EUR 39.5 million, declined in the past fiscal year by EUR 12.5 million or 17% to EUR 59.8 million, while the adjusted EBIT margin only narrowed from 6.9% to 5.4%.

We aim for gearing to be between 25% and 35% in order to preserve the company's financial independence. 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 of March 31, 2017, the debt ratio was 41% and thus not within the desired range. This is mainly caused by the already described effects, which led to the reduction of the equity on the balance sheet date. Due to the currently very low level of interest rates, the Group does not see any increased risk and aims to reduce the debt level within the defined range in the medium term.

Revenues



Total assets and equity ratio



1914

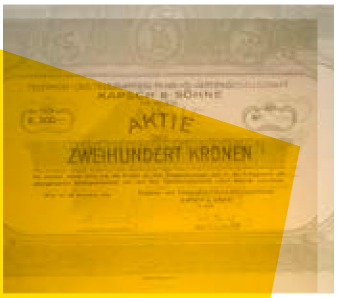
Central telephone switch

Even before World War I, Kapsch establishes itself in a new field: the construction of telephone and telegraph switchboards. For example, one early project involves setting up a telegraph cabinet at the Vienna Westbahnhof train station.

1916

Share worth 200 crowns

After the outbreak of World War I, Kapsch delivers almost exclusively to the army. While this allows the company to increase its sales revenue significantly, it becomes increasingly dependent on the military, which at the time paid its bills extremely late, if at all. Increasing its financial resourceswork is probably one reason why the commercial business was transformed into a joint-stock company in 1916, with three bank directors joining the Board of Directors.



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

The Kapsch Code of Conduct can be accessed at www.kapsch.net by clicking on the menu item "About us".

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

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

Maximum performance derived from a sense of responsibility. We know that we bear a particular responsibility as a large company and we accept this responsibility. Our solutions and services contribute to safe and efficient communication between people or machines. They control complex systems and facilitate the mobility of people.

Our technologies are partly responsible for ensuring that traffic flows safely and that communication takes place smoothly and reliably. The associated responsibility drives us on, day after day, to achieve top performance in every project. To this end, we always focus on the people who use our technologies and work with them, not just on the technology itself.

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

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

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

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

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

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

Research and Development.

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

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

Innovative power. The focus of our research and development activities is on market-oriented solutions and systems that safeguard the innovative edge enjoyed by Kapsch Group. The strategic business segments of Kapsch Group have their own development departments, which address key future issues. The associated expenditure here amounted to EUR 125.0 million or 11.2% of revenues in the fiscal year 2016/17 compared with EUR 98.2 million or 9.4% in the prior year. This corresponds to an increase of 27.3%. Important inputs also come from numerous scientific cooperations such as those with the Vienna University of Technology, Vienna University of Economics and Business, University of Innsbruck, University of Applied Sciences St. Pölten, University of Applied Sciences Technikum Wien, FHWien University of Applied Sciences of WKW, University of Applied Sciences Wiener Neustadt and the FH bfi Vienna. Kapsch Group is also actively involved in supporting the development of future scientific talent. The Kapsch Award for the best master's dissertations at the University of Applied Sciences Technikum Wien has been presented for nine years now. In 2016, the award, which carries a prize of EUR 2,000, was not awarded to six but to seven students for their high-quality work and exceptional performance.

1918

Capacitors

Kapsch begins manufacturing capacitors.

Global patents. The success of our research and development work is also reflected in the over 2,100 patents currently held by Kapsch Group. Between 20 and 30 new patent applications are filed every year. The intellectual property rights here cover trendsetting methods, systems, solutions and designs in the strategic business segments. Kapsch Group attaches considerable value to protecting this know-how. In this context, Kapsch TrafficCom was recognized for its excellent innovation and patent management with the 2016 IP Management Award.

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

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

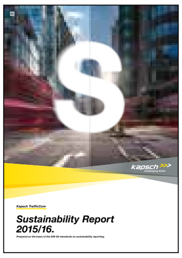
Presentation of innovations. Kapsch Group presents the results of its extensive research and development work at global fairs and congresses, ensuring the active exchange of information with new and existing customers.

Research and Development Centers.

- Vienna, Graz and Klagenfurt
- Buenos Aires (Argentina)
- Zagreb (Croatia)
- Jonkoping (Sweden)
- Bilbao and Sevilla (Spain)
- Montigny (France)
- Aveiro (Portugal)
- Zaventem (Belgium)
- Kingston, Pleasanton, Duluth, San Mateo, Rockville (USA)

Page 64: For further examples of the innovative power of Kapsch Group, please refer to the Management Report.

Sustainable Management.



Sustainability Report 2015/16

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

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

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

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

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

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

FACTORY 1
Accelerating with Kapsch TrafficCom

Research and development (R&D) and innovation management are strategically significant for the long-term success of a technology company. In the area of innovation, Kapsch TrafficCom is pursuing an open approach which includes both potential within the Group and ideas from outside the Group. The accelerator program "Factory1", launched in 2017, is to be highlighted. Young companies which already have products or solutions on the market have the opportunity to subject these to a feasibility study by experts from Kapsch TrafficCom. The exchange of knowledge provides a win-win situation and may even also lead to future co-operation.

Effective use of resources.

The commercial activities of Kapsch TrafficCom are associated with the consumption of resources and the emission of climate-relevant emissions. We are, however, working hard to continually minimize these impacts. The majority of these effects result from the operations of the subsidiary Kapsch Components, which is responsible for production, as well as from the vehicle fleet of the entire Group.

By means of measures to increase fuel efficiency and as a result of a lower production volume, it was possible for Kapsch Components to reduce its requirements for electrical energy from 754 MWh to 732 MWh (-2.9%) in the fiscal year 2015/16 compared to the prior year. Despite an increase in the number of vehicles in the fleet, it was possible to keep the total volume of CO_2 emissions for the fleet on a par with the prior year thanks to the acquisition of more fuel-efficient models. At 788 tonnes of CO_2 for all sources of emissions, total emissions were again at a level similar to that of the prior year.

Laser soldering systems were used at Kapsch Components instead of selective wave soldering systems, which led to a reduction in energy consumption and thus also the use of nitrogen. Besides the reduction in power consumption and CO_2 emissions described above, it was also possible to cut the consumption of nitrogen which is used in the manufacturing processes of Kapsch Components. The absolute level of consumption fell by 9.7 tonnes or 3.8% year on year. However, measured in terms of the weight of goods manufactured, this increased by 13.4% per tonne of product. This contrasting trend is due to declining production volumes and differences in the product mix. The initiated switch from stamp soldering to laser soldering in the production department should, however, lead to an 87% reduction in the electricity previously required for this working step and 100% of the nitrogen consumed here.

In order to raise awareness among employees of climate and environmental protection issues, attention is continually drawn in internal communications to the potential to reduce the consumption of resources. In addition, telepresence and video conferencing systems have been increasingly used to reduce business travel for a number of years now. Since the introduction of Lync, the successor to the Office Communication Server (OCS) solution previously used, it has been possible to extend the scope of its use to all employees.

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

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

Positioning ourselves as an attractive and responsibly-minded employer.

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

Our employees are the foundation of our success.

As at the balance sheet date of March 31, 2017, Kapsch Group had a total of 6,868 employees, representing a year-on-year increase of 18%. It is the core task of the Kapsch HR management team to offer these employees an attractive working environment, to encourage them and to challenge them. The guiding principle here is a well-developed corporate culture that places emphasis on responsibility, respect, performance, discipline, transparency, freedom, dynamism and family.

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

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

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

1920

Flashlight

This 1920s flashlight is powered by a 4.5V battery, both are invented and manufactured by Kapsch.

1924

Entry into radio manufacturing

Entry into radio manufacturing: the first Kapsch radio receiver with three-tube speaker technology. Kapsch becomes a co-founder of RAVAG, the Oesterreichischen Radioverkehrs A. G., thereby ringing in the age of radio in Austria.

On-boarding. The Kapsch on-boarding program “Connected” has also been implemented across the Group in order to support new personnel joining the company. In addition to information sessions about the corporate values and culture, this also includes training to convey security-related issues such as the management of sensitive customer data. It is a key concern of Kapsch to perform systematic and comprehensive staff appraisals. The implementation rate is accurately recorded by means of an IT-supported system. The long-term aim here is to achieve a rate of 100% (2015/16: 77.3% in Austria). This target remains in place not least because of the company’s continuous growth and the associated integration phase.

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

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

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

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

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

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

Synergy of business, education and research. Kapsch Group has been focused on building bridges between business and education and research institutions for years. For example, we support the Universitäres Gründerservice Wien (Vienna business start-up service) and the INiTS Award. This award recognizes theses and dissertations that can be used and implemented in business. To cover the need for highly qualified personnel in the long run, we primarily promote institutions and projects that focus on technology and the natural sciences. These include the Institute for Electrical and Information Engineering at the Vienna University of Technology, the University of Applied Sciences Technikum Wien, the University of Applied Sciences FH Campus Wien and the University of Applied Sciences FHWien with their executive management master’s degree. As part of the series of events known as the Kapsch Career Lounge, for several years students have also been invited to get to grips with technical issues in the course of project work or special presentations.

Responsibility vis-à-vis society.

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

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

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

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

Platform for artists. Under the title "Changing Views", Kapsch has been committed for over 20 years to providing selected young artists a platform for their work. In December 2016, Kapsch organized an art project in Belarus. As a partner in the "Contemporary Art" segment and as part of the Austrian Culture Season in Belarus, Kapsch Group presented the work of seven young Austrian artists: Aldo Giannotti, Birgit Graschopf, Markus Hanakam/Roswitha Schuller, Alina Kunitsyna, Bernd Oppl, and Philipp Schweiger.

In 2016, another initiative was launched to promote young artists, enabling up-and-coming talent to present their work for the first time to an international audience, with the awarding of the Kapsch Contemporary Art Prize in cooperation of mumok Vienna. The first prizewinner, Anna-Sophie Berger, was given a three-month solo exhibition at the mumok, as well as an accompanying publication.

kapsch
CONTEMPORARY
ART PRIZE 2016

Long-standing cultural partnerships. Bridging the gap between tradition and innovation shapes the self-image of the Kapsch Group. Since 1992, there has been a general partnership with the Vienna Concert House, an alliance that celebrates its 25th anniversary. It cultivates traditions and attracts new audiences by means of its exciting and unconventional program. The highlight of the year is a top-notch concert with internationally renowned orchestras and conductors, where customers, partners and investors of Kapsch Group can share in the pleasure and enjoyment of art.

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

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

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

1927

Booth at the Rotunde

At the 1927 Vienna Trade Fair, Kapsch presents a diverse range of products: telephone switchboards, large and small horn loudspeakers, loop antennas, telephones and radios, such as the "Reinartz Baby".

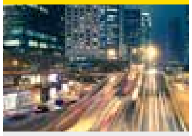
Portfolio.

Kapsch TrafficCom

Tolling

- Electronic Toll Collection
- City Tolling
- Plaza Tolling

Traffic Management



- Highways
- Managed Lanes
- Tunnels and Bridges

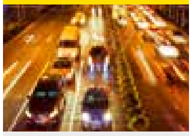
Smart Urban Mobility

- Smart Parking
- Urban Traffic Management
- Integrated Mobility Management

Safety & Security

- Road Safety Enforcement
- Commercial Vehicle Enforcement
- Electronic Vehicle Registration

Connected Vehicles



- V2X Automotive
- V2X Infrastructure
- Connected Services

Kapsch Public TransportCom

Public Transport Solutions

- Automatic Fare Collection
- Mobile Ticketing
- Intermodal Transport Control Systems
- Passenger Information
- Energy Efficiency Management & Predictive Vehicle Maintenance
- End-to-end: Plan | Build | Maintain | Operate

Brand essence.

Tradition and innovation, mobility and communication, family-run company and technological pioneer, founded in Austria and at home around the world: Kapsch is a company that transcends frontiers. A company with a passion for technology. A company that has been a trendsetter, visionary and pioneer for 125 years.

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

Key companies.

Kapsch TrafficCom is a provider of intelligent transportation systems in the fields of road user charging, traffic management, smart urban mobility, traffic safety and security, and connected cars. 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.

Kapsch PublicTransportCom is an international producer and supplier of intelligent infrastructure solutions for public transport operators and transportation agencies. The company's portfolio comprises solutions and relevant services for Intermodal Transport Control Systems (ITCS), Automatic Fare Collection (AFC), electronic and mobile ticketing systems as well as Real-Time Passenger Information (RTPI). Kapsch PublicTransportCom is an expert for cloud-based, end-to-end network solutions for smart infrastructure such as control and administration systems for public transport by rail and road.

Kapsch CarrierCom

Mission-Critical Networks (MCN)

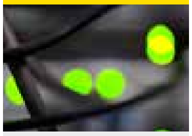
- RDN.access
- RDN.core
- RDN.packet networks
- RDN.terminals
- RDN.applications
- RDN.management tools
- RDN.services
- TETRA Digital Radio Networks
- DMR Networks
- End-to-End Integration
- End-to-end: Plan | Build | Maintain | Operate

Carriers & Verticals

- Voice Solutions for Mobile and Fixed Networks
- Signaling Solutions (SS7, SIP, Diameter)
- Wireless (2G, 3G, 4G, WiFi, LoRa) and fixed (DSL, PON) Access
- IoT Applications
- Software Defined Networks/ Network Function Virtualization (vCPE, vCore, SD-WAN)
- OSS/BSS, Radius/AAA, Number Portability, Geolocation/ Radio Optimization (CEM)
- Transmission (Copper, Optical, Microwave)
- Security and Fraud Solutions
- Professional Services incl. Consulting
- Managed Services

Kapsch BusinessCom

Technology Solutions



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

Facility Solutions

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

Business Services

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

Objectives of the solutions are, amongst others, to lower energy expenditure as well as increasing operational efficiency.

Kapsch CarrierCom is an established global producer, supplier and systems integrator of end-to-end telecommunications solutions. The company is pursuing the mission to shape the path for railway operators and carrier networks as well as for public authorities, public transport operators and airports to leverage technologies for their specific and often mission-critical communication demands. Its portfolio comprises innovative, business and mission-critical products, solutions and services, based on in-house research and development, completed with the portfolio of selected strategic partners. The expertise of Kapsch CarrierCom covers, amongst others, solutions for the next generation of mission-critical communication, digitization of railways, and virtualization in the communication domain.

Kapsch BusinessCom supports companies in taking their business performance to the next level and developing new business models. As a distinguished partner in digitization, the company operates as a consultant, system supplier, and service provider. Kapsch BusinessCom is the ideal partner for keeping abreast of rapidly evolving digital technologies thanks to its widespread expertise in handling large quantities of data and matters of security, in addition to the valuable experience gained from successful implementation of a variety of use cases across numerous industries. The company's comprehensive portfolio in Austria and the CEE countries includes technology solutions for intelligent and – most importantly – secure ICT infrastructure along with smart building technology, media and security technology, and outsourcing services. Kapsch pursues a strategy of manufacturer independence, cooperates with leading global providers such as Cisco, Hewlett Packard Enterprise, and Microsoft, and participates in a wide network of research partners and industry-specific solution providers ranging from startups to major corporations. Kapsch BusinessCom services more than 17,000 customers both locally and globally, including Allianz, Erste Bank, ÖBB, OMV, ORF, and Vodafone.

Kapsch TrafficCom.

Business Segments and Strategy.

In recent decades people have become increasingly mobile and the pace of society's urbanization has increased. Since 2007 more people worldwide are living in cities than in rural regions. These developments intensify road traffic with all its implications: Fuel consumption, environmental impacts, accidents, traffic jams, investments in maintenance and developing infrastructure. At the same time, public sector funds are limited.

In this context, Kapsch TrafficCom offers hardware, software and services which make road traffic safer, more reliable, more efficient and more comfortable, and also reduce environmental pollution. The 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.

Kapsch TrafficCom is active in **two segments:**
> Electronic Toll Collection (ETC, tolling)
> Intelligent Mobility Solutions (IMS)

1930

Kapsch pavilion at the Vienna Trade Fair

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

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

Components 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.

Design and build 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 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.

Our solutions. We divide our offering into tolling, traffic management, safety & security, smart urban mobility and connected cars.

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

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

Page 52: For more information about business development in this segment, please refer to the Management Report.

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

Road safety enforcement encompasses complete solutions for automated monitoring of compliance with traffic laws. The solutions are capable of detecting a variety of violations, such as speeding, running red lights or overweight vehicles and of collecting the fines according to the legal requirements. This enables the implementation of economically sustainable safety programs.

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

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

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

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

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

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

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

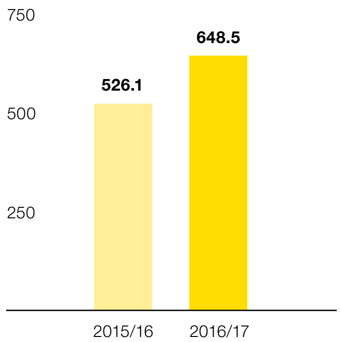
Outlook and objectives. Kapsch TrafficCom should also continue to grow in fiscal year 2017/18. The pipeline of new businesses in the segment ETC seems to be especially strong in the USA. The company is also expecting more dynamism from the APAC region. In Europe, there is a focus on nation-wide toll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

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

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

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

Revenues Kapsch TrafficCom
(in million EUR)



1932

Electric clock

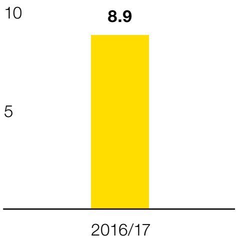
This product is way ahead of its time. Not only because of the alarm and radio included, but also because an electric clock is quite unusual in the 1930s.

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

Kapsch PublicTransportCom.

Business Segments and Strategy.

Revenues Kapsch PublicTransportCom
(in million EUR)



As an international producer and supplier of smart infrastructure solutions, Kapsch PublicTransportCom focuses on public transport operators and transportation agencies around the world.

Following the successful integration of the innovative Belgian company, Prodata Mobility Systems, the establishment of Kapsch PublicTransportCom has made it possible to concentrate fully on the public transport market. Kapsch PublicTransportCom's individual portfolio guarantees optimum adaptation to specific customer requirements in regional markets.

Our portfolio. The Kapsch PublicTransportCom mobi.portfolio comprises solutions and services for intermodal transport control systems (ITCS, mobi.operations), automatic fare collection (AFC, mobi.ticketing), mobile ticketing systems (mobi.ticketing), and real-time passenger information (RTPI, mobi.info). Kapsch PublicTransportCom is an expert for cloud-based, end-to-end mobi.efficiency network solutions for smart infrastructure such as control and administration systems for public rail and road transport. Objectives of the solutions are, amongst others, to lower energy consumption as well as improving operational efficiency.

Kapsch lists a number of the most innovative solutions in its mobi.portfolio, including the most recent smartphone app, which is part of the mobi.mobileapp suite. This focuses on mobile ticketing, passenger information, and various business models for public transport companies.

Kapsch PublicTransportCom works closely with key industry organisations to push forward the public transport agenda. We are a member of the Union Internationale des Transports Publics (UITP), helping to champion its vision for sustainable urban mobility; the American Public Transport Association (APTA), whose mission is to improve the quality and accessibility for public transportation in the US, as well as the Smart Ticketing Alliance (STA) to help shape the ticket of the future.

1932

"Mobile phone" with a twist

This "mobile" phone features a carrying ring: it can be carried with one finger while speaking – depending on the cord's length.

Success in established and new markets. In the fiscal year 2016/17, Kapsch PublicTransportCom implemented various contracts placed by public transport operators in the years before. New contracts were also acquired in already accessed markets, such as with Syntus, which offers bus and rail services in the center and east of the Netherlands. MARTA is another new customer of Kapsch PublicTransportCom: In a joint effort, Kapsch TrafficCom, Kapsch CarrierCom and Kapsch PublicTransportCom have developed a Mobile Ticketing System (MTS) for the Metropolitan Atlanta Rapid Transit Authority (MARTA), making it possible for travelers to order, purchase, and electronically validate tickets via a mobile app or a mobile website. It gives users access to 38 train stations, 565 bus lines and 210 transit buses in the Greater Atlanta metropolitan area.

Outlook. Kapsch PublicTransportCom continues to expect strong growth in all areas, although it will be less than in the prior year. This forecast is based on new projects and contracts from the new product portfolio.

The search for synergies on the subject of public transport within Kapsch Group has come to the fore and initiatives to exploit these synergies are being developed. The focus of our growth strategy is on markets in Belgium, the Netherlands, Rumania, South Africa and the USA.

The ever-quickening pace of urbanization calls for fully integrated, multi-modal solutions, thus Kapsch PublicTransportCom is working on the next steps towards true integrated mobility.

Visit kapsch.net/kptc for more information about Kapsch PublicTransportCom

Kapsch CarrierCom.

Business Segments and Strategy.

Kapsch CarrierCom is a successful and globally active manufacturer, supplier, and system integrator of end-to-end telecommunications solutions. The company is pursuing the mission to shape the path for railway operators and carrier networks as well as for public authorities, public transport operators and airports to leverage technologies for their specific and often mission-critical communication demands. The company offers innovative products, technologies and services critical for operations and success, based on the work of Kapsch's research and development department and with the support of selected strategic partners. The expertise of Kapsch CarrierCom comprises, inter alia, solutions for the next generation of operationally important communications networks, the digitization of railways and the virtualization in the communication domain.

Railways and operators of mission critical networks (MCN). Future-proof railway communications networks based on the GSM-R technology of Kapsch CarrierCom are successfully in use around the world. Other solutions are based on TETRA and Digital Mobile Radio (DMR) technology and are adapted to meet the specific operationally-critical requirements of our customers. Thanks to our highly qualified technical experts, we are able to guarantee a return on investment along with entirely future-proof solutions. Kapsch CarrierCom has implemented over 15 core networks for leading railway operators such as Network Rail in the United Kingdom, SNCF Réseau/SYNERAIL in France, and Deutsche Bahn in Germany. Kapsch CarrierCom guarantees support, tailored to customer needs, for these railway-specific networks until 2035 and beyond.

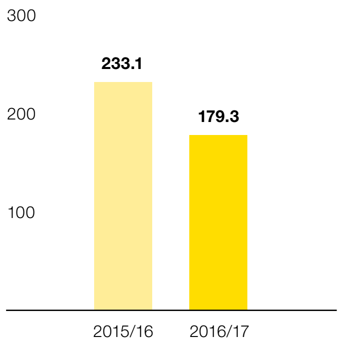
Kapsch CarrierCom is an associate member of the European Shift2Rail initiative. This EU initiative promotes new technologies, products, and solutions for railway systems through research and innovation. Kapsch plays an important role in the "Adaptable Communications for all Railways", "Zero On-site Testing", and "Cybersecurity" work packages.

Carriers. Kapsch CarrierCom provides fully integrated solutions to landline, mobile or cable network operators, as well as utility companies. The company helps carriers around the world to equip and virtualize networks, making them fit for the future. This enables our customers to analyze various network parameters, and to implement next-generation network solutions – maximizing efficiency and security while, at the same time, minimizing operating costs. This is achieved by implementing solutions that allow our clients a swifter market access, network optimization, and the introduction of IP and next-generation networks.Beyond that, Kapsch has managed to open new revenue streams and create new business models for its clients through the virtualization of networks.

In this domain, Kapsch's offerings range from single applications and small virtualization workshops to end-to-end virtualization solutions. Thanks to a whole host of strong partnerships, we are able to optimally meet the virtualization requirements of our customers. Kapsch's advisory services in the field of virtualization are in just as much demand as end-to-end project deliveries in the field of virtualized infrastructure.

Outlook. Ensuring the successful transition to a future wireless standard represents one of the greatest challenges facing railway infrastructure operators. Forward-looking companies are making their networks fit for the future so that they will be able to comply with upcoming standards for operating radio communication. KCC has implemented more than 15 core networks around the world for leading railway companies (such as NR, SNCF, and DB) – and is therefore also the ideal partner to support clients during this challenging transition in the future. This also includes making radio networks fit for the future with our next-generation base stations, as well as providing seamless support for LTE or any other future wireless standard that may be defined.

Revenues
Kapsch CarrierCom
(in million EUR)



1933

"Regent" radio

An impressive 5-tube radio with fading balance, incorporated speakers and wooden housing. A masterpiece of its time.

Page 56: For more information about business development in this segment, please refer to the Management Report.

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

Kapsch BusinessCom.

1940

Volksempfänger VE 301 Dyn

All radio manufacturers in the German Reich are required to produce Volksempfänger radios (“people’s receivers”). The first model is developed in 1933. The recommended price of 76 Reichsmarks would be equivalent to about €320 today.

Business Segments and Strategy.

The extensive portfolio of Kapsch BusinessCom encompasses sustainable global solutions in the areas of information technology and telecommunications. With over 1,200 employees, Kapsch BusinessCom supports companies and institutions of any size and from any industry in planning and implementing their digitization plans, as well as with classic information and communication technologies (ICT) projects. A distinction is made here between three business segments:

Business services. We implement specific solutions and services with an industry focus based on innovative approaches such as M2M, predictive analytics, smart building, and digital assistance systems. Our range of services comprises innovation workshops and pilot projects, as well as the development of business services including designing entire outsourcing projects.

Technology solutions. Our solutions create a stable structure, including the necessary IT security and high-performance cloud services, and enable efficient cooperation and communication with any end device from any place.

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

The portfolio is rounded off by a range of different services including consulting, project management, installation, training, support and operating, as well as financing solutions.

Partner for digital transformation. “We transform ideas into business value”. Kapsch BusinessCom is the ideal companion in the process of digital transformation in accordance with this service commitment and with a deep understanding for customer processes, extensive know-how in the handling of big data and security, as well as range of successfully implemented use cases in the widest number of industries.

Customers benefit from the many years of experience with IT and communication solutions as well as a developed and proven “ecosystem” of partners. Kapsch BusinessCom puts together individual solution packages for customers, together with IT manufacturers and providers of specialized solutions.

Digital transformation in every industry. Digitization affects all industries: service providers, retail, industry, healthcare, and finance. Not only are new technologies used to improve existing processes, but also to develop new business opportunities. Given that the fundamental principles of digitization are always the same, very different industries are able to learn from each other. As such, innovations from the healthcare sector can be applied to the retail or automotive sector, for example in the form of digital “health files” for cars.

Start-ups are also part of the Kapsch BusinessCom ecosystem. In this context, Kapsch often acts as an incubator to supplement new innovative ideas with its big data or security know-how, and to provide the necessary personnel resources so as to be able to implement large projects. Here, Kapsch draws on its many years of experience in the areas of ICT and digitization, providing the infrastructure required to be able to implement new business models and ideas.

Growth strategy 2017. Since 2016, Kapsch BusinessCom has positioned itself as a digitization partner with the aim of achieving a strong market position in this field as well. The strength of Kapsch BusinessCom is primarily in the breadth of the end-to-end solutions for customers of all sizes.

In addition to this, the company offer industry solutions for customers from a wide range of different areas such as industry, finance, healthcare, or the public sector. In this way, numerous pilot projects and proof of concepts in the field of digitization were implemented with various renowned companies in the fiscal year 2016/17. To this end, Kapsch BusinessCom also expanded its ecosystem by acquiring a 25% stake in data science specialists AIMC – Advanced Information Management Consulting GmbH. The core business of AIMC lies in using large volumes of data to generate information and derive action-based recommendations that enable companies to act more efficiently. AIMC has specialized in content analytics, predictive analytics, and similarity analytics.

Page 30: For more information about business development in this segment, please refer to the Management Report.

Reliable ICT partner. Alongside the new business segments arising out of the digital transformation, Kapsch BusinessCom continues to act as an ICT service partner for its customers. In addition to solution development, system integration, and performing optimization measures, Kapsch BusinessCom also operates classic ICT solutions. In full accordance with the CDO approach: Consult. Deploy. Operate.

Kapsch BusinessCom acts as a consultant, system supplier, and service provider, independent of manufacturers, but together with leading technology partners such as Cisco, Hewlett Packard Enterprise, or Microsoft. In a very dynamic technological environment, this strategy has enabled Kapsch BusinessCom to establish ourselves as a reliable, trustworthy, long-term partner and chief digital officer (CDO) to around 17,000 customers.

With five branch offices in Austria and subsidiaries in the Czech Republic, Slovakia, Hungary, and Romania, Kapsch BusinessCom is always close to its customers and on hand to support them during their expansion phases.

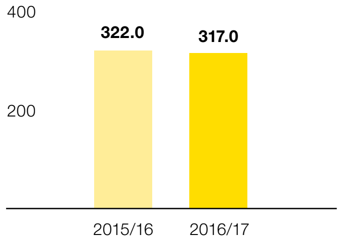
Kapsch BusinessCom's service technicians are Kapsch-certified. This certificate guarantees the transparent compliance with stringent and binding quality standards that can be chosen from four different categories. Kapsch BusinessCom is the only Austrian company in the segment ICT to operate in accordance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

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

In the outsourcing segment, Kapsch has already been able to position itself as an innovative and flexible partner in the past. Large outsourcing projects will continue to be in demand among customers as a result of customer-side cost pressure and rising demand for safe, scalable solutions, including cloud-based solutions. It is precisely such projects that secure long-term (service-related) recurring revenues for Kapsch.

In view of this strategy and the development over the final months of the past fiscal year, Kapsch continues to expect an improvement in its earnings position in the current fiscal year.

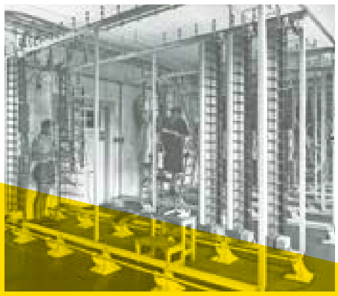
Revenues Kapsch BusinessCom
(in million EUR)



1946

Reconstruction of the telephone network

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



Executive Board and Supervisory Board.

Interaction of the Executive Board and the Supervisory Board.

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

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

Executive Board at Kapsch Aktiengesellschaft.

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

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

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

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

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

Furthermore, Kari Kapsch holds numerous functions outside Kapsch Group and is active in several industry-related associations. He is Vice-President of the Vienna Economic Chamber, Vice-Chairman of the Professional Association Committee of the Electronics and Electrical Engineering Industry at the Austrian Economic Chamber (WKÖ), a member of the so-called Spartenkonferenz at the Austrian Economic Chamber/Industry Sector, a board member of the UAS Technikum Wien, a member of the Machinery and Metalware Industry Unit of the Austrian Economic Chamber, a member of the Machinery, Metalware and Casting Industry Unit of the Vienna Economic Chamber (WKW), a member of the Steering Committee of the Austrian Electrotechnical Association (OVE), a board member of the Railway Industry Association, a member of the JR Senate of the Christian Doppler research company, a board member of the Österreichisch Polnische Gesellschaft, a board member of the Austro-Arab Chamber of Commerce (AACC), a member of Österreichisch-Iranische Gesellschaft (OIG), a board member of Austria Telecommunication International GmbH, of Gezoge Beteiligungsverwaltungs GmbH, of KEGK Holdinggesellschaft m.b.H, of ADONARD Beteiligungs GmbH and of UKAL Handels- und Vermietungs GmbH.

1947

Intercom system

The intercom is a direct communication line for the office. With the push of a button, a secretary and manager can talk to each other.

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

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

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

1948

Switch system 48

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

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

Supervisory Board at Kapsch Aktiengesellschaft.

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

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

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

Elisabeth Kapsch has been a member of the supervisory boards of Kapsch Aktiengesellschaft, KAPSCH CarrierCom AG, DATAX HandelsgmbH and KAPSCH-Group Beteiligungs GmbH since September 2013. After studying business administration at the Vienna University of Economics and Business Administration and holding several leading positions at Kapsch Aktiengesellschaft, she has been General Manager of Kapsch Immobilien GmbH since 1998. As such, she has played a key role in the creation of EURO PLAZA, Vienna's most modern office park. With usable office space far exceeding 200,000 m^2, EURO PLAZA is already one of the largest and most successful projects of its kind. Primarily as a result of its diverse infrastructure, tailor-made range of services and, not least, its ideal location, a unique environment for business with exceptional standards has been created for numerous satisfied tenants.

Executive Board at Kapsch TrafficCom AG.

Georg Kapsch has been CEO of Kapsch TrafficCom AG since December 2002. He also holds functions in direct subsidiaries and external organizations (see page 34).

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

Alexander Lewald ihas been a board member and CTO of Kapsch TrafficCom AG since November 2015. Following his degree in Electrical Engineering at the Munich University of Technology, Alexander Lewald worked for three years at DLR (the German Aerospace Center) in the Institute of Robotics and System Dynamics. He achieved his doctorate in the field of system dynamics of multi-axle robots at Ruhr University Bochum and continued his work on this topic at the Engineering School of Stanford University, Palo Alto, USA Following his work at McKinsey & Company, Alexander Lewald has spent the past 15 years in management positions at Kappa IT Ventures, Gilde IT, SAP and Parametric Technology Corp., dealing particularly with the setting up of new business in the information and communication technology (ICT) industry.

Management of Kapsch PublicTransportCom GmbH.

Kari Kapsch has been the general manager of Kapsch PublicTransportCom GmbH since December 2016. He also holds internal and external functions in companies of the Kapsch Group (see page 34).

Bernd Eder has been the general manager of Kapsch PublicTransportCom GmbH since December 2016. He is the managing director of Finance, M&A, and Integrated Management Systems. He began his career in management accounting at Kapsch Group in 2002, and has since held leading positions in Group subsidiaries. Most recently, Bernd Eder was responsible for all financial affairs and the mergers and acquisitions strategy of Kapsch CarrierCom. For instance, he led the acquisition and integration of Nortel's GSM and GSM-R assets in 2010.

Bernd Eder completed his studies at the University of Applied Sciences in Finance, Accounting and Taxation, as well as at the Vienna University of Economics and Business, graduating in 2002. He is also a lecturer at the University of Applied Sciences in Carinthia, teaching management accounting as well as mergers and acquisitions.

Executive Board at Kapsch CarrierCom AG.

Kari Kapsch has been CEO of Kapsch CarrierCom AG since April 2010. He also holds functions in direct subsidiaries and external organizations (see page 34).

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

Executive Board at Kapsch BusinessCom AG.

Franz Semmernegg has been CFO of Kapsch BusinessCom AG since March 2003 and CEO since April 2010. He also holds functions in direct subsidiaries and external organizations (see page 34).

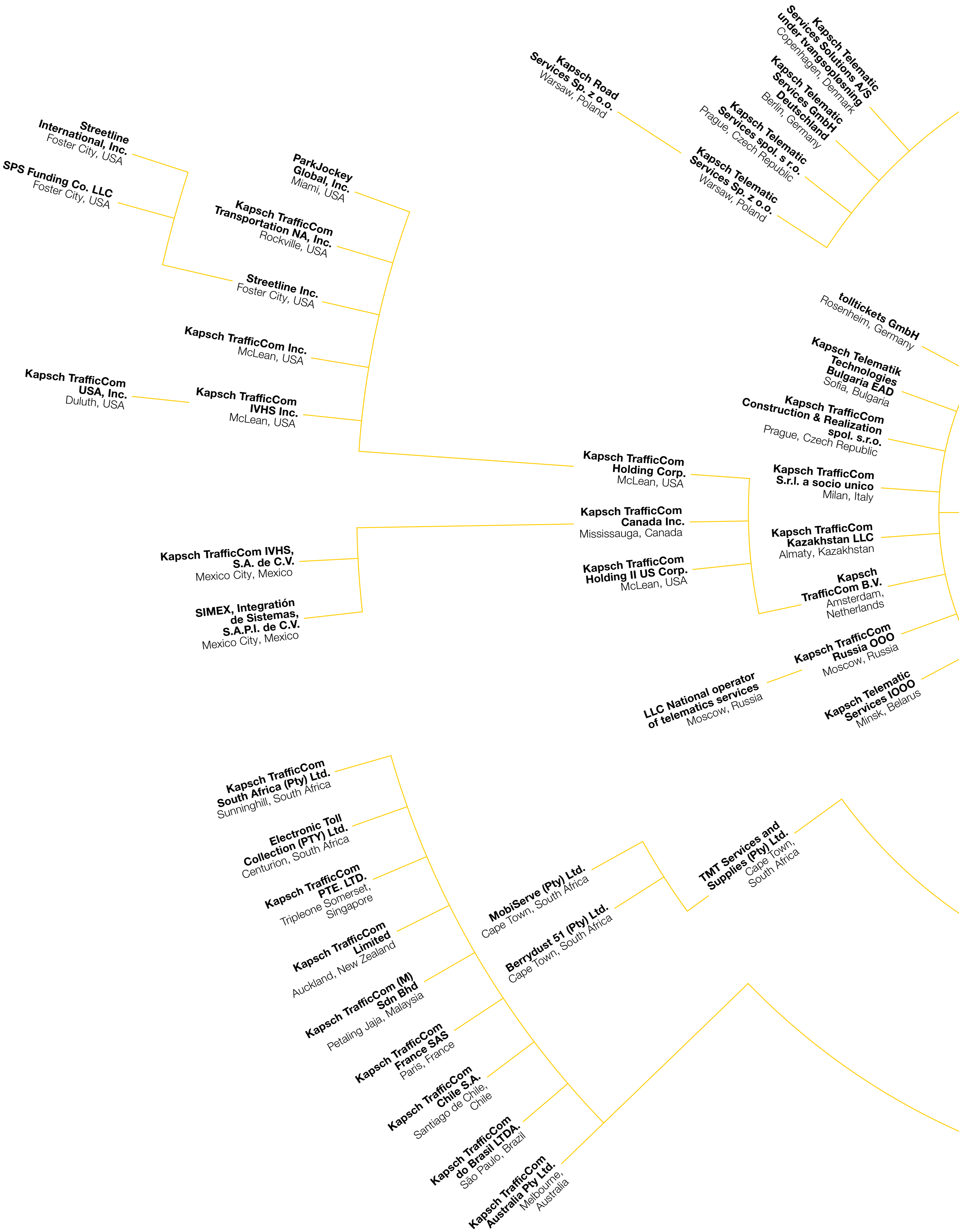
Jochen Borenich joined the Executive Board of Kapsch BusinessCom AG on September 1, 2010. In this position, he is responsible for the areas of sales, marketing and international affairs. He graduated with a commercial degree from the Vienna University of Economics and Business Administration, collected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

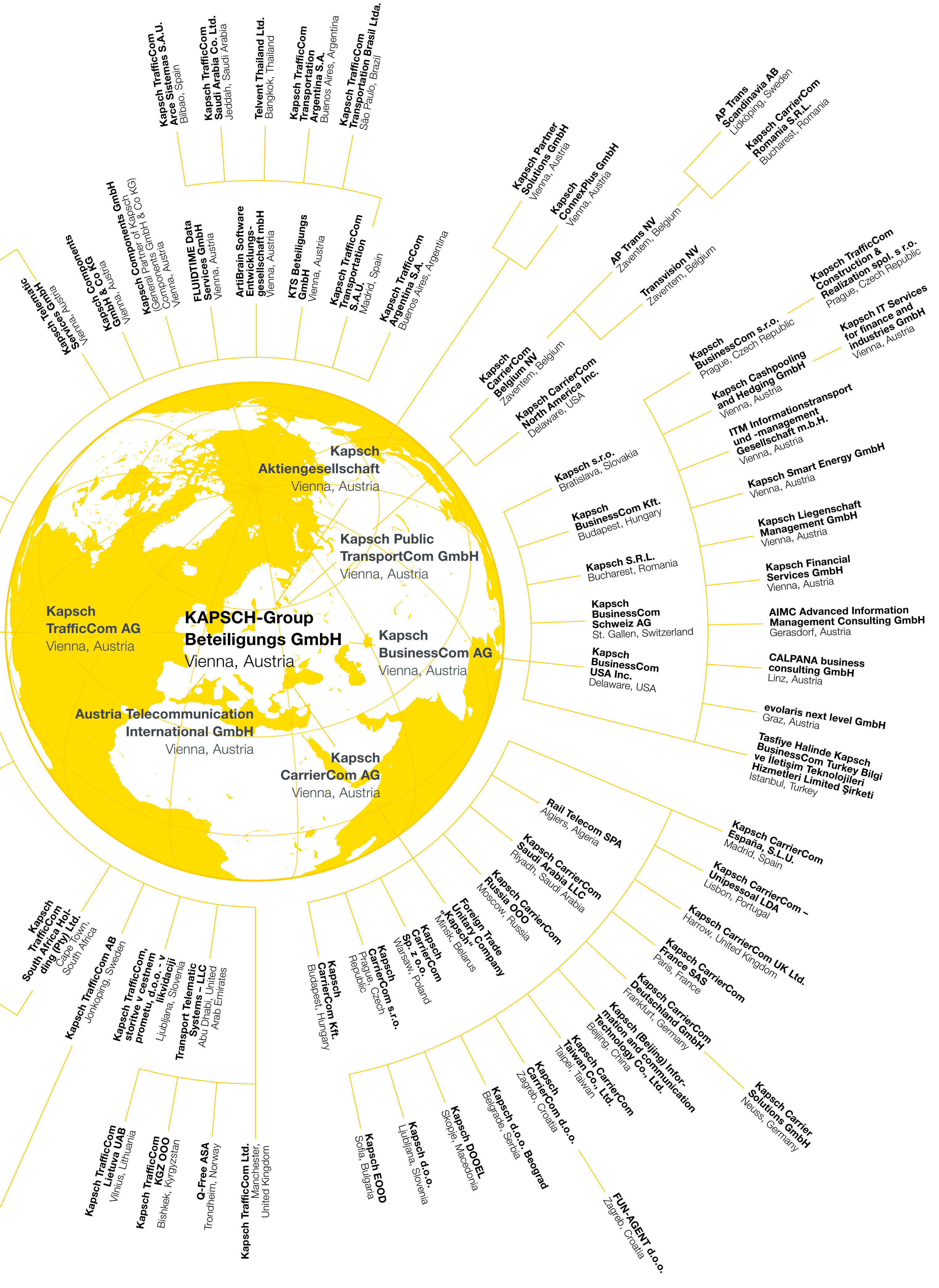
1948

"Mucki" radio

The "Mucki" is a typical design by Josip Slišković, chief engineer at Kapsch. It is here that he hones his talents, building the smallest possible radios and minimizing the space around the technical components. This radio is available in brown, red, green, or blue.

Kapsch Group worldwide.





KAPSCH-Group Beteiligungs GmbH
Vienna, Austria
Kapsch Aktiengesellschaft
Vienna, Austria
Kapsch Public TransportCom GmbH
Vienna, Austria
Kapsch TrafficCom AG
Vienna, Austria
Kapsch BusinessCom AG
Vienna, Austria
Austria Telecommunication International GmbH
Vienna, Austria
Kapsch CarrierCom AG
Vienna, Austria
Kapsch TrafficCom Arce Sistemas S.A.U.
Bilbao, Spain
Kapsch TrafficCom Saudi Arabia Co. Ltd.
Jeddah, Saudi Arabia
Telvent Thailand Ltd.
Bangkok, Thailand
Kapsch TrafficCom Transportation Argentina S.A.
Buenos Aires, Argentina
Kapsch TrafficCom Transportation Brasil Ltda.
São Paulo, Brazil
Kapsch Telematic Services GmbH
Vienna, Austria
Kapsch Components GmbH & Co KG
Vienna, Austria
Kapsch Components GmbH
(General Partner of Kapsch Components GmbH & Co KG)
Vienna, Austria
FLUIDTIME Data Services GmbH
Vienna, Austria
ArtiBrain Software Entwicklungs-gesellschaft mbH
Vienna, Austria
KTS Beteiligungs GmbH
Vienna, Austria
Kapsch TrafficCom Transportation S.A.U.
Madrid, Spain
Kapsch TrafficCom Argentina S.A.
Buenos Aires, Argentina
Kapsch Partner Solutions GmbH
Vienna, Austria
Kapsch ConnexPlus GmbH
Vienna, Austria
AP Trans Scandinavia AB
Lidköping, Sweden
Kapsch CarrierCom Romania S.R.L.
Bucharest, Romania
AP Trans NV
Zaventem, Belgium
Transvision NV
Zaventem, Belgium
Kapsch CarrierCom Belgium NV
Zaventem, Belgium
Kapsch CarrierCom North America Inc.
Delaware, USA
Kapsch TrafficCom Construction & Realization spol. s r.o.
Prague, Czech Republic
Kapsch BusinessCom s.r.o.
Prague, Czech Republic
Kapsch IT Services for finance and industries GmbH
Vienna, Austria
Kapsch Cashpooling and Hedging GmbH
Vienna, Austria
ITM Informationstransport und -management Gesellschaft m.b.H.
Vienna, Austria
Kapsch s.r.o.
Bratislava, Slovakia
Kapsch Smart Energy GmbH
Vienna, Austria
Kapsch BusinessCom Kft.
Budapest, Hungary
Kapsch Liegenschaft Management GmbH
Vienna, Austria
Kapsch S.R.L.
Bucharest, Romania
Kapsch Financial Services GmbH
Vienna, Austria
Kapsch BusinessCom Schweiz AG
St. Gallen, Switzerland
AIMC Advanced Information Management Consulting GmbH
Gerasdorf, Austria
Kapsch BusinessCom USA Inc.
Delaware, USA
CALPANA business consulting GmbH
Linz, Austria
evolaris next level GmbH
Graz, Austria
Tasfiye Halinde Kapsch BusinessCom Turkey Bilgi ve İletişim Teknolojileri Hizmetleri Limited Şirketi
Istanbul, Turkey
Rail Telecom SPA
Algiers, Algeria
Kapsch CarrierCom Saudi Arabia LLC
Riyadh, Saudi Arabia
Kapsch CarrierCom Russia OOO
Moscow, Russia
Foreign Trade Unitary Company „Kapsch"
Minsk, Belarus
Kapsch CarrierCom Sp. z o.o.
Warsaw, Poland
Kapsch CarrierCom s.r.o.
Prague, Czech Republic
Kapsch CarrierCom Kft.
Budapest, Hungary
Kapsch CarrierCom España, S.L.U.
Madrid, Spain
Kapsch CarrierCom – Unipessoal LDA
Lisbon, Portugal
Kapsch CarrierCom UK Ltd.
Harrow, United Kingdom
Kapsch CarrierCom France SAS
Paris, France
Kapsch CarrierCom Deutschland GmbH
Frankfurt, Germany
Kapsch (Beijing) Information and communication Technology Co., Ltd.
Beijing, China
Kapsch CarrierCom Taiwan Co., Ltd.
Taipei, Taiwan
Kapsch CarrierCom d.o.o.
Zagreb, Croatia
Kapsch Carrier Solutions GmbH
Neuss, Germany
Kapsch d.o.o. Beograd
Belgrade, Serbia
Kapsch DOOEL
Skopje, Macedonia
Kapsch d.o.o.
Ljubljana, Slovenia
Kapsch EOOD
Sofia, Bulgaria
FUN-AGENT d.o.o.
Zagreb, Croatia
Kapsch TrafficCom South Africa Holding (Pty) Ltd.
Cape Town, South Africa
Kapsch TrafficCom AB
Jonkoping, Sweden
Kapsch TrafficCom, storitve v cestnem prometu, d.o.o. - v likvidaciji
Ljubljana, Slovenia
Transport Telematic Systems – LLC
Abu Dhabi, United Arab Emirates
Kapsch TrafficCom Lietuva UAB
Vilnius, Lithuania
Kapsch TrafficCom KGZ OOO
Bishkek, Kyrgyzstan
Q-Free ASA
Trondheim, Norway
Kapsch TrafficCom Ltd.
Manchester, United Kingdom

Management Report.

KAPSCH-Group Beteiligungs GmbH on the Consolidated Financial Statements as of March 31, 2017.

1 Economic Climate.

1.1 General economic situation.

Global economic growth at 3.1%.

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

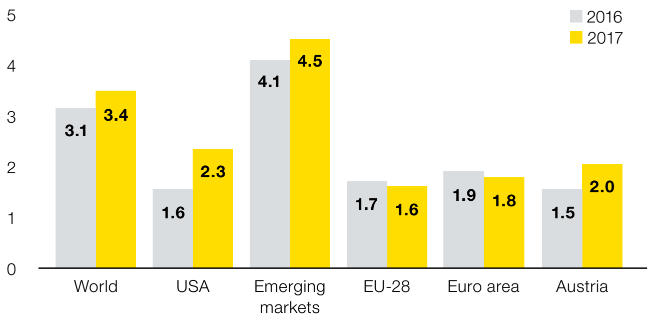
For 2017, economists predict a turnaround, though. While global GDP is expected to go up by 3.4% according to the latest IMF report, worldwide trading volumes could reach an expansion rate of up to 3.1% based on current WTO estimates.

1955

Radio telephone

Railway personnel, police, and also the mountain rescue service in Innsbruck, Austria: Several security forces are equipped with radio telephones.

GDP growth 2016/17.
(in %)



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

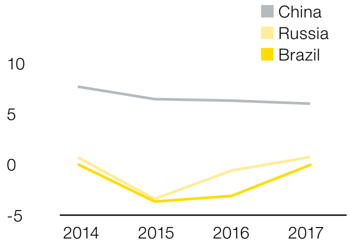
GDP of emerging and developing countries at 4.1%.

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

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

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

GDP growth 2014-17.
(in %)



Europe.

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

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

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

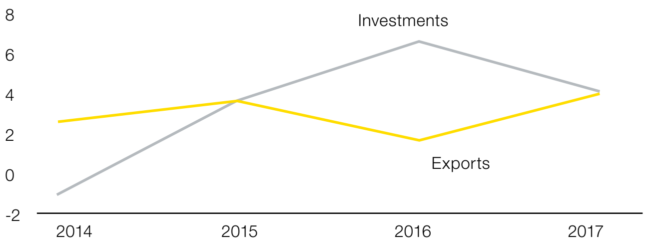
Business activity in **Central and Eastern Europe (CEE)** gathered pace in 2016, driven by improving labour market conditions and increasing wage levels.

Austria.

Austria recorded GDP growth of 1.5% in 2016.

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

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



1.2 Economic situation of the industry.

Market for intelligent transportation systems.

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

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

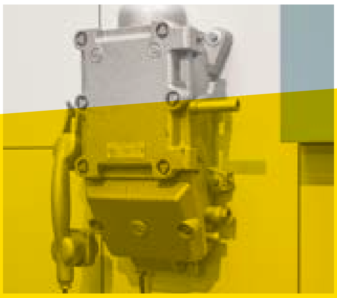
Customer segments.

Kapsch 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:

1955

Waterproof mine telephone

This device was constructed for mines and explosive work sites. Water, ammonia and gasoline can not harm this 30-kilogram phone.



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

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

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

Industry-related ITS encompass commercial applications designed to reduce the costs or maximize the yield of vehicle fleet operators, including public transportation companies (PVTMS, Public Vehicle Transportation Management Systems). Example applications include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the addressees are insurance companies, who see pay-as-you-drive car insurance as a promising way to attract new customers by offering fair insurance rates and ITS-based value-added mobility services.

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

Market situation and market drivers.

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

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

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

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

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

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

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

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

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

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

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

Market for public network operators (Carriers).

Mobile data traffic continues to increase. This means that the limits of the existing UMTS networks (3G) have been or will be reached. This is pushing public network operators to continue expanding the LTE (4G) network and to focus investment activity on fixed broadband, optical networks, and LTE rollouts. As a result, these areas are the focus of attention by large telecommunications companies and being targeted with very price-aggressive strategies. This leaves little room for system integration budgets and also puts pressure on the contribution Kapsch can make to this area in terms of system maintenance and supporting any migration projects. New areas of investment include "Connectivity for Smart Cities" and the "Internet of Things".

The trend will also continue towards using off-the-shelf hardware and the generic use of virtualized server farms that is possible as a result. Renowned manufacturers are adjusting to these new conditions by making the necessary changes to their software. This trend also means that companies from the IT sector are continuing to force their way into the telecommunications market.

1958

The first Kapsch television

TVs become commonplace household items. Kapsch launches the first black and white television on the Austrian market, the model TFS-58.

The segment Carrier focuses on the markets for public network operators, railway, and public transport.

Nevertheless, there are still some projects in this challenging market environment that provide good starting points to expand our revenue base with existing and new customers. For instance, there are regularly new requests for projects on the topic of network function virtualization (NFV), some of which have already been implemented. Kapsch aims to position itself as an end-to-end solutions provider in the field of NFV. Software-defined networking (SDN) represents another technological approach to optimizing the cost base of public network operators. Security is also becoming an increasingly relevant factor in this customer segment. Furthermore, considerable revenues in the FTTX business (fiber optics) are expected in the coming fiscal years.

Major players in this market include Huawei, Nokia, Ericsson, and ZTE, all of which also act as system integrators. This constitutes a threat to our business, on the one hand, due to their size yet, on the other, leaves space for specific, manufacturer-independent system integration services performed by Kapsch for this customer group.

Kapsch continues to be active in addressing new network operators, but has also increasingly differentiated the way it develops its markets, offering the existing product and service portfolio to distribution network operators and larger public and private companies that build and operate their own communications networks. Strong partnerships with established suppliers as well as new companies entering the market form a good basis for this strategy.

1958

"Capri" – transistor radio

"Capri" – the first fully transistorized portable radio is launched.

Market for railway companies and operators of mission-critical networks.

Investment in the railway business, which is adapted to the general growth trend for public transport, continues to generate demand through the use of state-of-the-art technology, such as ERTMS (European Rail Traffic Management System), to provide high-performance infrastructure. The outlook for suppliers in this field is to be considered positive for the coming years.

European Union funding programs with a focus on ERTMS, which defines GSM-R as the EU-wide standard, were confirmed for the period from 2016 to 2020. The possibility of supporting this technology, which now operates completely autonomously of GSM solutions (which are being used less and less in public networks), as long as the market requires, serves as an additional way of safeguarding the business potential in this market.

GSM-R is now also being used beyond Europe's borders. New GSM-R networks are already in service or are currently under construction. In some markets, a short-term slowdown can be observed in investment activity due to global economic influences, but this will not alter the attractiveness of these markets in the medium term.

By means of the European railway technology initiative Shift2Rail, a platform has been created to promote research on improving the attractiveness of rail traffic as a whole. As an Associated Member, Kapsch CarrierCom has been in charge of the initiative's "Adaptable communications for all railways", "Zero on-site testing", and "CyberSecurity" issues and has thus established a firm position for further development in this business segment. At the same time, there continue to be signs that this change will take place over long technology cycles. As before, Kapsch anticipates advanced support requests for GSM-R and eGPRS well beyond 2035.

Outside of the established, highly-standardized telecommunications environment, solutions based on the TETRA and digital mobile radio (DMR) technologies continue to be used by railways and companies operating their own mission-critical networks. TETRA is the most widely used technology for establishing communication networks for public transport, although digital mobile radio (DMR) is becoming an increasingly competitive option given the possibility of low cost deployments.

Digitization and security are also becoming an increasingly relevant factor in this customer segment.

Market for public transport.

Public transport is highly important in society, and several mega-trends are based on the rapidly growing role of public transport. It is estimated that around 60 billion trips are made by public transport in Europe every year (EU-28). These include local and regional buses, regional trains, underground lines, and trams. More than 700,000 buses are responsible for around 10% of passenger kilometers traveled in Europe every year. The economic value of public transport services in Europe is estimated at between EUR 130 and EUR 150 billion annually, i.e. more than 1% of GDP.

Market studies assume that, generally speaking, public transport is undergoing a phase of growth that will last several years. However, individual markets may be affected by temporary reversals in this trend, especially in response to the political situation and local developments. The total global market volume is expected to continue increasing at two-digit percentage rates annually over the next few years. Key factors driving this growth include urbanization, changing consumer attitudes to public transport, the growing need for public transport solutions in emerging markets and the desire for sustainability.

The market for intermodal transport control systems (ITCS) continues to be seen as heterogeneous, with a number of large, internationally active participants and many smaller companies with a regional focus. In the Automated Fare Collection (AFC) segment, the market is increasingly calling for "smart" solutions, such as contactless cards and mobile ticketing on smartphones. However, it is only realistic to expect the complete replacement of paper tickets and magnetic strips in certain regions in the foreseeable future. Finally, regionally defined standards constitute an entry barrier for new suppliers in some countries, especially in Europe, making the market even more attractive for established suppliers.

Machine-to-machine communication is also an issue in this market segment, since – often driven by legal requirements – public transport companies are obliged to collect and analyze operating data in order to drive further operational optimizations, especially with respect to environmental aspects.

ICT market.

The segment Enterprise addresses the ICT market.

Following growth of 1.5% in 2016, the Austrian economy is expected to expand at an even faster pace in 2017 and 2018. Leading indicators provide clear signs of further economic recovery. In addition to robust domestic demand, which in turn benefits from the favorable labor market situation, foreign trade should once again contribute more to economic growth. In this scenario, according to WIFO, the Austrian economy will grow by 2.0% this year and by 1.8% in 2018.

The OeKB Business Climate Index for Central and Eastern Europe rose in the November 2016 survey by 0.8 points to a value of 85.7 (base year 2007 = 100). Although the current business situation of investments has worsened slightly in the region as a whole, confidence for the coming six months has improved so clearly that business expectations appear to be responsible for a general brightening of the business climate. These developments are reflected – with few exceptions – at the level of individual countries. There are no uniform trends identifiable for the sectors: The forecast for industry and in business services is optimistic, but pessimistic for banks and insurance companies.

At the sector level, the business climate is more favorable than in the past three months, particularly in the production of material goods and the provision of business and other services. In contrast, the environment in the banking and insurance sector is worsening, with the business climate in particular having a negative impact on the current business situation. The ongoing low-interest-rate environment is likely to impact the two sectors, while the restructuring process for banks does not yet appear to be complete.

The focus of the IT department in 2017 will be on digitization. According to the market analysis and consulting company Pierre Audoin Consultants (PAC), this is less about technologies or completely new issues, and more a question of the pragmatic implementation – and the convergence – of the trends of the past few years.

From PAC's point of view, digitization is following two main trends: One the one hand, activities such as marketing and sales under the banner of "customer experience". On the other, the emergence of the Internet of Things, with its various forms such as Industry 4.0, connected cars, smart health, smart energy, and smart cities. Through the use of now-mature technologies such as big data analytics, social media, mobility/connectivity and cloud computing, new products and services are emerging, as well as business models, processes, and value creation chains.

Cloud services offer companies greater flexibility and scaling effects that can enable IT cost savings of 20 to 30%. PAC also identifies "mobile devices" as a major trend. Mobility is closely linked to consumerization. In this area, it is necessary to develop corresponding security strategies.

The ICT market will change over the coming years in Austria, but above all in the CEE countries. This will result in higher-than-average levels of investments, which must be spread long-term over useful lives by means of modern financing and operating models.

1965

Low-noise dialing disk

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

2 Development of Kapsch Group.

2.1 Overview of Group development.

Revenues rise again to over EUR 1.1 billion.

Kapsch Group is celebrating its 125th anniversary this year, proving that even in the very technology-driven markets in which the Group operates, it is possible to combine innovation and tradition. Economically, Kapsch can look back on a challenging and mixed fiscal year 2016/17 which, on the one hand, was associated with impressive achievements, new market successions, acquisitions and their integration for sustained company success but, on the other hand, great efforts were also made to make the business segments which are facing major challenges fit for success in the future through corresponding attention by Management by means of a strong focus on the tasks to be overcome, as well as through strategic decisions. After passing the one-billion-euro mark for the first time in the prior year, it was possible to increase revenues to over EUR 1.1 billion. Earnings in the reporting period were well below the level of the prior year, although this is primarily attributable to one-time effects in the segment Carrier. Operationally speaking, results have also developed in a stable and positive way. The company's continued and sustained growth was also reaffirmed in impressive fashion by considerably higher investments in research and development – the EUR 100 million mark was surpassed for the first time in the past fiscal year, reaching EUR 125.0 million – and also through the substantial rise in the number of employees – the headcount increased to 6,868 (+1,030) as a result of the acquisitions made.

Segments of Kapsch Group.

Kapsch Group continues to operate in the following main segments:

Considerable growth was recorded in the **segment Traffic** in the past fiscal year, reaching EUR 648.5 million, the first time the mark of EUR 600 million has been passed. Pleasingly, both the Electronic Toll Collection (ETC) and the Intelligent Mobility Solutions (IMS) segments were able to contribute to this substantial increase in revenues. This is primarily attributable to the new strategic approach which is now being implemented. The main driver of this development in the past fiscal year was the first-time consolidation of Kapsch TrafficCom Transportation (KTT), the global transportation division acquired from Schneider Electric as of April 1, 2016, Additionally, the fiscal year was characterized by projects secured primarily in the USA and Australia, as well as extensions to the nationwide systems in the Czech Republic and Austria.

The **segment Carrier** was able to generate revenues of EUR 179.3 million in the year under review (prior year: EUR 233.1 million). While revenues in the Mission-Critical Networks (MCN) segment normalized again after a strong prior year and the focus was on fulfilment, adjustment and completion work for projects that had already been secured, revenues with carriers stabilized further and even saw some growth. In the segment Public Transport, revenues remained on a par with the prior year's level yet fell well short of expectations. The segment result was negatively impacted by various one-time effects (EUR 39.5 million). In addition to a loss-making order in the MCN segment, for which corresponding accounting provisions had to be made alongside ongoing operating losses, the revaluation of assets, above all capitalized development costs but also in the inventories of Kapsch CarrierCom Belgium NV, and restructuring costs were responsible for this. The order backlog at the end of the fiscal year amounted to EUR 199.3 million, forming a consistently strong basis to continue and further develop business in this segment.

1967

75th anniversary

On its 75th anniversary, Kapsch completes a truly impressive phase of its evolution, boasting 2,300 employees and revenues of over 300 million Austrian schillings.

In the **segment Enterprise,** Kapsch was once more able to comfortably exceed the EUR 300 million revenue mark, demonstrating yet again that Kapsch is a reliable partner for its customers in Austria and other Central European countries when it comes to choosing and executing state-of-the-art ICT solutions and providing all of the associated services. In particular, Kapsch was able to stand out as an outsourcing partner in the past fiscal year.

An overview of Kapsch Group		2015/16	2016/17	Change	
Revenues	in million EUR	1,046.8	1,111.2	64.4	6%
EBITDA	in million EUR	102.3	68.1	-34.2	-33%
EBITDA adjusted [1]	in million EUR	102.3	90.9	-11.5	-11%
EBIT	in million EUR	72.3	20.1	-52.1	-72%
EBIT adjusted [2]	in million EUR	72.3	59.7	-12.6	-17%
Total assets	in million EUR	942.3	1,058.1	115.8	12%
Equity	in million EUR	304.3	264.0	-40.2	-13%
Cash and cash equivalents	in million EUR	167.3	246.6	79.4	47%
Net debt	in million EUR	-77.5	-107.5	-30.0	-39%
Capital employed	in million EUR	533.5	606.7	73.2	14%
Free cash flow	in million EUR	100.1	25.6	-74.4	-74%
Investments	in million EUR	23.0	29.1	6.1	27%
R&D expenditure	in million EUR	98.2	125.0	26.9	27%
Employees	as of March 31	5,838	6,868	1,030	18%

1) Complies with the EBITDA excluding other one off effects (EUR 22.8 million) in the segment Carrier
2) Complies with the EBIT excluding impairment (EUR 16.7 million) and other one-time effects (EUR 22.8 million) in the segment Carrier

1967

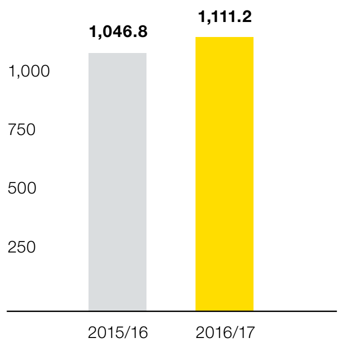
Color television

"Chromamatic" – Kapsch's first color television has a 25-inch screen, natural colors and six programmable keys.

2.2 Earnings.

In the fiscal year 2016/17, Kapsch Group generated consolidated revenues of EUR 1,111.2 million, well above the prior year's level of EUR 1,046.8 million (EUR +64.4 million or +6%). This increase is primarily attributable to acquisitions made in the segment Traffic, which are currently being integrated into the Group. This impressively underpins Management's strategy of enabling international growth through further acquisitions in addition to organic growth. Similarly, the Group was able to demonstrate the success of diversification in different markets along with its ability to offset declines in individual company segments through improvements in others. Nevertheless, it is the aim of Management to enable and safeguard growth and profitability in all Company divisions. To this end, Management was able to define agendas in the past fiscal year that will enable corresponding progress to be made in the future. Management therefore continues to see significant potential in the future and is continuing on its defined path.

Revenue growth in the fiscal year 2016/17.
(in EUR million)



From a regional perspective, revenues indicate that Kapsch Group was again able, in the fiscal year 2016/17, to forge ahead with international diversity. Revenues increased in almost all reporting regions, meaning that a further step was taken in the past fiscal year to ensure the even distribution of revenues. The share of revenues generated abroad rose further to 73%.

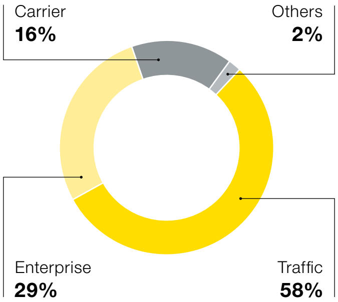
By the same token, revenues in the Austrian market improved slightly by EUR 2.1 million or 1% to EUR 296.7 million. Central and Eastern Europe was the only region to see a decline, of EUR -106.5 million or -28%, to a normal level of EUR 270.6 million. This is primarily due to the fact that, in the prior year, this region saw a number of GSM-R projects being invoiced with an effect on income and, on the other hand, the nationwide toll collection system in Belarus was also expanded last year. In Western Europe, revenues improved impressively by EUR +68.3 million or +50% to EUR 204.2 million. This is attributable, on the one hand, to the acquisition of Kapsch Transportation in Spain and, on the other, to additional revenues in the Netherlands (notably from the "CHARM" project) and Germany (notably in the Carrier and MCN segments). In the Americas, revenues increased even more, by EUR +78.3 million or 66%, to EUR 197.6 million. Aside from the acquisition-related increase as a result of the takeover of Schneider Electric's global transportation division, new project successes also contributed to this positive development. Similarly, the Rest of World region saw significant increases again, up EUR +22.2 million or +19% to EUR 142.1 million (primarily as a result of improvements in Australia, South Africa, Algeria, and even China), now making up 13% of consolidated revenues.

Increasingly regional revenue diversification.

Revenues by region (share in revenues)		2015/16		2016/17		Change	
Austria	in million EUR	294.6	28%	296.7	27%	2.1	1%
Central and Eastern Europe	in million EUR	377.1	36%	270.6	24%	-106.5	-28%
Western Europe	in million EUR	135.9	13%	204.2	18%	68.3	50%
Americas	in million EUR	119.3	11%	197.6	18%	78.3	66%
Rest of the World	in million EUR	119.9	11%	142.1	13%	22.2	19%
Group	**in million EUR**	**1,046.8**	**100%**	**1,111.2**	**100%**	**64.4**	**6%**

Since the growth in revenues stems entirely from the segment Traffic, this segment now contributes 58% to consolidated revenues, primarily as a result of an acquisition-related rise in revenues of EUR +122.4 million or 23% to a new record high of EUR 648.5 million. At EUR 179.3 million (EUR -53.8 million or -23%), revenues in the segment Carrier returned to the level of the fiscal year 2014/15 after the major increase seen in the prior year following the invoicing of several GSM-R projects in the mission-critical networks segment. In the third segment, Enterprise, revenues remained largely unchanged at EUR 317.0 million (EUR -5.0 million or -2%); if the decline as a result of the sale of the Polish subsidiary is taken into account, then revenues in this segment actually increased.

Growth in sales in the strongest segment.
(in % of total turnover)



Revenues by segment (share in revenues)		**2015/16**		**2016/17**		**Change**	
Traffic	in million EUR	526.1	50%	648.5	58%	122.4	23%
Carrier	in million EUR	233.1	22%	179.3	16%	-53.8	-23%
Enterprise	in million EUR	322.0	31%	317.0	29%	-5.0	-2%
Others	in million EUR	19.8	2%	21.3	2%	1.4	7%
Eliminations	in million EUR	-54.3	-5%	-54.9	-5%	-0.6	-1%
Group	**in million EUR**	**1,046.8**	**100%**	**1,111.2**	**100%**	**64.4**	**6%**

Operating performance rose year on year by EUR 84.4 million or 8% to EUR 1,153.0 million. In addition to the positive revenue developments, other operating income (EUR +7.1 million) and higher changes in inventories (EUR +10.8 million) also contributed to this positive trend. Own work capitalized also saw a slight year-on-year increase (EUR +2.1 million).

In line with revenue development, the cost of materials and purchased services rose by EUR 9.3 million or 2% relative to the prior year to EUR 524.0 million.

Page 25: more information on Kapsch as an employer.

Reflecting the company's core belief in sustainable growth, the headcount rose substantially in the past fiscal year, primarily as a result of acquisitions and new projects, by over 1,000 to 6,868. This, in turn, led to a major increase in personnel costs of EUR 77.5 million or 25% to EUR 388.4 million.

1970

Cab radio technology

Equipment of Austrian Federal Railways with cab radio technology.

Similarly, expenses for depreciation, amortization, and impairment charges rose significantly in the past fiscal year to EUR 48.0 million (EUR +17.9 million or +59%). This increase is mainly attributable to the fact that it was necessary to take impairment charges of EUR 16.7 million against intangible assets in the segment Carrier during the reporting year. Expenses for scheduled depreciation were only slightly higher than in the prior year, amounting to EUR +1.1 million or 4%.

Overall, expenses for depreciation, amortization, and impairment charges are broken down as follows:

Depreciation and amortization		**2015/16**	**2016/17**	**Change**	
Property, plant and equipment	in million EUR	14.2	15.9	1.7	12%
Intangible assets	in million EUR	15.7	15.1	-0.6	-4%
Investment property	in million EUR	0.2	0.2	0.0	0%
Impairment charge	in million EUR	0.0	16.7	16.7	
Total	**in million EUR**	**30.1**	**48.0**	**17.9**	**59%**

Other operating expenses increased substantially by EUR 31.9 million or 23% year-on-year to EUR 172.5 million. This increase is also primarily attributable to the acquisitions made and the associated significant rise in revenues and the number of employees. There was a particularly sharp increase in expenses for legal and consulting fees, rental expenses, travel expenses, other taxes and charges, provisions for guarantees and restructuring costs. These were offset by savings in communication-related expenses, IT expenses, as well as major reductions in operating foreign exchange losses. The rise in legal and consulting expenses relates particularly to a dispute in the segment Traffic with a competitor in the US business concerning intellectual property rights for certain technologies, which Kapsch Group consider to be an open industry standard, whereas the competitor is exercising patent claims. The dispute is being pursued in several parallel proceedings, giving rise to legal expenses of EUR 11.9 million in the fiscal year 2016/17 (2015/16: EUR 2.2 million).

One-time effects negatively impact the result.

The operating result (EBITDA) fell sharply in the past fiscal year by EUR 34.2 million or 33% to EUR 68.1 million. This is due to the fact that, in the past fiscal year, there were a number of one-time effects, primarily in the segment Carrier, that weighed heavily on the result. On the one hand, these were project-related one-time effects for a project in the MCN networks area and, to a certain extent, in the Public Transport area as well. On the other hand, the costs of restructuring measures were reflected in the result. In both the Enterprise and Traffic segments, EBITDA remained on a par with the prior year's high level. The EBITDA margin thereby narrowed from 9.8% to 6.1%. The adjusted EBITDA, which excludes these one-time effects in the segment Carrier, fell in the past fiscal year by EUR 11.5 million or 11% to EUR 90.9 million, while the adjusted EBITDA margin only narrowed from 9.8% to 8.2%.

At EUR 20.1 million, earnings before interest and taxes (EBIT) were EUR 52.1 million or 72% below the prior year's result of EUR 72.3 million. In addition to the above-mentioned operational one-time effects in the segment Carrier, impairments of intangible assets associated with capitalized development costs contributed significantly to this major decline in earnings. However, these negative effects do not affect cash flow. While the operating result in the segment Traffic fell only slightly by 4% despite the costs of integrating the acquired transportation segment, EBIT in the segment Enterprise actually rose by 14%. Overall, the EBIT margin of Kapsch Group narrowed from 6.9% to 1.8%. Adjusted EBIT, which excludes all the above-mentioned one-time effects in the segment Carrier amounting to EUR 39.5 million, declined in the past fiscal year by EUR 12.6 million or 17% to EUR 59.7 million, while the adjusted EBIT margin only narrowed from 6.9% to 5.4%.

Adjusted earnings at a satisfactory level.

Earnings figures of Kapsch Group		2015/16	2016/17	Change	
EBITDA	in million EUR	102.3	68.1	-34.2	-33%
EBITDA margin	in %	9.8	6.1		
EBITDA adjusted	in million EUR	102.3	90.9	-11.5	-11%
EBITDA margin adjusted	in %	9.8	8.2		
EBIT	in million EUR	72.3	20.1	-52.1	-72%
EBIT margin	in %	6.9	1.8		
EBIT adjusted	in million EUR	72.3	59.7	-12.6	-17%
EBIT margin adjusted	in %	6.9	5.4		
Profit/loss before tax	in million EUR	59.7	19.3	-40.4	-68%
Profit/loss for the period	in million EUR	39.4	4.4	-35.1	-89%

1972

Non-leak battery

In its best years, Kapsch achieves a 30% market share for batteries in Austria – some models even have a non-leak guarantee.

The financial result also clearly improved by EUR 11.4 million or 90% to EUR -1.2 million. This is due, on the one hand, to higher income from foreign exchange gains (EUR +5.9 million), but above all to a major decline in financial foreign exchange losses (EUR +8.3 million). In both cases, the effects of the US dollar and the South African rand were particularly responsible for this. In contrast, there was a drop in income from the capitalization of interest on non-current receivables (EUR -1.7 million).

Profit before tax of EUR 19.3 million (EUR -40.4 million or -68%) and the profit for the period of EUR 4.4 million (EUR -35.1 million or -89%) were also well below the prior year's level.

Other comprehensive income improved slightly in the past fiscal year by EUR 0.3 million or 6% to EUR -5.9 million. While currency translation differences (EUR -5.5 million) and remeasurements of liabilities from post-employement benefits (EUR -2.7 million) had a negative impact on other comprehensive income in a year-on-year comparison, this was offset by positive changes in currency translation differences from net investments in foreign operations (EUR +2.7 million).

Total comprehensive income fell sharply by EUR 34.7 million or 104% to EUR -1.5 million.

2.3 Financial situation.

Statement of financial position figures of Kapsch Group		2015/16	2016/17	Change	
Total assets	in million EUR	942.3	1,058.1	115.8	12%
Equity	in million EUR	304.3	264.0	-40.2	-13%
Equity ratio	in %	32.3	25.0		
Cash and cash equivalents	in million EUR	167.3	246.6	79.4	47%
Net debt	in million EUR	-77.5	-107.5	-30.0	39%
Capital employed	in million EUR	533.5	606.7	73.2	14%
Net working capital	in million EUR	371.2	437.7	66.5	18%

After revenues passed the mark of one billion euro for the first time in the prior year, the balance sheet total of Kapsch Group, at EUR 1,058.1 million (EUR +115.8 million or 12% in a year-on-year comparison), rose to over EUR 1 billion for the first time as at the reporting date of March 31, 2017. This was primarily due to the early refinancing of the corporate bond in the segment Traffic, in addition to the acquisitions made.

"Non-current assets" also declined by EUR 29.3 million or 9% year-on-year to EUR 285.0 million. This is primarily due to the fact that impairments of *"Intangible assets"* led to a reduction (EUR -9.0 million or -5%) despite acquisition-related additions. Similarly, *"Other non-current assets"* (EUR -17.7 million or 81%) also declined, notably through delivery and services in connection with a large project in the segment Traffic. Finally, *"Deferred tax assets"* (EUR -2.1 million or 6%) were also reduced, mainly as a result of the use of capitalized loss carryforwards.

Highest level of liquidity in the company's history.

In contrast, *"Current assets"* increased significantly by EUR 145.2 million or 23% to EUR 773.2 million. This was primarily the result of a rise in *"Trade receivables and other current assets"* amounting to EUR +65.9 million or +20% to EUR 400.8 million as well as the increase in *"Cash and cash equivalents"* amounting to EUR +79.4 million or 47% to EUR 246.6 million. The significant increase in *"Cash and cash equivalents"* is directly connected to the promissory note bond issued by Kapsch TrafficCom AG in June 2016 (amounting to EUR 62.0 million and USD 14.5 million), the primary aim of which is to refinance the corporate bond due to be repaid in the next fiscal year. This repayment will also lead to a significantly lower balance sheet total.

The *"Equity"* of Kapsch Group declined by EUR 40.2 million or 13% to EUR 264.0 million in the past fiscal year. This was due, on the one hand, to dividend payments of EUR 16.1 million (of which EUR 9.0 million to the company's shareholders) and, on the other, to the purchase of the 48% minority stake in KTS-CZ, which was reported in equity (EUR -22 million). The drop in the equity ratio to 25.0% is linked to this, as is the result of the short-term increase in total assets due to the cash reserves to repay the corporate bonds. The Group aims to increase this again to over 30%. Despite these effects, the Group confirms the stable balance sheet picture overall.

Corporate bonds due in the next fiscal year have already been refinanced over the long term.

"Non-current liabilities" increased year-on-year to EUR 287.4 million (EUR +16.0 or +6%). This is due to the fact that *"Non-current provisions"* rose considerably, by EUR 16.1 million or 301%, to EUR 21.5 million and *"Other non-current liabilities"* by EUR 5.2 million or 148% to EUR 8.6 million. On the other hand, the Group was able to reduce its *"Non-current financial liabilities"* by EUR 4.8 million or 3% to EUR 168.0 million and its *"Deferred tax liabilities"* by EUR 1.6 million or 24% to EUR 5.0 million. *"Liabilities from post-employment benefits to employees"* increased by EUR 1.6 million or 2% to EUR 69.4 million.

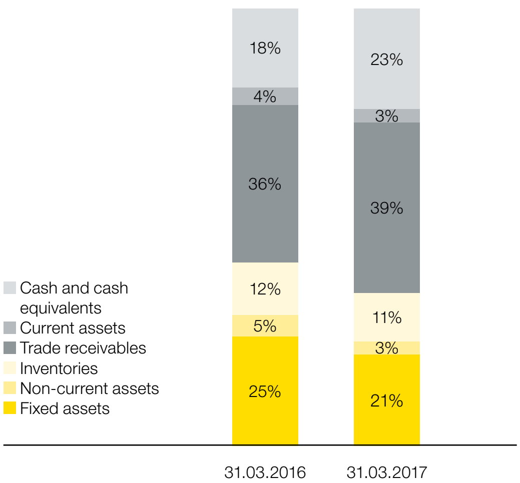
"Current liabilities" increased significantly to EUR 506.7 million (EUR +140.1 million or +38%). This rise is primarily due to a rise in *"Other liabilities and deferred income"* of EUR +7.9 million or 5% to EUR 181.8 million as well as an increase in *"Current financial liabilities"* of EUR 118.2 million or 209% to EUR 174.7 million, which stems from a reclassification from *"Non-current financial liabilities"* and is primarily due to the corporate bonds due for repayment in 2017. *"Trade payables"* remained on a par with the level of the prior year at EUR 88.8 million. *"Current provisions"* also increased by EUR 7.6 million or 18% to EUR 50.0 million. This is due, on the one hand, to the KTT acquisition and, on the other, to legal disputes in the USA.

1972

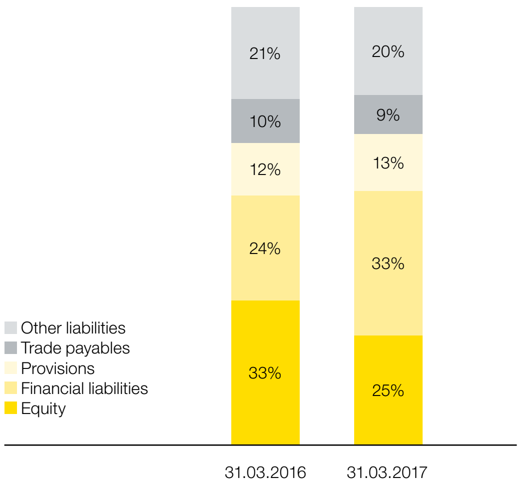
Sharp general agent

In 1972, Kapsch becomes the exclusive distributor for Japanese electronics manufacturer Sharp. In this role, Kapsch contributes to the success of Japanese products on the Austrian market.

Assets



Liabilities



Net debt increased year-on-year by EUR 30.0 million or 39% to EUR 107.5 million. At EUR 606.7 million in the past fiscal year, capital employed rose by EUR 73.2 million or 14% compared to the prior year.

Net working capital climbed in a year-on-year comparison by 18% or EUR 66.5 million to EUR 437.7 million.

2.4 Cash flow.

The liquidity position of the Group improved substantially in the past fiscal year.

Total cash flow increased significantly despite major outflows for investments.

Cash flow of Kapsch Group		**2015/16**	**2016/17**	**Change**	
Cash flow from operating activities	in million EUR	118.9	49.8	-69.2	-58%
Cash flow from investing activities	in million EUR	-11.4	-51.9	-40.5	356%
Cash flow from financing activities	in million EUR	-55.8	77.5	133.3	-239%
Total	**in million EUR**	**51.8**	**75.3**	**23.6**	**45%**

At EUR 49.8 million, cash flow from operating activities was EUR 69.2 million or 58% below the prior year's level. This is partly due to the decline in earnings and the decline of the *"Inventories"*. These changes were countered above all by the impairments of *"Intangible assets"*, the increase in *"Other non-current provisions and liabilities"* and the sharp drop in *"Non-current receivables"*.

At EUR -51.9 million, cash flow from investing activities was EUR 40.5 million or 356% below the prior year's level. This is primarily due to the acquisitions made in the segment Traffic in the current fiscal year (Kapsch Transportation, tolltickets and Fluidtime). Similarly, investments in property, plant and equipment also rose sharply (EUR +5.5 million or +39%). This means that free cash flow fell considerably from EUR 100.1 million to EUR 25.6 million (EUR -75.9 million or -76%).

Cash flow from financing activities amounted to EUR 77.5 million, well above the prior year's level (increasing by EUR 133.3 million). This is primarily the result of changes in financial liabilities associated with the promissory note bond issued and other additional financial liabilities in the amount of EUR 37.2 million. These were offset by dividend payments amounting to EUR 16.1 million, with EUR 9.0 million in dividends being paid to the shareholders of the company and EUR 7.1 million to the holders of non-controlling shares.

"Cash and cash equivalents" at the end of the fiscal year amounted to EUR 246.6 million, representing a major increase of EUR 79.4 million or 47% compared to the prior year.

1974

Stereo auto radio-recorder TRM 500

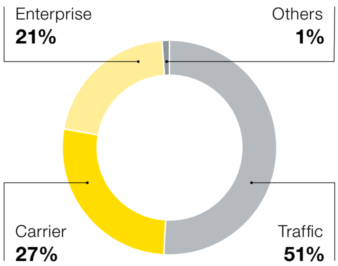
The in-car stereo radio recorder has 2x 5W of output power. Drivers can make tape recordings via a microphone or from the radio. The radio is equipped with 11 transistors, 21 diodes and 8 ICs.

2.5 Investments.

Investments in the past fiscal year amounted to EUR 29.1 million, EUR 6.1 million or 27% above the prior year's level. In addition, fixed assets increased by EUR 9.4 million relating to company acquisitions. However, fixed assets ultimately declined to EUR 221.1 million (EUR -10.1 million or -4%) due to scheduled depreciation and impairments, as well as disposals of fixed assets, particularly in the area of capitalized development costs.

Investments of Kapsch Group	**Property, plant and equipment**	**Intangible assets**	**Investment property**	**2016/17**
Carrying amount as of March 31 of prior year	**59.8**	**167.5**	**3.9**	**231.2**
Addition resulting from company acquisition	0.9	11.9	0.0	12.9
Investments (additions)	18.3	10.8	0.0	29.1
Divestments (disposals)	-5.0	-0.2	0.0	-5.1
Depreciation/amortization	-15.9	-15.1	-0.2	-31.2
Impairment charge	-0.1	-16.7	0.0	-16.7
Currency translation differences	0.8	0.2	0.0	0.9
Reclassifications	0.0	0.0	0.0	0.0
Carrying amount as of March 31 of fiscal year	**58.9**	**158.5**	**3.7**	**221.1**

Investments 2016/17 by segments.
(in %)



When considering all segments, it becomes clear that the majority of investments was made in the segment Traffic (EUR 15.1 million or 51%). Investments in the segment Carrier amounted to EUR 7.8 million or 27%. These also relate to investments in research and development in the area Public Transport. The remaining investments of EUR 6.1 million or 21% are attributable to the segment Enterprise.

3 Business Segments.

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

3.1 Segment Traffic.

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

The segment Traffic is subdivided into the two areas ETC and IMS.

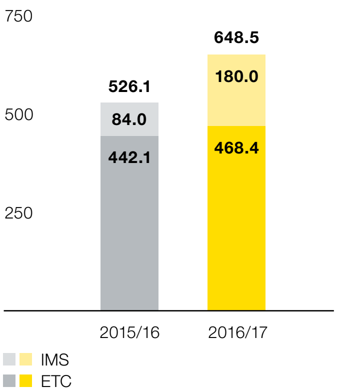
In the segment Traffic, the Group offers worldwide integral technologies, solutions and services for the intelligent transportation systems (ITS) market. The segment Traffic is divided into the following two divisions:

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

> **Intelligent Mobility Solutions (IMS):** The Intelligent Mobility Solutions (IMS) division reflects projects for the installation, maintenance and operation of systems for traffic monitoring, traffic control and traffic safety. Projects for the monitoring of utility vehicles and for electronic vehicle registration as well as intelligent parking solutions and systems for intermodal mobility are also assigned to this segment as are systems and services for operational monitoring of public transportation and environmental installations.

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

Revenue growth of 23.3%.
(in EUR million)



In the segment Traffic, Kapsch Group generated revenues of EUR 648.5 million in the fiscal year 2016/17, thereby achieving a considerable increase of EUR 122.4 million or 23% in a year-on-year comparison. Revenue growth was seen in both segments. A particularly pleasing fact is that revenues actually increased more than two-fold in the strategically important intelligent mobility solutions (IMS) business, with this contributing over 25% to total revenues. The main driver of this development was the first-time consolidation of Kapsch TrafficCom Transportation (KTT, the global transportation division acquired from Schneider Electric as of April 1, 2016), contributing revenues of EUR 112.8 million (of which: ETC: EUR 21.8 million; IMS: EUR 91.0 million).

Segment Traffic revenues by area		2015/16	2016/17	Change	
ETC	in million EUR	442.1	468.4	26.3	6%
IMS	in million EUR	84.0	180.0	96.1	114%
Segment Traffic total	**in million EUR**	**526.1**	**648.5**	**122.4**	**23%**

In the ETC division, revenues increased by 6.0% from EUR 442.1 million to EUR 468.4 million. The largest contribution to revenues again came from the EMEA region and the nationwide toll collection projects in the Czech Republic, Poland, Belarus, and Austria. A major increase in revenues was recorded in South Africa due to the contractual replacement of IT infrastructure. The volume of construction projects was lower than in the same period last year as expansions to the existing systems in Belarus and Poland proceeded more slowly, as planned. In the Americas region, revenues saw an increase largely as a result of the projects in the USA acquired in the course of the KTT takeover. New construction projects in Sydney (Harbour Bridge and Harbour Tunnel) also led to a rise in revenues. Moreover, the number of on-board units sold hit a new high with 11.7 million units in the past fiscal year 2016/17 (2015/16: 9.6 million units). In particular, increases were recorded in the USA (over 6.1 million units, after 4.4 million units in the prior year), Australia, Norway, Russia, and Spain, while sales in Thailand and Mexico fell in a year-on-year comparison. Revenues from components declined slightly compared with the prior year (-7%). This is primarily attributable to the fall in the average price for on-board units in the USA.

In the IMS division, the fiscal year 2016/17 was characterized by substantial growth as a result of the major acquisition of Kapsch TrafficCom Transportation (KTT, the global transportation division acquired from Schneider Electric as per April 1, 2016). In the fiscal year 2016/17, revenues in the IMS segment therefore rose sharply, by 114.4%, from EUR 84.0 million to EUR 180.0 million. The integration of the companies thus acquired in a number of countries had an impact, however, on integration costs and the corresponding result in the past fiscal year. The largest associated increases were recorded in Spain, the USA, Brazil, Argentina, Panama, Ecuador, China, and in Saudi Arabia. In addition to the KTT projects, the progress made with the cross-border program "CHARM", for which the advanced traffic management system DYNAC© is being implemented in both England and the Netherlands, as well as the associated sharp rise in the contribution to revenues from the operation of traffic management systems in South Africa, also contributed significantly to these increases.

The Central and Eastern Europe region continued to account for the largest share of total revenues in the fiscal year 2016/17, with around 35% or EUR 236.9 million, despite a decline of 10%. This is largely attributable to the completion of Phase 3 in Belarus in the prior year. In the Western Europe region, revenues increased more than two-fold to EUR 93.5 million. This is due in particular to the KTT revenues in Spain and the CHARM project. Similarly, the Americas region saw a sharp rise in revenues by around two-thirds to EUR 195.4 million. This was primarily attributable to revenue contributions from projects belonging to KTT, which was acquired in the prior year, in the USA, and in South and Central America. In the Rest of World region, revenues increased by over 20% to EUR 122.7 million. This resulted in particular from higher revenues in Australia, Saudi Arabia, China, and South Africa.

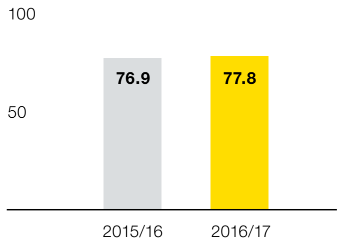
1976

Innsbruck Olympics

The 60M motorized dialing system is deployed as a substation in a shipping-container design, used for the Winter Olympics in Innsbruck for the communication of sports reporters by the Austrian ORF network and ABC.

EBITDA also increased slightly in the past fiscal year to EUR 77.8 million, compared to the prior year (EUR +0.9 million or +1%). This improvement was primarily driven by the very satisfactory development seen in the area of operation projects. While KTT made a negative EBIT contribution and even its integration weighed on the result, the negative difference (badwill) of EUR 3.0 million had a positive effect. By the same token, investments in the development of the smart parking market and the smaller contributions made by North American operation projects impacted on the result. While expenses for materials and other purchased manufacturing services relative to revenues actually fell slightly due to the change in the segment mix, personnel costs in particular not only rose absolutely as a result of the significant increase in the headcount linked to the acquisitions made, but also in relation to revenue. The increase in scheduled depreciation and amortization, as well as other operating expenses, corresponds to the development of revenues.

Stable development of the operating result in the segment Traffic.
(in EUR million)



Earnings before interest and taxes (EBIT) in the segment Traffic amounted to EUR 60.1 million, remaining slightly below the prior year's value (-4% or EUR -2.2 million) due to the somewhat higher level of scheduled depreciation and amortization. The EBIT margin was approximately 9.3% (prior year: 11.9%) and therefore in line with expectations.

The financial result improved from EUR -7.6 million in the prior year to EUR 0.4 million. The primary reason here was a drop of EUR -9.3 million in foreign exchange losses. At EUR 13.5 million, financial income was slightly above the prior year's level (2015/16: EUR 12.9 million).

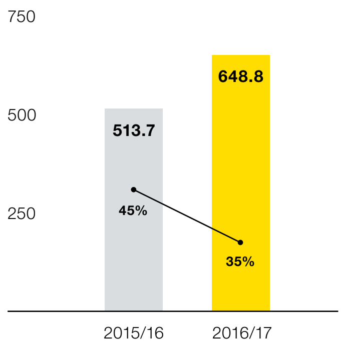
Income from joint ventures and associated companies rose to EUR 0.1 million (prior year: EUR 0.0 million) and stemmed from the investment in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

Profit before tax rose as a result of these developments by EUR 5.8 million or 10.6% to EUR 60.6 million (prior year: EUR 54.8 million).

Increase in profit for the period.

The profit for the period increased by 17.1% year-on-year to EUR 42.7 million. As a result of the acquisition of the remaining non-controlling 48% stake in the Czech Kapsch Telematic Services spol. s r.o., the profit for the period attributable to the shareholders of the company increased significantly, by +40.3% to EUR 43.6 million (2015/16: EUR 31.1 million). This corresponds to earnings per share of EUR 3.35 (2015/16: EUR 2.39).

Sharp increase in total assets and temporary decline in the equity ratio.
(in EUR million)



50% increase in cash and cash equivalents due to early refinancing of the corporate bond.

1979

Circuit board production

In 1979, Kapsch invests in its own circuit board production facility. The impetus behind this move is its cooperation with Nortel (Northern Telecom), which has digital communications experience going back to the 1960s. The circuit board production facility starts operations in 1980, laying the groundwork for many new business units in the future.

Earning figures segment Traffic		2015/16	2016/17	Change	
EBITDA	in million EUR	76.9	77.8	0.9	1%
EBITDA margin	in %	14.6	12.0		
EBIT adjusted	in million EUR	62.3	60.1	-2.2	-4%
EBIT margin adjusted	in %	11.9	9.3		
EBIT	in million EUR	62.3	60.1	-2.2	-4%
EBIT margin	in %	11.9	9.3		
Profit/loss before tax	in million EUR	54.8	60.6	5.8	11%
Profit/loss for the period	in million EUR	36.5	42.7	6.2	17%

Total assets in the segment Traffic rose significantly in the past fiscal year to EUR 648.8 million (EUR 135.1 million or 26%). This was primarily due to the premature refinancing of the corporate bond by means of promissory note bond, in addition to the acquisitions made.

On the assets side of the balance sheet, *"Non-current assets"* and *"Property, plant and equipment"* increased slightly by EUR 2.3 million to EUR 23.1 million (prior year: EUR 20.9 million) as well as *"Intangible assets"* by EUR 7.1 million to EUR 72.0 million (prior year: EUR 64.9 million), largely as a result of the Telvent acquisition. This development was contrasted by a substantial reduction in *"Other non-current assets"* of EUR 18.3 million to EUR 0.6 million (prior year: EUR 18.9 million). This is primarily the result of the contractually agreed repayments from the Belarusian construction project as well as the associated reclassification to *"Current trade receivables"*. Overall, *"Non-current assets"* declined by EUR 8.9 million to EUR 128.2 million (prior year: EUR 137.1 million).

"Inventories" increased mainly as a result of this acquisition by EUR 3.5 million to EUR 39.3 million (prior year: EUR 35.8 million). *"Trade receivables"* and *"Other current assets"* increased by EUR 65.8 million to EUR 261.9 million (prior year: EUR 196.2 million) relative to March 31, 2016. The primary reason for this was the receivables acquired through the takeover of KTT.

The most significant change in the balance sheet assets was in the *"Cash and cash equivalents"*-position, which rose sharply by EUR 70.5 million to EUR 211.3 million (prior year: EUR 140.8 million). This was primarily the result of a promissory note bond being issued. Here, Kapsch took advantage of current low interest rates to secure the refinancing of the corporate bond ahead of time.

At EUR 227.3 million, *"Equity"* was EUR 3.4 million or 1% lower than in the prior year, and the equity ratio also fell to 35.0%. In addition to the payment of dividends amounting to EUR 19.5 million (EUR 1.50 per share), the following major reasons were responsible for this: On the one hand, the acquisition of the remaining 48% stake in Kapsch Telematic Services spol. s r.o., Czech Republic, recognized in equity (the purchase price of up to EUR 21.8 million comprises a fixed portion and an earnings-dependent variable portion) and, on the other, the temporary increase in the balance sheet total as a result of the placement of a promissory note bond were responsible.

The largest change on the liabilities side of the balance sheet was therefore in *"Financial liabilities"*. As the residual term of the corporate bond was less than one year (maturity in November 2017), this was reclassified from *"Non-current financial liabilities"* to *"Current financial liabilities"*, which therefore rose by EUR 76.6 million to EUR 97.9 million (prior year: EUR 21.3 million). *"Non-current financial liabilities"* amount to EUR 97.5 million. This corresponds to an increase of EUR 11.7 million and now comprises, in addition to the reclassification of the repayable corporate bond, the promissory note bond placed in the first quarter of this fiscal year amounting to EUR 62.0 million and USD 14.5 million. The project loan taken out to construct the toll collection system in Belarus was fully repaid as of March 31, 2017.

"Other non-current provisions" increased by EUR 8.6 million to EUR 10.0 million, which is primarily due to the integration of KTT. At EUR 10.5 million, *"Other non-current liabilities"* were EUR 7.2 million higher than in the prior year. The primary reason for this was the unpaid variable purchase price which had to be recognized for the remaining 48% acquired in the Czech Kapsch Telematic Services spol. s r.o.

"Trade payables" amounted to EUR 55.9 million (prior year: EUR 52.0 million), and thereby increased by EUR 3.9 million. *"Other liabilities and deferred income"* rose by EUR 24.1 million to EUR 103.5 million (prior year: EUR 79.3 million). This is mainly due to the KTT acquisition (EUR 26.0 million). Similarly, *"Current provisions"* also increased sharply to EUR 17.6 million (prior year: EUR 8.9 million). This is also due, on the one hand, to the KTT acquisition and, on the other, to legal disputes in the USA.

As at March 31, 2017, net working capital increased to EUR 249.7 million (EUR +66.0 million or +36%).

Overall, despite the intensive level of investment activity (above all the acquisition of the KTT division), the purchase of a key minority stake and the payment of a dividend, net cash of EUR 19.6 million was reported on the balance sheet date (March 31, 2016: EUR 33.8 million).

In addition to the assets of the segment Traffic, there is a further goodwill of EUR 36.8 million at the level of KAPSCH-Group Beteiligungs GmbH assigned to the segment Traffic, for which no need for impairment was identified in the course of the impairment test carried out.

Other key figures for the segment Traffic		**2015/16**	**2016/17**	**Change**	
Total assets	in million EUR	513.7	648.8	135.1	26%
Equity	in million EUR	230.7	227.3	-3.4	-1%
Equity ratio	in %	44.9	35.0		
Cash and cash equivalents	in million EUR	140.8	211.3	70.5	50%
Net debt	in million EUR	33.8	19.6	-14.2	-42%
Capital employed	in million EUR	337.7	422.7	84.9	25%
Net working capital	in million EUR	183.7	249.7	65.9	36%
Free cash flow	in million EUR	90.7	42.6	-48.0	-53%
Investments	in million EUR	10.0	15.1	5.1	51%
R&D Expenses	in million EUR	56.6	85.4	28.8	51%
Employees	as at March 31	3,716	4,823	1,107	30%

Increase in total cash flow despite high level of investment in company acquisitions in the segment Traffic.

Net cash flow from operating activities amounted to EUR 55.0 million (prior year: EUR 97.9 million). At EUR 94.9 million, earnings before adjusting the net working capital remained stable, although the rise in *"Trade receivables and other current assets"* of EUR 6.2 million (prior year: decline of EUR 11.9 million) and the reduction in *"Trade payables"* and *"Other current liabilities"* totaling EUR 14.0 million (prior year: increase of EUR 12.9 million) led to this reduction in net cash flow. The effects of interest income, interest payments and payments for taxes on income each remained on a par with the prior year.

Net cash flow from investing activities amounted to EUR -37.9 million in the fiscal year 2016/17, of which EUR -21.9 million (net, after deducting the *"Cash and cash equivalents"* of the companies acquired) was for the acquisition of KTT. Other cash outflows related to the investment in ParkJockey Global, Inc., USA, to the acquisition of a 65% stake in tolltickets GmbH, Germany, and to the acquisition of a 75.5% stake in Fluidtime Data Services GmbH, Austria. Net cash flow from investing activities in the same period last year was positive, largely due to the sale of securities. Net investments in *"Property plant and equipment"* and *"Intangible assets"* were, at EUR -15.1 million, above the prior year's level of EUR -10.0 million due to the acquisition and integration of KTT. At EUR 42.6 million, free cash flow (net cash flow from operating activities less net investments) was again positive, but still well below the prior year's level of EUR 90.7 million, primarily as a result of the development of receivables, inventories and the sharper rise in liabilities. The above-mentioned investments also had a negative impact on free cash flow.

1979

Medium-range radar system Koralpe

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

Net cash flow from financing activities amounted to EUR 49.6 million (prior year: EUR -49.6 million). The position *"Increase in non-current financial liabilities"* played a major role in this rise, increasing by EUR 100.4 million, primarily as a result of the promissory note bond issued. This was largely offset by a repayment of *"Current financial liabilities"* (EUR -19.8 million), the dividend payment (EUR -19.5 million) and a purchase price component already paid for the remaining shares in the Czech Kapsch Telematic Services (EUR -14.0 million).

Cash and cash equivalents reached a record high of EUR 211.3 million in the segment Traffic as at March 31, 2017 (March 31, 2016: EUR 140.8 million). This is due, on the one hand, to the satisfactory earnings and, on the other, to the issuing of the promissory note bond and acquisition funding supported by the OeKB, intended to ensure the planned repayment of the corporate bond in autumn 2017.

Cash flow of the segment Traffic		**2015/16**	**2016/17**	**Change**	
Cash flow from operating activities	in million EUR	97.9	55.0	-42.9	-44%
Cash flow from investing activities	in million EUR	0.6	-37.9	-38.5	–
Cash flow from financing activities	in million EUR	-49.6	49.6	99.2	–
Total	**in million EUR**	**48.9**	**66.7**	**17.7**	**36%**

At EUR 15.1 million, investments in the segment Traffic were around 51% above the prior year's level of EUR 10.0 million.

EUR 85.4 million was expended for research and development. This also corresponds to an increase of a little more than 50% or EUR +28.8 million, demonstrating that considerable investment continues to be made in this segment that is so important for the company's future. As such, the share of revenue invested in research and development rose to over 13% (prior year: 11%).

The number of people employed in the segment Traffic saw a substantial increase of 1,107 (30%) to 4,823 employees. This is also primarily attributable to the acquisitions made.

3.2 Segment Carrier.

This segment is represented by Kapsch CarrierCom AG, Vienna, as well as by Kapsch PublicTransport GmbH, Vienna (which was carved out of Kapsch CarrierCom AG in the past fiscal year) and their respective direct and indirect subsidiaries. KAPSCH-Group Beteiligungs GmbH owns a 100% stake in each of these companies.

In the segment Carrier, Kapsch is a established and globally active producer of end-to-end telemetry and telecommunications solutions. The company offers innovative, success and mission-critical end-to-end solutions for railway operators, public transport companies, public and other state-owned and private networks operators. Kapsch CarrierCom and Kapsch PublicTransportCom are reliable partners for customers, who benefit from the comprehensive range of services and direct, around-the-clock customer service. With the strategic partnerships and strong innovation that are generated by a total of eight research and development centers in Europe and Asia, Kapsch CarrierCom and Kapsch PublicTransportCom are key knowledge holders in all their business segments.

The segment Carrier is active in the carriers, mission-critical networks, and public transport sectors.

The segment Carrier is divided into the following three areas:

- **Carrier (CRS) division:** In the Carrier division, Kapsch CarrierCom supports its long-standing customers in the public network operators sector, as well as an increasing number of other state-owned and private network operators, with the continuous optimization and further development of their systems and networks. There are reference projects in nearly 20 countries. In this area, Kapsch CarrierCom primarily addresses customers in Austria, Germany, Central and Eastern Europe as well as France, Belgium, Algeria, and Taiwan. Customers include the companies of the Telekom Austria Group, eircom in Ireland, Électricité de France and Orange in France, Chunghwa Telecom in Taiwan, BICS (Belgacom International Carrier Services) in Belgium, along with a growing number of operators of proprietary communication networks in Germany, managed by Kapsch Carrier Solutions GmbH, Germany.
- **Mission-Critical Networks (MCN) division – formerly railways (RLW):** With immediate effect, Kapsch CarrierCom handles the technological issues TETRA and digital mobile radio (DMR) as part of this division, which has been renamed the Mission-Critical Networks division together with the railways portfolio of solutions. In the MCN division, Kapsch CarrierCom has been developing, producing, installing and supporting railway dedicated network (RDN) solutions for nearly 20 years based on the GSM-R standard and mission-critical networks based on the TETRA and DMR standard for railway companies, as well as other public and private companies operating proprietary communications networks. Kapsch CarrierCom supplies railway customers in over 20 countries around the world with telecommunications solutions. Kapsch CarrierCom's end-to-end solutions cover the entire range of requirements for voice and data communication. The available expertise and the commitment to supporting solutions over an extended period of time safeguards the position of Kapsch CarrierCom in this segment as the strategic partner of large national railway companies, as well as other public and private companies operating proprietary communications net-works. As an associated member of the European rail technology initiative Shift2Rail, Kapsch CarrierCom has also secured a very good position in respect of the pending technological shift after 2020.
- **Public Transport (PTR) division:** In this division, Kapsch PublicTransportCom offers end-to-end solutions for local public transport operators. Aggregated under the "mobi.guider" brand, Kapsch PublicTransportCom has a broad portfolio of technologies focusing on the areas of computed-supported transport control systems (ITCS, mobi.operations), automated payment systems (AFC, mobi.ticketing), and electronic and mobile ticket systems. Customers in this segment include De Lijn in Belgium, Arriva, Veolia and Syntus in the Netherlands, Reya Vaya in South Africa and Marta in the USA. Kapsch PublicTransportCom provides cloud-based end-to-end network solutions (mobi.efficiency) for smart infrastructure, including customized control and management systems specially for rail or road vehicles. These systems help to reduce energy costs as well as ensuring preventative maintenance through the capturing and provision of real-time vehicle data.

1980

Digital telephony

Start of digital telephony in Austria, in cooperation with the company Schrack.

The most important company in this division is Kapsch CarrierCom Belgium NV, which was acquired by Kapsch CarrierCom AG as Prodata Mobility Systems NV in July 2014 and transferred to Kapsch PublicTransportCom GmbH in the past fiscal year.

Segment revenues fell by EUR 53.8 million or 23% to EUR 179.3 million in the past fiscal year, thus returning to approximately the same level as in the fiscal year 2014/15.

Segment Carrier revenues by division		2015/16	2016/17	Change	
CRS	in million EUR	62.3	67.0	4.7	7%
MCN (formerly: RLW)	in million EUR	147.4	90.1	-57.3	-39%
PTR	in million EUR	23.4	22.3	-1.1	-5%
Segment Carrier total	**in million EUR**	**233.1**	**179.3**	**-53.8**	**-23%**

In the Carrier (CRS) division, revenues in the past fiscal year actually increased to EUR 67.0 million, up EUR 4.7 million or 7% compared to the prior year. This is primarily attributable to a distinction between the customer and solution base in this segment. An increasing number of new customers are being acquired as well as new solution areas addressed. Kapsch CarrierCom also remains well established in the service business with existing customers. This is due in no small way to the fact that customers appreciate the expertise and reliable support provided by Kapsch CarrierCom. Another positive factor to highlight is the consistently robust business development of Kapsch Carrier Solutions GmbH, Germany. The main markets in the Carrier division comprise Austria, France, Central and Eastern Europe, Algeria, Taiwan, and Belgium.

In the MCN division, revenues returned to normal levels as expected, amounting to EUR 90.1 million, representing a drop of EUR 57.3 million or 39% compared to the prior year in which exceptionally high revenues were generated. Despite such a decrease, this segment continued to account for 50% of segment revenues. In the past fiscal year, the focus was on fulfilments, as well as adjustment and completion work for projects that had already been secured. The MCN division remains the one with the strongest revenues in this segment. Key projects in the Czech Republic, Hungary, Slovenia, the UK, Bulgaria, Romania, Saudi Arabia, Algeria, China, Spain, Brazil, France, and Germany, among others, were acquired and delivered, or are still in the implementation phase. The division result was heavily impacted by a loss-making order, for which corresponding accounting provisions had to be set up alongside ongoing operating losses. The focus of the coming years will continue to be on markets in Central, Western, and Eastern Europe, North Africa, South America, and in the Arab and Asian regions. A further expansion of, and imminent updates to, solutions in the existing Kapsch GSM-R networks is anticipated in many Western European countries. Digitization and rising security requirements will continue to attract investment in this segment.

Revenues in the PTR division were slightly below the prior year's level, with the division as a whole falling short of expectations. This is primarily attributable to sharp declines in Belgium and Sweden.

From a regional perspective, segment revenues can be broken down as follows: EUR 18.4 million (EUR +1.8 million or +11%) in Austria, EUR 38.2 million (EUR -76.1 million or -67%) in Central and Eastern Europe, EUR 102.3 million (EUR +20.2 million or +25%) in Western Europe, and EUR 20.5 million (EUR +0.5 million or +3%) in Rest of World. The countries with most revenues here are Germany, France, Austria, United Kingdom, and the Netherlands.

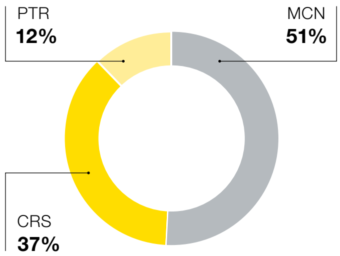
EBITDA in the past fiscal year amounted to EUR -23.9 million (EUR -34.0 million or -337%), meaning a substantial decline following the rise in the prior year. At -98.2%, the EBITDA margin is also negative. This development is mainly due to the fact that a project in the MCN division caused major losses, brought on by associated additional costs, penalty obligations, and provisions for losses. There is a similar picture in the PTR division where, in addition to stagnating revenues, penalties relating to a project and valuation allowances for inventories weighed heavily on this result. At EUR -1.1 million, the adjusted EBITDA, which excluded one-time effects, was also below the prior year's level of EUR 10.1 million, declining by EUR -11.2 million.

1981

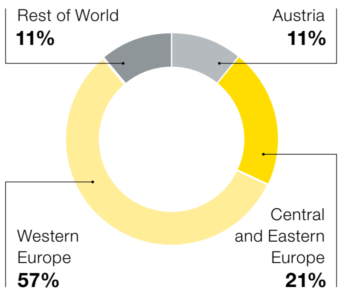
High performance antenna for shortwave

High-powered antennas are built under contract for ORF.

The decline in sales in the fiscal year 2016/17 comes from the MCN division.



Revenues by region in the segment Carrier 2016/17.



1984

Mobile telephony

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

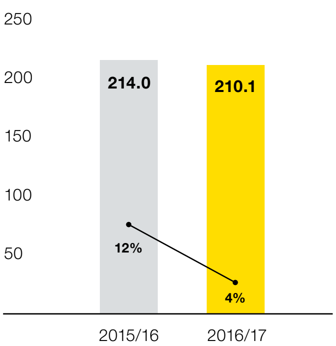
EBIT amounted to EUR -48.9 million (prior year: EUR +0.7 million). In addition to the operational one-time effects already mentioned above, additional impairments, amounting to EUR 16.7 million, of intangible assets associated with capitalized development costs also contributed to this substantially worse result. However, these negative effects do not affect cash flow. Adjusted EBIT, which excludes all the above-mentioned one-time effects totaling EUR 39.5 million, amounted to EUR -9.4 million, representing a change of EUR -10.1 million and were thus below the prior year's level of EUR 0.7 million.

All the issues which led to these one-time effects are the subject of continuous and close management attention. By the same token, the Management of Kapsch Group also monitors how synergies are sought and harnessed.

Profit before tax of EUR -52 million (prior year: EUR -1.9 million) and the profit for the period of EUR -42.0 million (prior year: EUR -0.6 million) were also clearly negative.

Earning figures segment Carrier		2015/16	2016/17	Change	
EBITDA	in million EUR	10.1	-23.9	-34.0	–
EBITDA margin	in %	4.4	-98.2		
EBITDA adjusted	in million EUR	10.1	-1.1	-11.2	–
EBITDA margin adjusted	in %	4.4	-120.3		
EBIT	in million EUR	0.7	-48.9	-49.6	–
EBIT margin	in %	0.3	-308.5		
EBIT adjusted	in million EUR	0.7	-9.4	-10.1	–
EBIT margin adjusted	in %	0.3	-5.2		
Profit/loss before tax	in million EUR	-1.9	-52.0	-50.1	<-500%
Profit/loss for the period	in million EUR	-0.6	-42.0	-41.4	<-500%

Stable balance sheet total. Equity ratio fell due to the negative result for the period. (in EUR million)



The balance sheet total for the segment Carrier remained largely stable overall at EUR 210.1 million (EUR -3.9 million or -2%). While *"Property, plant and equipment"* remained virtually unchanged at EUR 10.5 million compared to the prior year, *"Intangible assets"* fell substantially to EUR 28.8 million as a result of impairments, totaling EUR 16.7 million, of capitalized development costs in the PTR division. In contrast, *"Deferred tax assets"* rose considerably to EUR 10.7 million due to additional temporary differences of EUR 5.4 million. Overall, *"Non-current assets"* amounted to EUR 53.7 million on the balance sheet date and thus below the prior year's level of EUR 65.2 million.

"Inventories" declined from EUR 56.3 million to EUR 48.7 million, mainly due to a decline in non-billable services. *"Receivables and other current assets"* rose, on the other hand, from EUR 82.1 million to EUR 99.0 million. At EUR 8.8 million, *"Cash and cash equivalents"* was EUR 0.7 million lower year-on-year.

"Financial liabilities" climbed to EUR 79.9 million. This is due, on the one hand, to loans from the parent company KAPSCH-Group Beteiligungs GmbH and, on the other, to additional bank loans, and relates mainly to the PTR division. *"Non-current financial liabilities"* decreased significantly to EUR 22.2 million (prior year: EUR 46.9 million). In contrast, *"Current financial liabilities"* increased from EUR 14.1 million to EUR 57.7 million.

"Non-current provisions" rose sharply from EUR 1.2 million to EUR 7.5 million, primarily as a result of projects. Overall, *"Non-current liabilities"* of EUR 67.6 million, however, declined significantly to EUR 47.5 million.

"Trade payables" fell sharply by EUR 2.0 million to EUR 24.0 million, as did *"Other current liabilities"*, by EUR 6.4 million to EUR 42.8 million in a year-on-year comparison. *"Current provisions"* also declined by EUR 6.4 million to EUR 27.9 million.

"Equity" dropped substantially from EUR 25.7 million to EUR 8.8 million (EUR -16.9 million or 66%) as a result of the negative result, although this was offset by a capital contribution amounting of EUR 24.9 million. The equity ratio also declined to 4.2%.

Other key figures for the segment Carrier		2015/16	2016/17	Change	
Total assets	in million EUR	214.0	210.1	-3.9	-2%
Equity	in million EUR	25.7	8.8	-16.9	-66%
Equity ratio	in %	12.0	4.2		
Cash and cash equivalents	in million EUR	9.4	8.8	-0.7	-7%
Net debt	in million EUR	-53.3	-71.2	-17.9	-34%
Capital employed	in million EUR	88.4	88.7	0.3	0%
Net working capital	in million EUR	112.4	123.7	11.3	10%
Free cash flow	in million EUR	1.1	-46.2	-47.3	–
Investments	in million EUR	9.8	7.8	-2.0	-20%
R&D Expenses	in million EUR	40.6	39.0	-1.6	-4%
Employees	as at March 31	802	735	-67	-8%

1985

Business communications system

"DataStar" – Austria's largest business communications system of the 1980s for the transmission of language, data, text, and characters.

Net debt increased by EUR -17.9 million or -34% to EUR -71.2 million while, at the same time, net working capital rose by EUR 11.3 million or 10% to EUR 123.7 million.

There is no longer additional goodwill on the level of KAPSCH-Group Beteiligungs GmbH.

Net cash flow from operating activities in the segment Carrier amounted to EUR -38.8 million (prior year: EUR +10.8 million) and was therefore clearly negative as a result of the deeply negative result and the one-time effects described in the MCN and PTR divisions.

At EUR -7.4 million (prior year: EUR -9.8 million), net cash flow from investing activities was slightly below the previous year's level, as investments could be reduced.

Cash flow from financing activities was also clearly positive in the past fiscal year and is also mainly due to loans from KAPSCH-Group Beteiligungs GmbH or to additional loans from banks (with the guarantee of KAPSCH-Group Beteiligungs GmbH) and a capital contribution from the parent company of EUR 24.9 million.

Total cash flow amounted to EUR -2.2 million (EUR +0.4 million in the prior year) and was thus also slightly negative.

Total cash flow and cash on hand remained stable.

Cash flow of the segment Carrier		2015/16	2016/17	Change	
Cash flow from operating activities	in million EUR	10.8	-38.8	-49.7	–
Cash flow from investing activities	in million EUR	-9.8	-7.4	2.4	-25%
Cash flow from financing activities	in million EUR	-0.6	44.0	44.6	–
Total	**in million EUR**	**0.4**	**-2.2**	**-2.7**	**–**

At EUR 7.8 million, investments in the segment Carrier were below the prior year's level (EUR 9.8 million).

Share of segment revenues used for research and development in the segment Carrier at 22%.

EUR 39.0 million was expended for research and development. This corresponds to a year-on-year change of EUR 1.6 million or 4%, demonstrating that, despite the difficult earnings situation, research and development continues to be considered key to the medium and long-term success of the company in this segment. Thus, investment in research in development now actually exceeds 20% of revenues.

The headcount in the segment Carrier totaled 735 employees as at the balance sheet date (82 of whom in the public transport division), and was therefore 67 personnel or 8% below the prior year's figure.

3.3 Segment Enterprise.

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

With its 1,201 employees and reported revenues of more than EUR 317.0 million, the Kapsch BusinessCom Group is one of the leading service partners for ICT solutions. This success is built on the foundation of the current ICT challenges faced by Kapsch's customers.

The comprehensive portfolio of solutions of the established digitization partner in Austria and CEE incorporates stable, intelligent and, above all, secure ICT infrastructure, smart buildings and safety technologies, business services for outsourcing, and innovative digitization solutions with a specific industry focus. With its "Consult, Deploy, Operate" approach, Kapsch is able to cover the entire life cycle of ICT solutions for its customers. Kapsch works independently of manufacturers, making use of the best technologies from leading global providers such as Cisco, Hewlett Packard Enterprise or Microsoft and combining these with solutions from its partner network of research institutions and application providers. Kapsch BusinessCom has over 17,000 customers – including OMV, Allianz, ORF, Erste Bank, Vodafone, and ÖBB – providing these with local and global support in around 40 countries.

As part of this strategic alignment, the company's position as a sought-after service partner in Austria and Central and Eastern Europe grew again during the year under review. It was also possible to acquire many other successful operating projects.

With six branches in Austria and companies in the Czech Republic, Slovakia, Hungary, Romania, Turkey, Switzerland, and the USA, Kapsch is where its customers are. In line with the "follow the customer" strategy, Kapsch also supports its customers in their expansion activities, thereby continuously expanding Kapsch's own business. In the past fiscal year, the Polish company was sold and the Slovenian market withdrawn from.

Through various acquisitions and collaborations with a combination of well-established companies and fresh start-ups, Kapsch BusinessCom AG is also able to gain a foothold in new business segments and obtained the required know-how.

In addition to system integration and ongoing optimization, Kapsch BusinessCom is increasingly taking over the complete operation of ICT solutions. Independent of manufacturers yet together with leading technology partners, Kapsch offers consultancy services, supplies systems and renders services. In doing so, Kapsch BusinessCom is a reliable, trustworthy, and long-term partner to its almost 17,000 customers in a rapidly changing technological environment.

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

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

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

Segment revenues declined by EUR 5.0 million or 2% to EUR 317.0 million in the past fiscal year, due primarily to lower revenues in the CEE region and to exiting the Polish market. The market share in Austria increased, meaning that another new record high has been achieved.

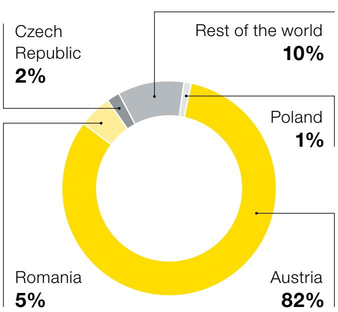
Breaking revenue down by region reveals very different developments. While this division was able to further improve its market position in Austria and to increase revenue by EUR 4.6 million or 2% year on year, revenues in a handful of countries in Central and Eastern Europe (in particular Poland, the Czech Republic, and Hungary) fell by EUR -11.1 million or -22%. The drop in revenues in Poland is mainly due to the fact that the Polish subsidiary was sold in August 2016.

1985

Pushbutton telephone W80

Kapsch telephones become more colorful than ever in the 1980s. The W80 telephone, for example, is available in eight colors: chamois, sand, yellow, orange, dark red, blue, moss green, and dark brown.

EBIT and profit for the period rose sharply again in the segment Enterprise.



Segment Enterprise revenues by region		2015/16	2016/17	Change	
Austria	in million EUR	256.7	261.4	4.6	2%
Central and Eastern Europe	in million EUR	51.1	40.0	-11.1	-22%
Others	in million EUR	14.1	15.6	1.5	10%
Segment Enterprise total	**in million EUR**	**322.0**	**317.0**	**-5.0**	**-2%**

When performing a detailed analysis by type of business, it becomes evident that revenues in the project business remained stable and the decline mainly stems from the areas of service, maintenance, and operations.

Segment Enterprise revenues by area		2015/16	2016/17	Change	
Project business	in million EUR	195.9	196.3	0.4	0%
Service, maintenance and operation	in million EUR	126.1	117.8	-8.4	-7%
Segment Enterprise total	**in million EUR**	**322.0**	**317.0**	**-5.0**	**-2%**

As regards the portfolios, the increase in revenues relates primarily to business services (EUR +20.4 million or +55%), while there was a decline in revenues in the technology services (EUR -8.1 million or -3%) and Facilities (EUR -11.7 million or -36%). The largest projects in the area technology solutions (Salzburg AG, Linz AG, Wiener Krankenanstaltenverbund) and business services (NÖLKH, ORF, KAV, PSA) are responsible for most of the revenue growth.

Despite the slight decline in revenues, the segment Enterprise saw an improvement in its result in the past fiscal year, although it should also be noted that margins in this segment continue to be very low. As such, EBITDA remained on a par with the prior year at EUR 11.6 million and EBIT increased to EUR 6.9 (EUR +0.9 million or +14%). These positive results stemmed from the segment's successful realignment and the sale of the Polish subsidiary, which was responsible for negative contributions to the result in the past.

Profit before tax was also well above the prior year's level at EUR 5.4 million (EUR +1.2 million or +27%). Profit for the period amounted to EUR 4.2 million, meaning that it nearly doubled (EUR +2.0 million or +89%).

Earning figures segment Enterprise		2015/16	2016/17	Change	
EBITDA	in million EUR	11.7	11.6	-0.0	-0%
EBITDA margin	in %	3.6	3.7		
EBIT	in million EUR	6.0	6.9	0.9	14%
EBIT margin	in %	1.9	2.2		
Profit/loss before tax	in million EUR	4.3	5.4	1.2	27%
Profit/loss for the period	in million EUR	2.2	4.2	2.0	89%

The balance sheet total in the segment Enterprise declined by EUR 4.1 million or 3% to EUR 142.4 million in the past fiscal year.

"Non-current assets" increased by EUR 0.5 million to EUR 41.7 million, while *"Current assets"* decreased by EUR 4.5 million to EUR 100.7 million. The drop in *"Receivables and other current assets"* (EUR -6.8 million) and *"Inventories"* (EUR -1.2 million) was particularly notable. *"Cash and cash equivalents"* climbed to EUR 9.9 million, up EUR 3.5 million or 53% over the prior year's level (EUR 6.5 million).

The reduction in *"Non-current liabilities"* to EUR 45.9 million (EUR -1.6 million or -3%) was, on one hand, the result of a decline in *"Non-current financial liabilities"* of EUR 3.1 million or 38% to EUR 5.0 million. On the other hand, *"Liabilities from post-employment benefits to employees"* increased by EUR 1.8 million as a result of the actuarial calculations for pensions and severance payments, as well as *"Other non-current provisions"* by EUR 1.1 million. It was also possible to reduce *"Current financial liabilities"* considerably by EUR 5.2 million or 24% to just EUR 16.5 million. *"Current liabilities"* declined overall by EUR 5.7 million or 7% to EUR 81.1 million.

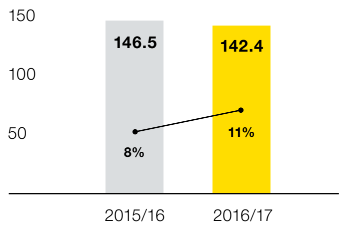
1987

Telephone exchange in Hungary

Hungary is set to expand its digital telephone system. In November 1987, the first switching center is built in Szombathely. Trial operations begin in late 1988, and Szombathely officially opens for business on February 27, 1989.

EBIT as well as the profit for the period were significantly increased in the segment Enterprise.

Stable balance sheet total, Equity ratio in the segment Enterprise for the first time over 10%. (in million EUR)



1988

Train radio system

Kapsch equips Austrian Federal Railways with a new generation of cab radios – the first to come from in-house production.

"Equity" increased by EUR 3.3 million or 27% to EUR 15.4 million, primarily as a result of the positive result for the period and other comprehensive income. The equity ratio also rose correspondingly sharply from 8.2% to 10.8%.

Other key figures for the segment Enterprise		2015/16	2016/17	Change	
Total assets	in million EUR	146.5	142.4	-4.1	-3%
Equity	in million EUR	12.1	15.4	3.3	27%
Equity ratio	in %	8.2	10.8		
Cash and cash equivalents	in million EUR	6.5	9.9	3.5	53%
Net debt	in million EUR	-39.5	-27.2	12.3	-31%
Capital employed	in million EUR	41.9	36.9	-5.0	-12%
Net working capital	in million EUR	80.0	73.0	-7.0	-9%
Free cash flow	in million EUR	1.1	12.6	11.5	>500%
Investments	in million EUR	3.1	6.1	3.0	97%
R&D Expenses	in million EUR	0.2	0.2	-0.1	-29%
Employees	as of 31 March	1,210	1,210	0	0%

Net debt was cut considerably by EUR 12.3 million or 31% to EUR 27.2 million. Similarly, net working capital was also reduced by EUR 7.0 million or 9% to EUR 73.0 million. This decline is primarily attributable to the reduction in the amount of receivables as at the balance sheet date. Capital employed also fell substantially by EUR 5.0 million or 12% to EUR 36.9 million.

In addition to assets in the segment Enterprise, there is a further goodwill of EUR 17.6 million at the level of KAPSCH-Group Beteiligungs GmbH assigned to the segment Enterprise, for which no need for impairment was identified in the course of the impairment test performed.

Substantial increase in cash flow from operating activities in the segment Enterprise.

At EUR 16.8 million, net cash flow from operating activities was also well above the prior year's level of EUR 3.1 million. This development is due to lower *"Current receivables and other current assets"*. This was contrasted by an increase in income taxes paid.

Cash flow from investing activities fell considerably by EUR 2.6 million or 131% to EUR -4.5 million (prior year: EUR -2.0 million) as a result of higher levels of investment.

Cash flow from financing activities was also much lower in the past fiscal year at EUR -8.8 million (prior year: EUR -1.7 million) as a result of the repayment of financial liabilities totaling EUR 8.3 million. Nevertheless, total cash flow increased by EUR 4.0 million to EUR 3.4 million (prior year: EUR -0.6 million).

At EUR 12.6 million, free cash flow was well above the prior year's level (EUR 1.1 million).

Cash flow of the segment Enterprise		2015/16	2016/17	Change	
Cash flow from operating activities	in million EUR	3.1	16.8	13.7	441%
Cash flow from investing activities	in million EUR	-2.0	-4.5	-2.6	-131%
Cash flow from financing activities	in million EUR	-1.7	-8.8	-7.1	-406%
Total	**in million EUR**	**-0.6**	**3.4**	**4.0**	**–**

Investments in the segment Enterprise were, at EUR 6.1 million, higher than the prior year's level of EUR 3.1 million.

At the end of the fiscal year, Kapsch BusinessCom AG acquired all shares in Kapsch Smart Energy GmbH from Kapsch Aktiengesellschaft and will integrate this company into the segment Enterprise in the following fiscal year. In this way, Kapsch will offer its solutions for intelligent energy management, smart metering and smart grids, important components in order to meet the requirements of the European Directive on Energy Efficiency and Energy Services, in this segment. The core of the solutions, for which Kapsch Smart Energy can handle the entire planning, implementation and operation, is the internally developed, flexible and meter-independent meter data management software SEM. In addition to extensive analysis, reporting, and alarm management functions, this software also offers expansion options for optimized meter network operation and smart grids.

The number of employees in the segment Enterprise, with 1,209 employees, remained stable – adjusted for the effect of the sale of the Polish subsidiary, the number of employees rose even slightly.

3.4 Segment Others.

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

Key figures for the segment Others		2015/16	2016/17	Change	
Revenues	in million EUR	19.8	20.7	0.9	5%
EBITDA	in million EUR	3.6	2.5	-1.1	-31%
EBIT	in million EUR	3.1	2.0	-1.1	-35%
R&D expenses	in million EUR	0.7	0.5	-0.2	-31%
Employees	as of 31 March	110	100	-10	-9%

Centralized functions.

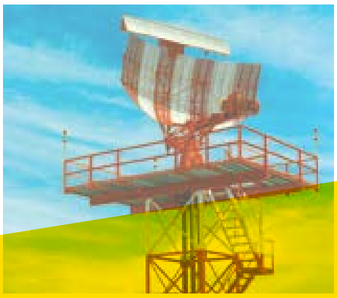
These central companies handle the strategic and operational management of the group companies, corporate marketing, corporate legal services, corporate accounting and controlling, central financial planning and financing as well as internal audit. They also provide all personnel-related services such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

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

1988

Airport radar systems

Kapsch installs radar systems at Montevideo (Uruguay), Buenos Aires (Argentina), Athens (Greece), and Irish airports.



4 Other Corporate Disclosures.

4.1 Research and development.

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

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

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

Kapsch has faced these challenges for many years and continued to invest consistently and at EUR 125.0 million in the fiscal year 2016/17, which represents a new re-investment in research and development and is intended to ensure the long-term growth of the Group.

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

1990

Subway control center Karlsplatz

The Karlsplatz control center for the Vienna subway is also based on the "DataStar" switching system.

In the **segment Traffic**, Kapsch again expanded its network of research and development facilities through the acquisition of Schneider Electric's transportation division, meaning it now has a global network of research and development centers. The most important centers are located in Austria, Sweden, Argentina, North America, and Spain. Additional resources can be found, inter alia, in Italy, South Africa, and Chile. As at March 31, 2017, the Kapsch Traffic Group had around 640 engineers (prior year: 430) with innovation agendas.

So-called solution centers have been set up alongside the research and development department against the backdrop of an even broader portfolio of services and with the aim of being able to address the needs and requirements of the market to an even greater extent. These centers are responsible for product and solution management, solution design and development, as well as for supporting the sales team and customers within the individual market segments. The research and development department provides support to the solution centers, pools technological expertise, and is responsible for harmonizing and standardizing the various solutions. Moreover, this department defines the various processes and communications structures for all participants in the field of innovation.

In the fiscal year 2016/17, Kapsch TrafficCom evaluated its comprehensive portfolio comprising 200 patent families and over 2,000 individual patents. Aiming to focus on areas that are of strategic importance to Kapsch Group, 955 individual patents were surrendered and six new patent families registered. Moreover, a team of internal and external experts analyzed the legal landscape – particularly in the case of the new business segments in the IMS segment. A global patent monitoring system is intended to provide early warning of any registrations made by third parties for relevant technologies.

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

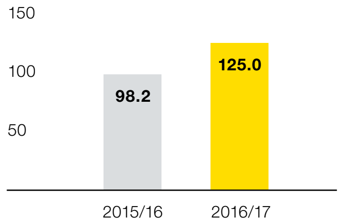
In addition to technologically leading and industry-specific developments in the GSM-R area that have led to new patents, other development activities take place in close cooperation with customers. Not only does this mean responding directly to customer wishes, it also involves developing innovations that can be used with a broader range of customers over the medium term. In this way, Kapsch is paving the way for its rail customers towards the next generation of communication solutions. Kapsch also safeguards its investments in the roadmap development through its high level of commitment in all relevant standard-setting bodies. The development organization led by Kapsch in this field, both internally and externally, currently has a daily capacity of around 2,000 hours and a budget of around EUR 17 million. 15 programs, defined and executed under the governance of an established product life cycle process, are currently being implemented. This organization is able to provide 24/7 global support.

In the **PTR division**, Kapsch Group has had a research and development center in Zaventum (Belgium) since July 2014 which forms the core of its internal development capacities in this segment together with the development center in Vienna (Austria). Furthermore, there is also collabo-rative work taking place here with outsourcing partners in Bangalore (India) and Nizhny Novgorod (Russia). Thus, it is also possible in this segment to offer customers a broader product portfolio and maintain the customer base in the long term. In addition to technologically leading developments in the AFC and ICTS divisions, other development activities take place in close cooperation with customers. Not only does this mean responding directly to customer wishes, but it also involves developing innovations that can be used with a broader range of customers over the medium term.

Second and third-level support services are also provided for customers in the segments Carrier and Enterprise, in addition to the classic development services. A training center is also run to ensure the transfer of know-how. Group-internal developments are on the increase in these segments as part of application solutions.

Research costs are generally recognized as expenses. Development costs are generally capitalized, pursuant to IAS 38, and only expensed if the IFRS criteria for recognition as intangible assets are not fulfilled. Since the total-cost method is used, the research and development costs recorded as expenses are reported under various items of the statement of comprehensive income, in particular under the costs of material and other production services, staff costs and other operating expenses.

R&D expenses increased significantly to EUR 125.0 million.



In the fiscal year 2016/17, expenditure for research and development increased by EUR 26.9 million (or 27%) to EUR 125.0 million (2015/16: EUR 98.2 million). It was therefore possible to raise the traditionally high share of consolidated revenues expended for research and development to 11% (prior year: 9.9%), despite the increase in revenues.

4.2 Non-financial performance indicators.

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

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

Another major issue for Kapsch Group is ensuring a continuous and effective focus on sustainability. Work has begun over the past few years to systematize related agendas here. The subsidiary Kapsch TrafficCom Group has already published its fifth sustainability report, which can be accessed on this company's website (www.kapschtraffic.com) under "Investor Relations".

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

The commercial activities of Kapsch Group are associated with the consumption of raw materials and the emission of climate-relevant emissions. Kapsch works hard to minimize such factors and their effects by implementing targeted measures to improve both environmental and climate protection. The majority of the climate-relevant effects result from the operations of the subsidiary Kapsch Components GmbH & Co KG, which is responsible for production, as well as from the vehicle fleet of the entire Group.

1991

Digital mobile network GSM

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

1991

The beginning of Kapsch TrafficCom

The company begins working with traffic engineering technology for the first time, thus laying the foundation for today's TrafficCom division.

Quality management.
Ensuring high standards for quality, safety and robust processes is a top priority in every business unit of Kapsch Group. Kapsch defines its processes in an integrated management system for health and safety, security, environment and quality (HSSEQ). This system is based on certifications according to ISO 9001 Quality Management (since 2002) as well as OHSAS 18001 Occupational Health and Safety Management and ISO 14001 Environmental Management (since 2005).

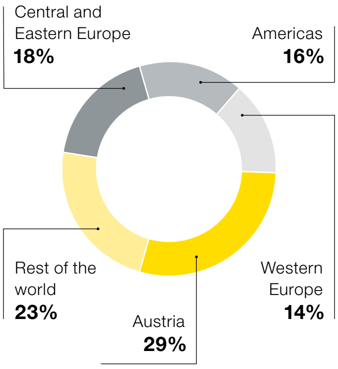
Kapsch has anchored the necessary measures to safeguard the related standards in the internal processes and constantly monitors them. The ISO 27001 certificate defines the necessary information security management. ISO 20000 for IT service management ensures a high level of service quality in the field of technical operations. The established HSSEQ Circle meets once per quarter in order to discuss the status of the objectives and action in the areas of health & safety, quality, environment and information security with the divisions, as well as to take action to ensure further improvements.

Labor issues – Kapsch as an attractive and responsible employer.
As at the reporting date of March 31, 2017, the number of people employed at Kapsch Group reached a new high of 6,868 employees. This represents a sharp increase of more than 1,000 employees or around 18% over the previous record high achieved in the prior year, and is primarily attributable to acquisitions. In the segment Traffic, Kapsch Group now has 4,823 employees (+1,107 employees or +30%). The headcount in the segment Enterprise remained stable at 1,209 employees – adjusted for the effect of selling the Polish subsidiary, the headcount actually rose somewhat. In the segment Carrier, the headcount decreased to 735 employees (-67 employees or -8%). In the segment Others, the headcount remained largely unchanged at 100 employees. The slight decrease of 10 employees is due to the transfer of Kapsch Smart Energy to Kapsch BusinessCom AG.

Sharp rise in the headcount.

Employees by segment	2015/16		2016/17		Change	
Traffic	3,716	64%	4,823	70%	1,107	30%
Carrier	802	14%	735	11%	-67	-8%
Enterprise	1,210	21%	1,210	18%	0	0%
Others	110	2%	100	1%	-10	-9%
Group	**5,838**	**100%**	**6,868**	**100%**	**1,030**	**18%**

Employees by region.



From a regional perspective, the headcounts in countries such as Spain (+448), the USA (+320 or +125%), Argentina (+93 or +71%), Austria (+83 or +4%), Chile (+50 or +75%), Brazil (+45), and South Africa (+44 or +3%) rose significantly, mostly as a result of acquisitions or project work. Only in Poland was there are a major decline as a result of the sale of a subsidiary (-76 or -11%). Austria continues to have by far the highest number of employees, namely 2,009. Other countries with higher-than-average headcounts are South Africa (1,441), Poland (622), the USA (576), and Spain (468).

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

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

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

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

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

1992

HandyStar CDL 700E

In 1990, the "D-Netz" network begins operating in the 900 MHz range. This network allows for smaller phones and paves the way for the first generation of cell phones. Kapsch responds to this development with its new "HandyStar".

Responsibility to society.

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

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

Cultural and social responsibility.

Kapsch Group acknowledges its social responsibility, supporting selected cultural and social institutions and projects around the world. In doing so, Kapsch is well aware of the sustainable and long-term role of its support. For instance, a general partnership with the Vienna Concert House has existed since 1992 and the contemporary music festival "Wien Modern" has been a recipient of support since 1989. With the establishment of the Kapsch Contemporary Art Prize in cooperation with the mumok (museum of modern art in Vienna) in 2016, another initiative to promote young artists was started, enabling young artists to present their works to an international audience for the first time.

Kapsch Group also has a strong awareness of its social responsibility, which is reflected in its support for numerous organizations and institutions. These include "Doctors without Borders", Caritas Socialis, the St. Anna Children's Cancer Research Institute or Concordia social projects.

Risk management.

As a technology group, Kapsch Group operates in a very dynamic environment. Risks therefore belong to the ongoing business. Under risk, the company understands the possibility of a deviation from corporate objectives. The risk concept thus encompasses both positive (opportunities) and negative (risks) deviations from planned targets.

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

Risk management system.

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

1994

Multi-lane free-flow tolling

The first Austrian multi-lane free-flow tolling system for commercial operations is installed on the Tauern motorway.

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

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

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

Risk strategy
based on Kapsch risk management processes

Systematic identification of risks	Systematic analysis
Documentation	Quantitative assessment of key risks
Method: expert interview/workshops with management and project managers of key projects	Method: expert verdict, empirical analysis Risk aggregation Method: simulation analysis, business risk modeling with risk management tools
1 Risk identification	**Risk assessment and risk aggregation 2**
4 Risk reporting	**Risk control 3**
Top management information about specific risks, aggregated risks of the whole group as well as mitigation of the risks	Identification and definition of measures and responsibilities Pursuit of measures

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

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

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

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

Technical challenges and tight schedules result in typical project risks.

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

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

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

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

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

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

1994

City access control

Kapsch is the pioneer in implementing automated systems for limited traffic zones. The first was installed in Bologna, Italy, in the 1990s.

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

Strategic risks.
Innovative power. The strong market position of Kapsch Group is based to a large extent on its ability to develop state-of-the-art, efficient and reliable systems, components and products. In this context, Kapsch Group is committed to an ongoing and consistent innovation process. In order to maintain its high technological standards, Kapsch Group invests a considerable portion of its revenues in research and development activities. However, if the Group does not succeed in developing innovative systems, components and products, this can be disadvantageous to the competitive position of Kapsch Group. Since striving for innovation leadership is based to a large extent on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on Kapsch Group.

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

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

Country risk. Following the strong expansion of business activities in Eastern European countries (outside of the EU) and states outside of Europe, Kapsch Group is exposed to a heightened degree of political risk. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate projects in these countries as well as to make funds available and/or withdraw them again. Infringements upon the intellectual property rights of Kapsch Group or problems with business practices and activities may also arise. Kapsch Group includes these risks in the evaluation of such projects.

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

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

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

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

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

1994

Cab radio

Kapsch equips trains of several European railways with cab radios.

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

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

Credit risk. Kapsch Group is exposed to the risk of default by customers. Since the main customers are large public or formerly public network operators, the bad debt risk is considered to be very low. Nevertheless, the creditworthiness of new and existing customers is checked regularly. For some project-specific default risks and damages, insurance is taken out. In addition, Kapsch Group takes advantage of offers from public institutions, such as OeKB (Oesterreichische Kontrollbank AG), EKN (Exportkreditnämnden; Swedish National Export Credits Guarantee Board) and MIGA (Multilateral Investment Guarantee Agency), to hedge against the non-payment risk on the basis of guarantees.

There is also a risk that counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the need to impair receivables can have an extremely adverse impact on the net assets and financial position of Kapsch Group and the results of operations.

1995

Eco point project

Kapsch is commissioned to implement the Eco point system in Austria – the world's first emissions-based traffic management system.

Personnel risk.

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

Kapsch addresses personnel risk through attractive offers for employees.

Kapsch Group has implemented a number of measures to deal with personnel risks, such as incentive schemes, training and further education opportunities, etc. in order to mitigate that risk. A periodical employee survey supports the management, current concerns, worries and wishes as well as the general mood situation.

Legal risks.

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

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

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

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

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

Opportunities.

The early identification of opportunities opens up new potential.

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

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

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

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

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up new opportunities for expanding the functionality of existing systems. Opportunities also exist to win new customers outside the public sector, such as in the area of fleet management or to offer new parking management concepts to public authorities as well as to end customers.

In addition, numerous market opportunities arise in all segments as a result of the geographic diversification, the broadening of the customer and product portfolio and from strategic partnerships. Constant innovation and technical advancements also create opportunities for Kapsch to improve the efficiency and performance of customer systems as well as to gain a technological edge over competitors with regard to the performance and functionality of the systems offered.

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

1995

Telefonapparat T 95

Standard equipment for Österreichische Post in the 1990s, this phone offers 10 quick-dial options, a handset amplifier, and a redial function.

Internal control system (ICS).

Kapsch Group established an internal control system, which analyzes and documents the existing accounting-related internal control processes. In the quarterly meetings the results to date were presented to the Supervisory Board for evaluation and discussion. During the regular field reviews carried out by Internal Audit, one of the focal points is checking the reliability and functionality of the internal control system. In this way, the Internal Audit department makes an important contribution to ensuring that every company implements a reliable and functional control system.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting, compliance with relevant legal regulations and safeguarding the company's assets. The ICS guidelines follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control Framework of the Committee of Sponsoring Organizations of the Treadway Commission).

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

The accounting of business transactions within the Group 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 audited at group level in the area of shareholder control and forms the basis for consolidated 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 and figures from the budget and the previous period as well as selected financial figures, forecasts, group financial statements and changes in the number of employees and order intake.

In line with the decentralized structure of Kapsch Group, local Management is responsible for implementing and monitoring the internal control system. The general managers of the individual subsidiaries are ultimately responsible for establishing and designing internal control and risk management processes that meet the needs of the given company in terms of accounting procedures as well as for ensuring compliance with the group-wide rules and guidelines in this respect. In order to provide better support to the management teams of the individual group companies, an ICS officer was established at the parent companies of the three key companies. This person is responsible for standardizing and constantly developing ICS throughout the individual company, monitoring the compliance and effectiveness of controls as well as for addressing weaknesses identified and reporting periodically to the Audit Committee of the Supervisory Board. To exploit synergies here throughout the entire Group and share experiences, regular meetings are held by the Group Governance Committee, in which the ICS officers of the individual companies and Internal Audit regularly coordinate and promote relevant topics and developments.

1996

Taxi radio

Used by nearly 10,000 taxis in Europe in the 1990s, this system automatically assigns taxis based on their current location.

Internal control systems are locally implemented and centrally monitored.

5 Outlook.

Outlook remains optimistic.

In the coming fiscal year 2017/18, Kapsch Group remains optimistic regarding trends and developments in its markets and expects to continue following the current growth trajectory into another successful year thanks to its strategies pursued in the individual areas and its sound balance sheet structure. Overall, the company anticipates being able, at the very least, to maintain the high revenue level. Safeguarding long-term and sustainable growth is a core task of Management to ensure continued success in the future. The Group will continue to focus on optimizing efficiency and boosting profitability and therefore expects significant earnings improvements – including in the segment Carrier.

In the **segment Traffic**, Kapsch intends to continue growing during in the fiscal year 2017/18. The pipeline for new business in the ETC division appears to be very strong, particularly in the USA. The company also expects more growth in the APAC region. In Europe, there is a focus on nationwide toll collection systems. For instance, the tendering process has started in Poland (the existing contract expires in 2018). In the past fiscal year, Bulgaria saw numerous delays in the tendering process, however the management team of Kapsch TrafficCom expects progress to be made here in the current fiscal year. The tendering process is expected to begin in the Czech Republic (the existing contract has already been extended until 2019). In the IMS division, the integration of KTT has now largely been completed, meaning that even more attention can be given to sales here. The aim of the new matrix organization is to improve cooperation between sales and solution centers, as well as with customers. The CHARM project (comprehensive modernization and consolidation of traffic management for highways in England and the Netherlands) needs to be continued with success. This project requires the highest degree of attention due to its size and complexity.

1999

Innovation in Australia

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

Despite an increase in revenues, a stable result is expected for the fiscal year 2017/18. Pricing effects following the prolongation of toll collection projects in the Czech Republic and Austria will take effect and additional, temporary expenses from the US business will also be incurred. In the IMS division, the company will, in any case, work to achieve positive EBIT in 2017/18. The repayment of the 4.25% corporate bond in November 2017 will have a positive impact on the financial result and the equity ratio of Kapsch Group.

In the **segment Carrier**, rising revenues are forecast for the fiscal year 2017/18 and subsequent periods following a year characterized by managing existing projects. Major drivers behind this increase include the focused leveraging of the existing customer base, the promotion of new solution topics and the expansion into new regional markets in the MCN division. Revenues in the segment Carrier are also expected to increase further, supported by the strategy of concentrating on a defined core portfolio and focusing on defined core markets. Generally speaking, Kapsch would like to continue growing in this segment by focusing further on end-to-end communications solutions and through additional investments in research and development, as well as through strategic partnerships in the area of new technologies. With its strong market position in the MCN division and the broad customer base in the segment Carrier, many promising opportunities exist for the company. Kapsch will continue to be involved in initiatives to improve the attractiveness of rail transport and to prepare for the pending technology switch in the rail sector, as well as the associated standardization work. Additional revenues are also expected in the public transport segment for the fiscal year 2017/18 and subsequent periods. Key factors driving this growth include investments in strategy and the sales structure. The roadmap in the Public Transport division will move towards the focal areas of ticketing, mobile ticketing, operations, and efficiency, as well as the ongoing modernization of the hardware portfolio, on the basis of the core portfolio of Kapsch CarrierCom Belgium NV, Belgium. In addition to this, strategic options to harness synergies with other segments within Kapsch Group are reviewed on an ongoing basis.

In the **segment Enterprise**, Kapsch expects the scope of business with existing customers to widen, along with an expansion of the technology solutions and business services portfolios. Kapsch aims to position itself as an increasingly attractive service partner for ICT solutions using a honed IT strategy. Digitization of classic industry is currently the greatest challenge facing all high-wage countries to be able to remain competitive on the global market. We are creating the potential to improve gross value creation via Industry 4.0, i.e. through product and process innovations. We need to be able to address the specific needs of our customers in order to be able to provide them with the best possible support in this new era. With this objective in mind, Kapsch BusinessCom AG pursues an industry strategy focusing on the areas of healthcare, public sector, carrier and utilities, finance and insurance, retail and manufacturing industries. In the outsourcing segment, Kapsch has already been able to position itself as an innovative and flexible partner in the past. Large outsourcing projects will continue to be in demand among customers as a result of customer-side cost pressure, rising demand for safe, scalable solutions, including cloud-based ones, thereby securing long-term service revenues. However, with regard to cost structures, costs are also being optimized on an ongoing basis in the form of efficiency improvements while, on the other hand, these optimizations lead to costs that rise more slowly than revenues (notably personnel costs). In order to achieve the desired successes pursuant to the strategy of ICT excellence, a good portfolio mix is required, along with innovative, customer-focused employees who are always up to date as times change and who take part in comprehensive further education and training programs. In view of the strategy and the developments over the final months of the past fiscal year, Kapsch expects an improvement in its earnings position in this segment in the current fiscal year.

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

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

Vienna, June 28, 2017

Georg Kapsch
Chief Executive Officer

Kari Kapsch
Chief Operating Officer

Franz Semmernegg
Chief Financial Officer

2001

Chile

Deployment of 17 MLFF gantries in Chile, and delivery of 300,000 onboard units.

Consolidated Financial Statements

as of March 31, 2017.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2015/16	2016/17
Revenues	(4)	1,046,773,433	1,111,222,893
Other operating income	(5)	31,227,999	38,292,287
Changes in finished and unfinished goods and work in progress	(6)	-16,424,842	-5,652,890
Other own work capitalized		6,980,558	9,089,448
Cost of materials and other production services	(7)	-514,762,884	-524,021,220
Staff costs	(8)	-310,869,153	-388,365,375
Amortization and depreciation	(9)	-30,076,052	-31,213,332
Impairment charge	(9)	0	-16,749,934
Other operating expenses	(10)	-140,596,754	-172,460,786
Operating result		**72,252,305**	**20,141,091**
Finance income	(11)	15,411,536	20,077,275
Finance costs	(11)	-28,007,641	-21,306,852
Financial result		**-12,596,104**	**-1,229,577**
Results from associates and joint ventures	(18)	91,858	426,261
Result before income taxes		**59,748,059**	**19,337,775**
Income taxes	(12)	-20,310,480	-14,958,414
Result for the period		**39,437,579**	**4,379,361**
Result attributable to:			
Equity holders of the company		22,696,138	-10,922,896
Non-controlling interests		16,741,441	15,302,257
		39,437,579	**4,379,361**
Other comprehensive income for the period:			
Items subsequently be reclassified to the result for the period:			
Currency translation differences		1,547,387	-5,500,549
Currency translation differences from net investments in foreign operations		-2,334,164	2,673,308
Available-for-sale financial assets:			
Fair value gains/losses recognized in other comprehensive income		-4,851,876	-2,946,156
Reclassification of cumulated net losses to the result for the period (impairment)		1,237,309	2,276,893
Reclassification of cumulated net gains to the result for the period (sale of available-for-sale financial assets)		-3,317,930	-2,695
Cash flow hedges		0	424,038
Income tax relating to items subsequently reclassified to the result for the period		1,484,181	-716,463
Total items subsequently be reclassified to the result for the period		**-6,235,093**	**-3,791,623**
Items subsequently not be reclassified to the result for the period:			
Remeasurements of liabilities from post-employment benefits		39,077	-2,706,323
Income tax relating to items subsequently not be reclassified to the result for the period		-10,614	636,275
Total items subsequently not be reclassified to the result for the period		**28,463**	**-2,070,047**
Other comprehensive income for the period net of tax	(13)	**-6,206,630**	**-5,861,671**
Total comprehensive income for the period		**33,230,949**	**-1,482,310**
Total comprehensive income attributable to:			
Equity holders of the company		17,298,227	-14,949,334
Non-controlling interests		15,932,722	13,467,024
		33,230,949	**-1,482,310**

Consolidated balance sheet.

All amounts in EUR	Note	March 31, 2016	March 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	(15)	59,814,238	58,860,081
Intangible assets	(16)	167,464,313	158,475,964
Investment properties	(17)	3,939,031	3,723,194
Interests in associates and joint ventures	(18)	3,587,962	4,018,162
Other non-current financial assets and investments	(19)	24,187,063	24,405,242
Other non-current assets	(20)	22,028,189	4,283,435
Deferred tax assets	(27)	33,312,224	31,205,222
		314,333,019	**284,971,300**
Current assets			
Inventories	(21)	117,744,750	112,456,488
Current tax receivables	(22)	7,596,846	9,218,928
Trade receivables and other current assets	(22)	334,833,126	400,753,352
Other current financial assets	(19)	568,972	4,110,104
Cash and cash equivalents	(23)	167,257,769	246,618,111
		628,001,463	**773,156,984**
Total assets		**942,334,482**	**1,058,128,283**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(24)	726,728	726,728
Capital reserve		66,222,590	66,222,590
Retained earnings and other reserves		141,263,230	106,175,418
		208,212,548	**173,124,736**
Non-controlling interests	(35)	**96,041,423**	**90,884,541**
Total equity		**304,253,971**	**264,009,277**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(25)	172,782,836	167,968,253
Non-current liabilities from finance lease	(26)	15,571,448	15,026,735
Liabilities from post-employment benefits to employees	(28)	67,745,192	69,357,418
Non-current provisions	(31)	5,355,703	21,477,159
Other non-current liabilities	(29)	3,477,138	8,627,238
Deferred income tax liabilities	(27)	6,526,584	4,967,663
		271,458,900	**287,424,465**
Current liabilities			
Trade payables		89,536,067	88,816,214
Current liabilities from finance lease	(26)	541,360	544,713
Other liabilities and deferred income	(30)	173,877,160	181,767,491
Current tax payables		3,763,314	10,873,954
Current financial liabilities	(25)	56,456,806	174,682,909
Current provisions	(31)	42,446,906	50,009,258
		366,621,612	**506,694,540**
Total liabilities		**638,080,512**	**794,119,005**
Total equity and liabilities		**942,334,482**	**1,058,128,283**

Consolidated statement of changes in equity.

All amounts in EUR	Attributable to equity holders of the company				Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of March 31, 2015	**726,728**	**66,222,590**	**20,553,284**	**112,236,715**	**90,672,632**	**290,411,949**
Effects from acquisition of subsidiaries					21,006	21,006
Effects from increase in shares of subsidiaries			-5,863,794		-1,397,000	-7,260,794
Effects from decrease in shares of subsidiaries			38,797		-38,797	0
Effects from deconsolidation of subsidiaries					-58,019	-58,019
Dividend				-3,000,000	-9,091,120	-12,091,120
Result for the period				22,696,138	16,741,441	39,437,579
Other comprehensive income for the period:						
Currency translation differences			-1,607,050		1,403,814	-203,236
Fair value gains/losses on available-for-sale financial assets			-3,876,862		-2,154,994	-6,031,856
Remeasurements of liabilities from post-employment benefits			86,001		-57,538	28,463
Carrying amount as of March 31, 2016	**726,728**	**66,222,590**	**9,330,377**	**131,932,853**	**96,041,423**	**304,253,971**
Effects from acquisition of subsidiaries			0		-613,701	-613,702
Effects from increase in shares of subsidiaries			-10,936,021		-11,052,455	-21,988,475
Effects from decrease in shares of subsidiaries			-849		849	0
Effects from deconsolidation of subsidiaries			-204,902		204,902	0
Dividend				-9,000,000	-7,160,206	-16,160,206
Reversal of historical negative non-controlling interests			3,286		-3,286	0
Result for the period				-10,922,896	15,302,257	4,379,361
Other comprehensive income for the period:						
Currency translation differences			-2,029,945		-1,465,622	-3,495,567
Fair value gains/losses on available-for-sale financial assets			-391,089		-329,004	-720,093
Remeasurements of liabilities from post-employment benefits			-1,873,841		-196,207	-2,070,047
Cash flow hedges			268,445		155,593	424,038
Carrying amount as of March 31, 2017	**726,728**	**66,222,590**	**-5,834,539**	**112,009,957**	**90,884,541**	**264,009,277**

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

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

Other reserves. Other reserves contain effects of changes in the investment interest held in subsidiaries, effects from acquisition and sale of non-controlling interests 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.

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

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

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

2001

Project Euro Plaza

In 1996, Kapsch Aktiengesellschaft's real estate holdings are consolidated to form their own new company. The Euro Plaza project is launched in 2001: Over several stages of development, large office complexes are built on the grounds of the former production facilities. Kapsch Group's headquarters are also located at the Euro Plaza.

Consolidated cash flow statement.

All amounts in EUR	Note	2015/16	2016/17
Cash flow from operating activities			
Operating result		72,252,305	20,141,091
Adjustments for non-cash items and other reconciliations:			0
Scheduled depreciation and amortization	(9)	30,076,052	31,213,332
Impairment charge	(9,15,16)	0	16,749,934
Increase/decrease in obligations for post-employment benefits		-2,418,185	-1,790,278
Increase/decrease in other non-current liabilities and provisions		-1,419,396	11,679,818
Increase/decrease in other non-current receivables and assets		22,504,259	11,094,251
Increase/decrease in trade receivables (non-current)		-12,171,385	4,716,350
Increase/decrease in trade payables (non-current)		-630,044	-400,701
Other (net)		-1,125,502	-1,602,172
		107,068,102	**91,801,625**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets		-3,431,021	-4,167,304
Increase/decrease in inventories		16,047,381	6,991,342
Increase/decrease in trade payables and other current payables		11,280,600	-30,958,448
Increase/decrease in current provisions		8,308,621	454,861
		32,205,582	**-27,679,550**
Cash flow from operations		**139,273,684**	**64,122,076**
Interest received	(11)	2,977,683	2,799,016
Interest payments	(11)	-9,015,610	-9,001,424
Net payments of income taxes		-14,299,570	-8,164,124
Net cash flow from operating activities		**118,936,187**	**49,755,544**
Cash flow from investing activities			
Purchase of property, plant and equipment	(15)	-12,610,722	-18,321,032
Purchase of intangible assets	(16)	-10,383,737	-10,810,949
Purchase of securities, investments and other non-current financial assets	(19)	-175,693	-4,793,194
Payments for the acquisition of entities (less cash and cash equivalents of these entities)		2,542,784	-22,806,654
Payments for the acquisition of shares in at-equity-consolidated entities		-279,961	-556,003
Proceeds from the disposal of property, plant and equipment and intangible assets		4,115,141	4,994,555
Proceeds from the disposal of securities		5,158,565	245,354
Payments from the disposal of investments		0	-107,952
Dividends received from associates and joint ventures		259,293	240,182
Net cash flow from investing activities		**-11,374,331**	**-51,915,693**
Cash flow from financing activities			
Dividend paid to parent company's shareholders		-3,000,000	-9,000,000
Dividend paid to non-controlling interests		-9,091,120	-7,160,206
Payments for the acquisition of shares in non-controlling interests		-7,260,794	-14,154,933
Increase in non-current financial liabilities	(25)	21,396,306	139,366,473
Increase in current financial liabilities	(25)	18,052,466	49,750,719
Decrease in current financial liabilities	(25)	-75,338,277	-80,766,537
Changes in liabilities from finance lease	(26)	-536,944	-541,360
Net cash flow from financing activities		**-55,778,363**	**77,494,155**
Net increase/decrease in cash and cash equivalents		**51,783,493**	**75,334,006**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(23)	120,662,814	167,257,769
Net increase/decrease in cash and cash equivalents		51,783,493	75,334,006
Exchange gains/losses on cash and cash equivalents		-5,188,538	4,026,335
Cash and cash equivalents at end of year	(23)	**167,257,769**	**246,618,111**

Notes to the Consolidated Financial Statements.

1 General Information.

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

The business activities of Kapsch Group are subdivided into the following four segments:
- Traffic (Intelligent Transportation Systems – ITS solutions)
- Carrier (communication solutions for mobile and fixed network operators, railway and public transport operators)
- Enterprise (speech, data and IT solutions for business customers including public authorities)
- Others

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

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

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

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

2002

Platinum Toll Highway

Installation of the first one-lane electronic toll collection system on the African continent, on the Platinum Toll Highway in South Africa.

1.1 Basis of preparation.

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

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date as well as income and expenses recorded during the reporting period. Although these estimates are made by the 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-Group Beteiligungs GmbH, Vienna. Immediate parent company of the reporting entity is DATAX HandelsgmbH, Vienna, which is the sole shareholder of KAPSCH-Group Beteiligungs GmbH, Vienna. DATAX HandelsgmbH, Vienna, is the controlling entity of the reporting entity and the ultimate parent of Kapsch Group.

The Group currently holds 63.3% of shares in Kapsch TrafficCom AG, Vienna (March 31, 2016: 63.3%). Since June 26, 2007, the free float shares of Kapsch TrafficCom AG, Vienna, have been listed in the Prime Market segment of the Vienna Stock Exchange, 1120 Wien, Am Europlatz 2.

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

As of March 31, 2017 the consolidated group (including parent company KAPSCH-Group Beteiligungs GmbH, Vienna) consists of 101 entities (March 31, 2016: 95 entities). The consolidated group changed as follows:

Consolidated group.	**2015/16**	**2016/17**
Amount of entities at the beginning of the fiscal year	94	95
Initial consolidation	4	12
Mergers	-1	-2
Deconsolidations	-2	-4
Amount of entities in the consolidated group	**95**	**101**

2002

Implementation of reorientation project

Following a corporate reorientation, measures are taken starting in 2002 to focus on the strategic core segments and separate them into three independent companies. This contributes to greater flexibility, better customer focus, and faster reaction times in the individual business segments of our various markets. Kapsch BusinessCom, Kapsch CarrierCom, and Kapsch TrafficCom (including the Kapsch Components production facility) are founded.

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

Kapsch CarrierCom North America Inc., USA, Kapsch BusinessCom USA Inc., USA, and Kapsch BusinessCom Schweiz AG, Switzerland, were newly founded.

Prodata SAS, France, was merged into Kapsch CarrierCom France SAS, France, and FUN-AGENT d.o.o., Croatia, was merged into Kapsch CarrierCom d.o.o., Croatia.

In the fiscal year 2016/17, Kapsch CarrierCom SARL, Morocco, Kapsch Sp. z.o.o., Poland, Kapsch BusinessCom d.o.o., Slovenia, as well as Kapsch BusinessCom Turkey Bilgi ve İletiş, Turkey, were liquidated and therefore deconsolidated.

The regional distribution of our subsidiaries is as follows:

Consolidated group.	**2015/16**	**2016/17**
Austria	19	20
Central and Eastern Europe (excl. Austria)	28	24
Western Europe	18	21
Rest of the World	30	36
Total	**95**	**101**

For further information on interests in subsidiaries see note 34.

1.3 Consolidation.

1.3.1 Subsidiaries.

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

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

1.3.2 Transactions with non-controlling interests.

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

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

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

1.3.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

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

In 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 recognize the excessive loss share unless it has entered into legal or constructive obligations for the joint venture or has made payments for the joint venture.

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

As of March 31, 2017, the Group is involved in an Algerian joint venture in the form of a jointly controlled company. Furthermore two joint ventures, which were acquired in the course of the acquisition of tolltickets GmbH, Germany, in July 2016, were included in the consolidated financial statements. The two joint ventures are accounted for using the equity method (see note 18).

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

2002

Kapsch BusinessCom and Allianz Elementar Versicherung

Kapsch BusinessCom and the insurance company Allianz Elementar implement one of the largest communications outsourcing projects in Austria.

1.3.4 Associates.

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

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

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

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

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

2003

MLFF Österreich

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

1.4 Business combinations.

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

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

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

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

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

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

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

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

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

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

1.5 Foreign currency translation.

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

1.5.1 Translation of foreign financial statements.

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

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

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

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

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

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

2003

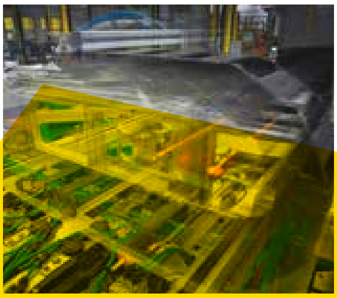
Expansion of market leadership above 30 percent

Even as the market shrinks for telecommunications systems delivered in Austria in 2003, Kapsch BusinessCom is able to expand its market-leading position to over 30 percent.

2003

GoBox Austria

Production of “GoBox” onboard units for Austria begins.



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

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

This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations as part of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold. In the fiscal year 2013/14, two US dollar loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the 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 2016/17.

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

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

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

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

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

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

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

Construction contracts: Revenue from customer-specific construction contracts is currently recognized according to the percentage of completion method. IFRS 15 includes new criteria for recognizing revenue within a specified period of time. The construction contracts to be processed at present are expected to comply with the criteria for performance obligations satisfied over time, as assets without an alternative use to the Group are created and the Group has the right to payment of the services already performed. The percentage of completion method is currently not used in the areas of Carriers and Mission-Critical Networks as well as in the segment Enterprise. In the future, especially in the case of larger projects in the Mission-Critical Networks division, this could lead to an earlier revenue recognition for construction contracts.

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

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

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

The presentation and disclosure requirements under IFRS 15 are quite extensive. Many disclosure requirements relate to completely new disclosures. Appropriate systems, guidelines and internal controls are needed to implement these disclosure requirements. Based on the contract analysis and examinations performed so far in the course of the implementation project for this new Standard, the Group currently does not expect any significant impact of the new regulations on the consolidated financial statements within the listed segment, apart from additional disclosures. Concerning the other subgroups, it is not possible at the present time to make an accurate assessment of the possible effects, as the studies have not progressed so far.

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

2004

ETC Chile

In December 2004, the fully electronic multi-lane free-flow toll collection system on the Autopiste Central (Santiago, Chile) begins commercial operations. With a total length of 40 miles, the system extends from north to south and passes right through the center of Santiago.

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

The remaining financial assets include:

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

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

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

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

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

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

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

The Standard will primarily have an impact on the Group's recognition of operating leases from a lessee perspective. At the reporting date, the Group reports non-cancellable operating lease commitments in the amount of TEUR 107,822 (see note 32). While the Group has not yet determined the extent to which these commitments will lead to the recognition of an asset or liability and what the impact on the Group's profit and the classification of cash flows will be, it can be assumed that, in any case, the result will be a significantly extended balance sheet and the corresponding effects on key figures, such as a reduction in the equity ratio.

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

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

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

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

2.3 Accounting and valuation principles.

The accounting and valuation principles, which form the basis for these consolidated financial statements, were applied unchanged to the previous period and supplemented by new mandatory provisions applicable from the financial year (see note 2.1). A detailed description of all accounting and valuation principles is provided in note 41.

2004

Gold-certified parter of Cisco

Kapsch BusinessCom becomes a gold-certified Cisco Systems Partner – one of only eight in Austria.

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

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

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

3.1 Percentage of completion method for contract work.

The Group uses the percentage of completion method in accounting for its construction contracts. At the balance sheet date of March 31, 2017, the amounts due from customers for contract work amounted to TEUR 80,445 (March 31, 2016: TEUR 126,237) and the amounts due to customers for contract work amounted to TEUR 29,097 (March 31, 2016: TEUR 20,340). The use of the percentage of completion method requires the Group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by the Executive Board of KAPSCH-Group Beteiligungs GmbH indicate that the operating result would fluctuate by TEUR 7,217 (March 31, 2016: TEUR 11,996) and the total comprehensive income for the period would fluctuate by TEUR 5,167 (March 31, 2016: TEUR 8,867) if the actual margin of the significant projects deviated by 10% from estimates. The analysis of assumptions made in the past as well as of actual profit markups showed that the estimates had been reliable up to now.

3.2 Estimated impairment of goodwill.

In accordance with the accounting policy stated in note 2.3 and 41, the Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash generating units is determined on the basis of the calculation of the value in use. These calculations require the use of estimates. Sensitivities for the acquired goodwill are detailed in note 16.

3.3 Further assumptions and estimates.

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

The sensitivities for obligations for post-employment benefits to employees are detailed in note 28.

2005

eCard card reader

Alongside specific Kapsch products, solutions are also produced for external customers. For example, Austrian eCard readers are manufactured by Kapsch Components too.

4 Segment information.

As of March 31, 2017, the Group has four operating segments (see section "General information"):
- Traffic (Intelligent Transportation Systems – ITS Solutions)
- Carrier (communication solutions for mobile and fixed network operators, railway and public transport operators)
- Enterprise (speech, data and IT solutions for business customers including public authorities)
- Others

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

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

	Traffic	Carrier	Enterprise	Others	Group
Revenues	648,479	179,345	317,019	20,741	1,165,584
Inter-segment revenues	-8,426	-3,397	-27,398	-15,140	-54,361
Revenues from external customers	640,053	175,948	289,621	5,601	1,111,223
Operating result	60,102	-48,901	6,902	2,039	20,141

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

	Traffic	Carrier	Enterprise	Others	Group
Revenues	526,092	233,100	322,002	19,837	1,101,030
Inter-segment revenues	-10,791	-2,251	-26,801	-14,414	-54,257
Revenues from external customers	515,301	230,849	295,201	5,423	1,046,773
Operating result	62,347	717	6,041	3,148	72,252

Transfers and transactions between segments are recorded at the same conditions offered to third parties.

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:

	Traffic	Carrier	Enterprise	Others	Eliminations	Group
Segment assets	685,716	210,070	152,599	378,934	-373,208	1,054,110
Interests in associates and joint ventures	2,131	60	1,827	0	0	4,018
Total segment assets	**687,847**	**210,130**	**154,426**	**378,934**	**-373,208**	**1,058,128**
Total segment liabilities	**421,479**	**204,120**	**127,083**	**157,458**	**-116,020**	**794,119**
Capital expenditure	15,099	7,817	6,063	231	-78	29,132
Depreciation, amortization, and impairment	17,716	25,043	4,744	462	-1	47,963
Other non-cash-effective positions	1,620	476	223	2,043	0	4,363

The segment assets include property, plant and equipment, intangible assets, investment properties, other non-current financial assets and investments, other non-current assets, deferred tax assets, inventories, current tax receivables, trade receivables and other current assets, other current financial assets as well as cash and cash equivalents.

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

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

	Traffic	Carrier	Enterprise	Others	Eliminations	Group
Segment assets	549,402	213,945	156,902	277,197	-258,700	938,747
Interests in associates and joint ventures	1,917	91	1,580	0	0	3,588
Total segment assets	**551,319**	**214,036**	**158,482**	**277,197**	**-258,700**	**942,334**
Total segment liabilities	**283,010**	**188,378**	**134,420**	**80,533**	**-48,260**	**638,081**
Capital expenditure	9,993	9,812	3,085	104	1	22,994
Depreciation, amortization, and impairment	14,533	9,423	5,627	493	0	30,076
Other non-cash-effective positions	550	71	221	40	0	882

The eliminations result from consolidation effects (mainly from capital consolidation and the consolidation of receivables and payables between the segments).

In the fiscal year 2016/17 as well as in the fiscal year 2015/16, no customer contributed more than 10% of the group revenue.

Information by region.
Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

2006

Tibet line

Digital wireless communications network for the world's highest-altitude rail service, solely supported by GSM-R communications.

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

	Austria	Central and Eastern Europe (excluding Austria)	Western Europe	Rest of World	Group
Revenues	296,698	270,606	204,185	339,733	1,111,223
Non-current non-financial assets	79,070	32,118	41,147	69,019	221,354

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

	Austria	Central and Eastern Europe (excluding Austria)	Western Europe	Rest of World	Group
Revenues	294,593	377,135	135,871	239,174	1,046,773
Non-current non-financial assets	81,175	33,328	51,186	65,177	230,867

Revenues per category.
Revenues are classified into the following categories:

	2015/16	2016/17
Sales of goods	410,050	411.256
Sales of services	495,171	579,563
Sales of maintenance	129,263	127,057
Accrued/deferred sales, license sales, and discounts on invoiced sales	12,289	-6,434
	1,046,773	**1,111,223**

5 Other operating income.

	2015/16	2016/17
Exchange rate gains from operating activities	11,192	13,056
Income from research tax credits	8,190	7,580
Badwill (see note 33)	0	2,982
Income from the sale of non-current assets	47	92
Sundry operating income	11,799	14,583
	31,228	**38,292**

The badwill resulted from the difference between the purchase price for the global transportation division (KTT) acquired from Schneider Electric as of April 1, 2016 and the net assets acquired (see note 33).

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

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

	2015/16	2016/17
Change in unfinished goods and work in progress	-10,817	-9,597
Change in finished goods	-5,607	3,944
	-16,425	**-5,653**

7 Costs of materials and other production services.

	2015/16	2016/17
Cost of materials	292,804	304,921
Cost of purchased services	221,959	219,100
	514,763	**524,021**

8 Staff costs.

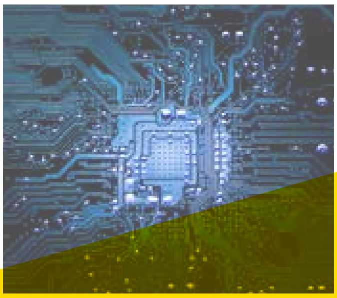
	2015/16	2016/17
Wages, salaries, and other remunerations	247,522	310,188
Expenses for social security and payroll-related taxes and contributions	53,858	63,454
Expenses for termination benefits (see note 28)	1,023	885
Expenses for pensions (see note 28)	608	260
Contributions to pension funds and other external funds (see note 28)	1,852	2,957
Fringe benefits	6,006	10,621
	310,869	**388,365**

As of March 31, 2017, the number of staff amounted to 6,868 persons (March 31, 2016: 5,838 persons), and averaged 6,872 persons in the fiscal year 2016/17 (2015/16: 5,655 persons).

2006

Market leader in network segment

Kapsch acquires multiple locations of the Dutch system integrator Getronics in Austria, the Czech Republic, Slovakia, and Poland, making it the market leader in the network segment.



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

	2015/16	2016/17
Depreciation of property, plant and equipment	14,157	15,896
Amortization of intangible assets	15,703	15,102
Depreciation of investment properties	216	216
Impairment charge	0	16,750
	30,076	**47,963**

10 Other operating expenses.

	2015/16	2016/17
Legal and consulting fees	22,883	36,633
Rental expenses	22,051	27,425
Travel expenses	12,184	15,822
Communication and IT expenses	17,937	13,949
Automobile expenses	12,634	13,134
Marketing and advertising expenses	9,288	10,834
Maintenance	6,281	7,096
Taxes and charges	2,941	6,774
Office expenses	4,024	6,334
Exchange rate losses from operating activities	11,567	5,672
Insurance costs	4,500	5,542
License and patent expenses	2,201	3,378
Transport costs	2,171	2,512
Bank charges	1,451	2,291
Reorganization costs	0	2,225
Training costs	1,513	2,207
Allowance and write-off of receivables	326	1,954
Adjustment of provision for warranties	-699	1,811
Warranty costs and project financing	1,630	860
Membership fee	819	829
Commissions and other fees	753	798
Losses on disposal of non-current assets	557	238
Director's fees	193	186
Damages	181	125
Other	3,212	3,830
	140,597	**172,461**

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

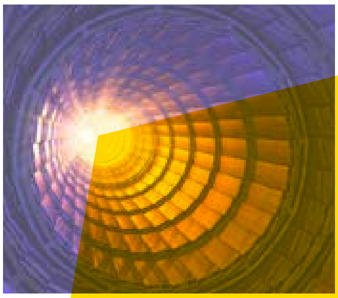
In addition, other operating expenses increased by TEUR 22,559 as a result of the acquisition of KTT at the beginning of the fiscal year.

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

2007

Large Hadron Collider

CERN, the European organization for particle physics, selects Kapsch Components to produce so-called "opto-hybrids" for an experiment in the new LHC (Large Hadron Collider) particle accelerator. The circuit boards essential to the experiment are exposed to a magnetic field 100,000 times stronger than the Earth's, as well as radiation, so high-quality production is a must.



11 Financial result.

	2015/16	2016/17
Finance income:		
Interest income	2,812	2,669
Income from securities	165	130
Income from interest accretion of non-current receivables	3,739	2,040
Gains from the disposal of financial assets and investments and other financial income	3,368	3,830
Gains from changes of fair value of derivative financial instruments	0	224
Exchange rate gains from financing activities	5,327	11,184
	15,412	**20,077**
Finance costs:		
Interest expense	-9,011	-8,994
Expense from interest accretion of non-current payables	-291	-346
Losses from changes of fair value of derivative financial instruments	-345	-895
Impairment of other investments	-1,513	-2,426
Expenses from the disposal of financial assets and investments	-5	-14
Expenses from the disposal of subsidiaries	-221	-516
Exchange rate losses from financing activities	-15,027	-6,721
Interest expense from liabilities from post-employment benefits to employees (see note 28)	-1,428	-1,301
Interest expense from liabilities from anniversary bonuses to employees	-166	-92
	-28,008	**-21,307**
	-12,596	**-1,230**

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

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

12 Income taxes.

	2015/16	2016/17
Current taxes	-12,090	-14,142
Deferred taxes (see note 27)	-8,220	-816
	-20,310	**-14,958**

For the fiscal year 2016/17, the Austrian corporate income tax rate is at 25% (2015/16: 25%).

In March 2005, KAPSCH-Group Beteiligungs GmbH, Vienna, formed a tax group according to Sec. 9 of the Austrian Corporate Income Tax Act. KAPSCH-Group Beteiligungs GmbH, Vienna, acts as the group leader and the subsidiaries in Austria act as group members. The group taxation regime applies to the respective entities effective from the tax year 2005 (i.e. fiscal year 2004/05). Within the tax group, the taxable incomes of the group members are generally taxed at the level of the tax group leader. Therefore, tax losses incurred by a member of the tax group can be set off by taxable earnings of other group members.

2007

IPO

In 2007, Kapsch TrafficCom is floated on the Vienna Stock Exchange. After many international successes, Kapsch aims to ensure sustainable growth by acquiring companies in its target markets with strategically interesting technical solutions. The necessary funds are raised from a very successful initial public offering. As a traditional family-run company, Kapsch offers its employees a 20% discount on shares.

2007

Czech Republic

Launch of a nationwide electronic toll collection system for trucks in the Czech Republic; a contract to construct the first national multi-lane free-flow toll collection system in New Zealand; construction of Asia's largest toll station in New Delhi, India; and delivery of a centralized traffic telematics system for the North-South Bypass Tunnel in Brisbane, Australia's longest tunnel.

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

	2015/16	2016/17
Result before income taxes	59,748	19,338
Arithmetic tax expense based on a tax rate of 25% (2015/16: 25%)	-14,937	-4,834
Unrecognized deferred tax assets on current losses	-7,351	-22,505
Utilization of previously unrecognized tax losses	244	100
Different foreign tax rates	3,955	8,311
Tax allowances claimed and other permanent tax differences	-1,776	-2,299
Income and expenses not subject to tax and other differences	2,038	6,632
Adjustment in respect to prior years	-2,483	-361
Recognized tax expense	**-20,310**	**-14,958**

For further information on deferred tax assets/liabilities see note 27.

13 Other comprehensive income.

2016/17	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-2,946	-49	-2,995
Gains/losses recognized in the result for the period	2,274	1	2,275
Remeasurements of liabilities from post-employment benefits	-2,706	636	-2,070
Cash flow hedges	424	0	424
Currency translation differences	-5,501	0	-5,501
Currency translation differences from net investments in foreign operations	2,673	-668	2,005
Fair value changes recognized in equity	**-5,781**	**-80**	**-5,862**

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

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

2015/16	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-4,852	71	-4,781
Gains/losses recognized in the result for the period	-2,081	829	-1,251
Remeasurements of liabilities from post-employment benefits	39	-11	28
Currency translation differences	1,547	0	1,547
Currency translation differences from net investments in foreign operations	-2,334	584	-1,751
Fair value changes recognized in equity	**-7,680**	**1,474**	**-6,207**

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

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

2007

STRABAG

STRABAG puts its confidence in Kapsch BusinessCom for international construction sites and VPN connections. Thanks to its technical and organizational focus, the new solution offers a unified infrastructure, the highest possible security, and easy administration at STRABAG's international construction sites.

2008

earthDATAsafe

Kapsch commissions its subterranean high security data center, earthDATAsafe, in Kapfenberg, Styria. This facility stores sensitive data and is located up to 320 meters below ground.

14 Additional disclosures on financial instruments by category.

14.1 Assets.

	Note	2015/16	2016/17
Cash flow hedges			
Forward foreign exchange contracts – cash flow hedges, level 2	–	0	5
		0	**5**
At fair value through profit or loss			
Forward foreign exchange contracts – held-for-trading, level 2	–	0	198
		0	**198**
Financial instruments held-to-maturity			
Securities held-to-maturity	–	0	0
		0	**0**
Receivables (financial assets recognized at (amortized) cost)			
Non-current receivables	(20)	3,934	4,283
Loans	(19)	196	1,920
Fixed income securities (short-term)	(19)	472	2,633
Trade receivables	(22)	145,141	230,311
Cash and cash equivalents	(23)	167,258	246,618
		317,001	**485,766**
Available-for-sale financial assets			
Available-for-sale securities (non-current), level 1	(19)	8,219	8,484
Available-for-sale securities (non-current), level 2	(19)	693	663
Available-for-sale investments, level 1	(19)	14,825	11,683
Available-for-sale securities (current), level 1	(19)	0	0
Other investments (at cost)	(19)	351	3,132
		24,088	**23,962**
Total		**341,089**	**509,932**

14.2 Liabilities.

	Note	2015/16	2016/17
Cash flow hedges			
Forward foreign exchange contracts – cash flow hedges, level 2	–	0	72
		0	**72**
At fair value through profit or loss			
Forward foreign exchange contracts (non-current) – held-for-trading, level 2	–	1,514	1,253
Forward foreign exchange contracts (current) – held-for-trading, level 2	–	0	6
Other non-current liabilities	(29)	272	5,386
		1,786	**6,645**
Loans (financial liabilities recognized at (amortized) cost)			
Corporate bond	(25)	80,480	80,923
Promissory note bond	(25)	0	75,376
Other financial liabilities (excl. finance lease)	(25)	148,760	186,352
Finance lease	(26)	16,113	15,571
Trade payables	–	89,536	88,816
Other non-current liabilities	(29)	1,691	1,988
		336,579	**449,027**
Total		**338,366**	**455,743**

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

	2015/16	2016/17
Available-for-sale financial assets	2,015	1,519
Loans and receivables	-6,639	7,218
Financial liabilities recognized at (amortized) cost	-9,302	-9,341
At fair value through profit or loss	-345	-671
	-14,271	**-1,274**

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

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

Type of financial instruments	Currency	Nominal value	Number	Fair value		Carrying amount March 31, 2017
				positive	negative	
Currency related instruments:						
Forward foreign exchange contracts						
Held-for-trading [1]	GBP	1,030	1	0	-4	-4
Interest rate related products:						
Interest rate swap	EUR	10,000	1	0	-1,249	-1,249
Non-current				**0**	**-1,253**	**-1,253**
Currency related instruments:						
Forward foreign exchange contracts						
Held-for-trading [2]	USD	5,380	2	198	0	198
Held-for-trading [3]	GBP	2,610	2	0	-6	-6
Cash flow hedges [3]	USD	3,573	10	0	-72	-72
Cash flow hedges [2]	USD	1,000	1	4	0	4
Cash flow hedges [2]	SAR	1,000	1	1	0	1
Cash flow hedges [2]	CNY	98	2	0	0	0
Current				**204**	**-77**	**126**
Total				**204**	**-1,330**	**-1,126**

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

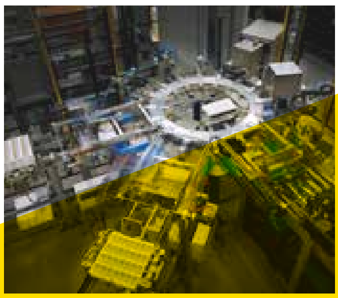
In the fiscal year 2015/16 no hedging transactions were concluded.

The effectiveness test of derivative financial instruments, designated as cash flow hedge, is carried out on a regular basis at each reporting date on a retrospective as well as on a prospective basis. The hypothetical derivative approach is used as the method for measuring the effectiveness, whereby the change in the fair value of a hypothetical derivative is the change in the actual derivative, simulating an increase or decrease of the fair value by 300, 500 and 1000 basis points.

2008

Tech Park Vienna

Kapsch Components moves into its new production facility at Tech Park Vienna. This marks the start of fully automated transponder production with the new pick-and-place machines.



15 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Prepayments	Total
Carrying amount as of March 31, 2015	**31,028**	**10,968**	**19,631**	**2,391**	**188**	**64,206**
Currency translation differences	-52	-511	-468	-83	0	-1,114
Reclassification	375	201	1,775	-2,351	0	0
Reclassification of prepayments	0	188	0	0	-188	0
Addition resulting from company acquisition	0	843	7	401	0	1,251
Additions	912	2,587	6,681	2,431	0	12,611
Disposals	-7	-705	-785	-1,485	0	-2,982
Scheduled depreciation	-2,681	-3,568	-7,908	0	0	-14,157
Impairment charge	0	0	0	0	0	0
Carrying amount as of March 31, 2016	**29,574**	**10,004**	**18,932**	**1,304**	**0**	**59,814**
Acquisition/production costs	48,862	54,663	68,312	1,304	0	173,140
Accumulated depreciation	-19,288	-44,658	-49,379	0	0	-113,326
Carrying amount as of March 31, 2016	**29,574**	**10,004**	**18,932**	**1,304**	**0**	**59,814**
Carrying amount as of March 31, 2016	**29,574**	**10,004**	**18,932**	**1,304**	**0**	**59,814**
Currency translation differences	48	322	352	32	0	755
Reclassification	0	418	123	-540	0	0
Additions from the acquisition of companies	286	159	505	0	0	950
Additions	991	3,601	7,643	6,087	0	18,321
Disposals	-5	-173	-566	-4,243	0	-4,987
Scheduled depreciation	-2,974	-4,016	-8,906	0	0	-15,896
Impairment charge	-97	0	0	0	0	-97
Carrying amount as of March 31, 2017	**27,823**	**10,315**	**18,083**	**2,640**	**0**	**58,860**
Acquisition/production costs	50,419	58,080	74,953	2,640	0	186,092
Accumulated depreciation	-22,596	-47,765	-56,870	0	0	-127,232
Carrying amount as of March 31, 2017	**27,823**	**10,315**	**18,083**	**2,640**	**0**	**58,860**

The carrying amount of capitalized leases (land and buildings) as of March 31, 2017 amounts to TEUR 15,324 (March 31, 2016: TEUR 15,783). With regard to the additions resulting from company acquisition, see note 33.

2008

One of the largest tolling stations in Asia

Kapsch TrafficCom equips India's National Highway 8 with a modern manual-electronic toll collection system. With a total of 32 toll lanes, its main toll station is one of the largest anywhere in Asia.

16 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayments	Total
Carrying amount as of March 31, 2015	**14,078**	**43,451**	**110,077**	**907**	**5,997**	**174,509**
Currency translation differences	-2	-80	-46	0	0	-128
Reclassification	0	0	0	0	0	0
Addition resulting from company acquisition	46	0	0	0	0	46
Additions	6,515	9,677	0	58	-5,865	10,384
Disposals	-1	-678	0	-964	0	-1,643
Impairment	0	0	0	0	0	0
Scheduled amortization	-757	-14,945	0	0	0	-15,703
Carrying amount as of March 31, 2016	**19,879**	**37,424**	**110,030**	**0**	**132**	**167,464**
Acquisition/production costs	38,337	144,959	130,341	0	132	313,768
Accumulated amortization	-18,459	-107,535	-20,310	0	0	-146,304
Carrying amount as of March 31, 2016	**19,879**	**37,424**	**110,030**	**0**	**132**	**167,464**
Carrying amount as of March 31, 2016	**19,879**	**37,424**	**110,030**	**0**	**132**	**167,464**
Currency translation differences	135	31	-28	36	0	173
Reclassification	-1,312	0	0	1,312	0	0
Reclassification of prepayments	0	132	0	0	-132	0
Addition resulting from company acquisition	6,337	2,689	1,409	1,500	0	11,936
Additions	6,958	3,768	0	69	17	10,811
Disposals	-1	-153	0	0	0	-153
Impairment	-16,653	0	0	0	0	-16,653
Scheduled amortization	-2,556	-12,546	0	0	0	-15,102
Carrying amount as of March 31, 2017	**12,787**	**31,344**	**111,411**	**2,917**	**17**	**158,476**
Acquisition/production costs	55,137	162,636	131,722	2,917	17	352,428
Accumulated amortization	-42,350	-131,292	-20,310	0	0	-193,952
Carrying amount as of March 31, 2017	**12,787**	**31,344**	**111,411**	**2,917**	**17**	**158,476**

Capitalized development costs.
Development costs relate to expenses, which, in accordance with IAS 38, are capitalized and amortized over 3 to 7 years once the assets are available for commercial use and relate mainly to large projects for software solutions from Kapsch CarrierCom Belgium NV, Belgium.

In the fiscal year 2016/17 additional research and development costs of the Group amounted to EUR 125.0 million (2015/16: EUR 98.2 million). In the fiscal year 2016/17, EUR 58.2 million thereof (2015/16: EUR 46.1 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 66.9 million (2015/16: EUR 52.1 million) was recognized as an expense.

The impairment of the capitalized development costs in the fiscal year 2016/17 amounting to TEUR 16,653 affects the Public Transport division and is due to the fact that during the fiscal year it turned out that major parts of the capitalized development costs were tailored to the requirements of a specific customer contract rather than being generic product development. The impairment test based on cash flows from that contract led for this part of the capitalized development costs to the impairment charge reported.

2009

eCard system

After a successful deployment with doctors, Kapsch BusinessCom now offers a complete e-card infrastructure package for about 1,000 additional health service providers as well.

2010

The world's longest bridge

In Thailand, Kapsch TrafficCom equips the world's longest bridge with a toll collection system.

Goodwill.

Goodwill is allocated to the segments and their cash-generating units as follows:

	2015/16	2016/17
ETC-Americas: Electronic Toll Collection, Americas	21,347	21,347
ETC-EMEA: Electronic Toll Collection, Europe, Middle East and Africa	36,313	37,184
ETC-APAC: Electronic Toll Collection, Asia and Pacific	13,436	13,436
Electronic Toll Collection (ETC)	**71,097**	**71,968**
IMS-Americas: Intelligent Mobility Solutions, Americas	6,330	6,330
IMS-EMEA: Intelligent Mobility Solutions, Europe, Middle East and Africa	5,118	5,657
IMS-APAC: Intelligent Mobility Solutions, Asia and Pacific	434	434
Intelligent Mobility Solutions (IMS)	**11,883**	**12,421**
Traffic	**82,980**	**84,389**
Mission-Critical Networks (MCN) (formerly: Railways (RLW))	9,420	9,392
Carrier	**9,420**	**9,392**
Enterprise	**17,631**	**17,631**
Total	**110,030**	**111,411**

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

	2015/16	2016/17
Determination of recoverable amount	Value in use	Value in use
Detailed planning years	4 years	4 years
Discount rate after tax, segment Traffic (CGU ETC, IMS)	6.36%	7.14%
Discount rate after tax, segment Carrier (CGU CRS, MCN)	6.69%	7.51%
Discount rate after tax, segment Carrier (CGU PTR)	6.69%	7.64%
Discount rate after tax, segment Enterprise (CGU EN)	6.11%	6.07%
Long-term growth rate	2.00%	2.00%

16.1 Cash-generating unit ETC-Americas.

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

Parameter CGU ETC-Americas.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	21,347	21,347
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	232,044	205,574
Carrying amount of the CGU	70,592	59,070
Discount rate before tax	7.6%	8.8%
Break-even discount rate	21.3%	31.8%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	29,783	-22,574
Revenue growth	± 10%	-1,478	1,514
EBITDA margin	± 10%	-4,026	4,026
Long-term growth rate	± 0.5%	-13,664	16,611

16.2 Cash-generating unit ETC-EMEA.

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

Parameter CGU ETC-EMEA.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	36,313	37,184
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	394,719	381,530
Carrying amount of the CGU	158,059	128,874
Discount rate before tax	7.9%	9.0%
Break-even discount rate	16.6%	20.8%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	68,981	-51,884
Revenue growth	± 10%	-1,282	1,290
EBITDA margin	± 10%	-7,679	7,679
Long-term growth rate	± 0.5%	-32,490	39,495

16.3 Cash-generating unit ETC-APAC.

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

2010

On-board unit

On-board units are installed in vehicles so that toll fees can be charged on the move. Kapsch manufactures 10,000 units per day.

Parameter CGU ETC-APAC.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	13,436	13,436
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	146,052	152,924
Carrying amount of the CGU	30,061	22,574
Discount rate before tax	7.8%	8.7%
Break-even discount rate	41.2%	73.4%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	23,110	-17,476
Revenue growth	± 10%	-149	479
EBITDA margin	± 10%	-2,139	2,139
Long-term growth rate	± 0.5%	-10,687	12,992

2010

Enforcement camera

The camera is part of a toll gantry. It is optimized for reading license plates and is a key device in toll enforcement and vehicle classification.

16.4 Cash-generating unit IMS-Americas.

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

Parameter CGU IMS-Americas.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	6,330	6,330
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	1,417
Value in use of the CGU	79,389	57,994
Carrying amount of the CGU	25,400	24,128
Discount rate before tax	7.5%	9.0%
Break-even discount rate	15.4%	22.2%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	7,929	-6,044
Revenue growth	± 10%	-871	895
EBITDA margin	± 10%	-2,168	2,168
Long-term growth rate	± 0.5%	-3,563	4,332

16.5 Cash-generating unit IMS-EMEA.

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

Parameter CGU IMS-EMEA.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	5,118	5,657
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	1,500
Value in use of the CGU	64,186	135,830
Carrying amount of the CGU	8,266	32,245
Discount rate before tax	7.7%	8.7%
Break-even discount rate	101.8%	39.6%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	19,609	-14,860
Revenue growth	± 10%	-372	376
EBITDA margin	± 10%	-2,822	2,822
Long-term growth rate	± 0.5%	-9,002	10,943

16.6 Cash-generating unit IMS-APAC.

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

Parameter CGU IMS-APAC.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	434	434
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	5,441	32,446
Carrying amount of the CGU	2,756	1,743
Discount rate before tax	15.7%	8.7%
Break-even discount rate	96.1%	301.0%

2010

Transceiver

When a vehicle passes under a toll gantry, the transceiver communicates with the on-board unit inside the vehicle and transmits data to the back office.

2010

Kapsch takes over the GSM/GSM-R division of Nortel, thus becoming a major provider of digital train radio systems. Kapsch acquires Mark IV IVHS, an important provider of components for electronic tolling, thus gaining a foothold in the North American market.

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	4,977	-3,763
Revenue growth	± 10%	-220	228
EBITDA margin	± 10%	-442	442
Long-term growth rate	± 0.5%	-2,302	2,799

16.7 Cash-generating unit "Carriers" CRS.

Key assumptions for determining expected cash flows of the CGU CRS.
Existing UMTS networks (3G) are reaching their limits due to the consistently growing mobile data traffic. Against the backdrop of this development, the LTE network (4G) is being continuously expanded to cover all areas and public network operators continue to primarily invest in "fixed broadband", "optical networks" and "LTE rollouts". New investment areas are "connectivity for smart cities" and "internet of things".

Management assumes that, in this difficult market environment, including aggressive pricing policies, there is sufficient potential for Kapsch to keep revenues stable over a short period of time and to even increase revenues in the long term. This assumption is supported by some trends and projects that provide a good approach to expand our revenue base with existing and new customers. NFV (Network Function Virtualization) projects are, for example, frequently requested projects that are also already being partially implemented. In addition, SDN (Software Defined Networking) provides another technological approach to optimize the cost base. Security is becoming more and more relevant in this business area. Moreover, in the next fiscal years an increase in revenues in the FTTX sector (glass fiber) is expected.

The business activity of this CGU is increasingly diversified as regards the customer segments, and now extends to public network operators as well as to public distribution companies and larger public and private companies that build and operate their own communication networks. In addition to its core markets of Austria, France and Germany, Kapsch will place a special focus on the expansion of markets in the CEE region and Western Europe and the further diversification of the customer base, and to sustainably upset the established solution portfolio in this customer base. Apart from the general focus in cost management, Kapsch also focuses on the optimization of the structure and costs in this CGU.

Parameter CGU CRS.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	0	0
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	25,449	24,512
Carrying amount of the CGU	23,621	24,227
Discount rate before tax	8.1%	9.8%
Break-even discount rate	8.4%	9.9%

Sensitivity analyses with the impact of changes to the value in use of the CGU CRS.

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	3,056	-2,335
Revenue growth	± 10%	744	744
EBITDA margin	± 10%	-547	547
Long-term growth rate	± 05%	-1,449	1,738

16.8 Cash-generating unit "Public Transport" PTR.

Key assumptions for determining expected cash flows of the CGU PTR.

According to market studies, the public transport sector is currently undergoing a growth phase that will last for several years. The overall global market volume is estimated to grow in the double-digit percentage range in the coming years. Main growth drivers are urbanization, change in customer behavior (trend towards public means of transport), a growing need for public transport solutions in emerging countries, as well as the desire for sustainability.

In summary with the "mobi.guider" brand, Kapsch has a broad technology portfolio that focuses on computer-assisted management systems (ITCS, mobi.operations), automated payment systems (AFC, mobi.ticketing) and electronic and mobile ticket systems. Customers in this segment include De Lijn in Belgium, Arriva, Veolia and Syntus in the Netherlands, Reya Vaya in South Africa and Marta in the USA Kapsch provides cloud-based end-to-end network solutions (mobi.efficicency) for smart infrastructure, including tailor-made control and management systems, specifically for rail or road vehicles. These systems contribute to the reduction of energy costs and preventive maintenance by capturing and providing vehicle real-time data.

In the long term, Management is expecting strong growth, albeit below the expectations of the previous year, in all areas. This is underpinned by incoming orders from the sale of the newly established product portfolio, as recently, for example, in the USA The budget for the coming year is based on the good order backlog in defined core markets such as Belgium, the Netherlands, Romania and South Africa. In the short term, sales are to be achieved primarily with the already established product portfolio. This is the basis for further development of the product portfolio and investment in the realignment of the sales team. In addition, the search for synergies on the subject of public transport within Kapsch Group has come to the fore and initiatives for the utilization of these synergies are to be worked out in the coming months.

Parameter CGU PTR.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	0	0
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	51,408	52,972
Carrying amount of the CGU	47,431	29,579
Discount rate before tax	9.6%	8.4%
Break-even discount rate	10.2%	12.8%

Sensitivity analyses with the impact of changes to the value in use of the CGU PTR.

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	8,803	-6,711
Revenue growth	± 10%	-3,468	3,579
EBITDA margin	± 10%	-591	591
Long-term growth rate	± 0.5%	-4,063	4,854

2010

Klimaaktiv award

Kapsch Components optimizes the ventilation, air conditioning and lighting of a production facility with 6,500 m² of usable floor space and a logistics centre with a further 3,500 m², thereby winning the "klimaaktiv award" of the Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management.

16.9 Cash-generating unit “Mission-Critical Networks” MCN (former: “Railways” RLW).

Key assumptions for determining expected cash flows of the CGU MCN.
As part of this area, Kapsch is now serving the TETRA and Digital Mobile Radio (DMR) technologies, which were developed to the divison „Mission-Critical Networks“ together with the Railways solution portfolio.

The investments in the environment of the railway companies that are adapted to the general growth trend for public transport continue to generate the need to provide efficient infrastructure through current technology such as ERTMS (European Rail Traffic Management System). European Union funding programs with a focus on ERTMS, which defines GSM-R as the EU-wide standard, were confirmed for the period 2016 to 2020. The possibility to support this technology, which is now completely independent of the GSM solutions used less and less in public networks, as long as the market requires, is an additional hedge of the business potential in this market. Projects based on the TETRA and DMR standards in other state and private companies that operate proprietary communications networks represent a logical expansion for this customer segment for Kapsch.

GSM-R is now also used beyond the borders of Europe. New GSM-R networks are already in operation or are in the installation phase. In some markets there is a short-term slowdown in investment activity due to global economic influences, but this will not change the attractiveness of these markets in the medium term.

Management assumes that sales in this CGU will again adjust to the average sales potential for Kapsch in this market after a low-turnover year, which was characterized by deliveries, post-production and completion of already sold projects. With its membership in Shift2Rail, a European railway technology initiative, with a focus on research and innovation, Kapsch is pushing ahead with the development of new technologies in the rail sector, in order to shape the technological transformation of telecommunications in railway companies. At the same time, it is also characterized by the fact that this change will take place over long technology cycles. Kapsch still expects extended support requirements for GSM-R and eGPRS beyond 2035. This will once again have a positive effect on the follow-up and maintenance business in this area. In addition to the focus on GSM-R for railways, Kapsch is well positioned in this CGU with a digitization portfolio, solutions in the area of TETRA/DMR and contributions to the development of the successor communication standard and will remain a determining player in this market segment.

The margins in this CGU are to remain constant, whereas marginal reductions resulting from the ongoing price pressure on new tenders should be compensated by a shift in favor of the sustained post-delivery and maintenance business. Apart from the general focus in cost management, Kapsch also focuses on the optimization of the structure and costs in this CGU.

The regional and customer-oriented focus of the business remains unchanged in Europe. Business in the Middle East, South America, China and Africa is expected to contribute significantly to growth in this CGU.

Parameter CGU MCN.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	9,420	9,392
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	53,807	84,019
Carrying amount of the CGU	52,574	83,840
Discount rate before tax	8.6%	9.5%
Break-even discount rate	8.8%	9.5%

2010

Maintenance of the Chungwa Telecom network

Chungwa Telecom signs a multi-year network maintenance contract with Kapsch CarrierCom, including an upgrade to the Carrier BSS software.

Sensitivity analyses with the impact of changes to the value in use of the CGU MCN.

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	11,255	-8,589
Revenue growth	± 10%	-2,821	2,884
EBITDA margin	± 10%	-1,893	1,893
Long-term growth rate	± 0.5%	-5,373	6,444

16.10 Cash-generating unit "Enterprise" EN.

Key assumptions for determining expected cash flows of the CGU EN.

In the segment Enterprise, it is assumed that the company will be able to increase business with existing customers and expand in the segments ICT Facility, ICT Infrastructure, ICT Workspace and Applications. In Austria, the strong market position in ICT Infrastructure was extended and Management assumes it will be possible to strengthen this position further. Based on its more clearly defined IT strategy, Kapsch's positioning is as an attractive and reliable service partner for ICT solutions. Continuing improvements in recent years are taking effect – Kapsch is beginning to utilize the newly created sales potential in this area. Management assumes that sales in the IT segment will grow further. In addition, Kapsch will be an essential partner in the digitization of the future. Management regards this new business area as the growth driver of the future. Target customers are small and medium-sized companies with 50 to 500 users, some of which already belong to the customer base of the segment Enterprise. For Management, outsourcing and out-tasking are potential growth areas. Kapsch, as an outsourcing partner, was able to position itself as an innovative and flexible partner in the past and Management assumes it can win further major outsourcing projects and to secure long-term service revenues in the future. The solutions offered cover all areas of voice and data transmission as well as parts of the infrastructure of companies, starting with basic telecommunication, wireless and mobile business solutions and voice-over-IP including IT solutions, network security, network management, integration of the internet, call center solutions, communication consulting, IP TV, video solutions, managed services and much more. Ongoing cost optimizations result in improvements in efficiency but also in under proportional increases in costs (especially staff costs) compared to revenue increases.

2011

Nationwide tolling Poland

Launch of a nationwide toll collection system in Poland.

Parameter CGU EN.

	2015/16	2016/17
Carrying amount of goodwill allocated to the CGU	17,631	17,631
Carrying amount of intangible assets with indefinite useful life allocated to the CGU	0	0
Value in use of the CGU	174,442	165,335
Carrying amount of the CGU	87,318	85,115
Discount rate before tax	7.5%	7.5%
Break-even discount rate	13.2%	12.1%

Sensitivity analyses with the impact of changes to the value in use of the CGU EN.

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10 Bp	31,202	-23,062
Revenue growth	± 10%	-4,388	4,436
EBITDA margin	± 10%	-2,783	2,783
Long-term growth rate	± 0.5%	-18,133	23,211

17 Investment properties.

	2015/16	2016/17
Carrying amount as of March 31 of prior year	**4,155**	**3,939**
Addition	0	0
Scheduled depreciation	-216	-216
Carrying amount as of March 31 of fiscal year	**3,939**	**3,723**
Acquisition/production cost	4,316	4,316
Accumulated depreciation	-377	-593
Carrying amount as of March 31 of fiscal year	**3,939**	**3,723**

For accounting of investment properties, the Group uses the amortized cost model according to IAS 40.56.

The fair value of investment property is calculated internally using the capitalized earnings method and is classified to level 3 of the valuation hierarchy under IFRS 7. The fair value of the investment property as of March 31, 2017 amounts to TEUR 6,653 (March 31, 2016: TEUR 6,696)

Parameter of the capitalized earnings method.

	2015/16	2016/17
Interest rate for property	6.00%	6.00%
Remaining useful live in years	39	38
Multiplying factor	14.95	14.85

The gross income from the rental of investment property as of March 31, 2017 amounts to TEUR 551 (March 31, 2016: TEUR 538).

The operating expenses from investment properties are as follows:

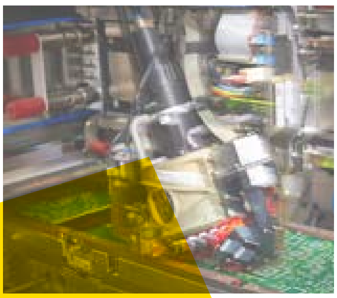
	2015/16	2016/17
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	-330	-336
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	0	0

Contractual commitments.
The Group has entered into contractual commitments for managing and maintaining the rented commercial properties leased to third parties. Annual expenses arising under these contracts amount to around TEUR 94 (2015/16: TEUR 94).

2011

Insourcing from China to Austria

Kapsch CarrierCom brings the production of centralized GSM/GSM-R systems to Vienna.



18 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2015/16	2016/17
Carrying amount as of March 31 of prior year	**3,613**	**3,588**
Addition from foundation and acquisition	280	587
Disposal through sale of shares and dividend payments	-259	-648
Share in result	92	426
Currency translation differences	-138	65
Carrying amount as of March 31 of fiscal year	**3,588**	**4,018**
thereof interests in associates	3,497	3,956
thereof interests in joint ventures	91	62

18.1 Interests in associates.

Kapsch Financial Services GmbH, Vienna
The Group holds 26% of the shares in Kapsch Financial Services GmbH, Vienna. The carrying amount as of March 31, 2017 amounts to TEUR 1,498 (March 31, 2016: TEUR 1,452).

The financial data of the entity as of the latest balance sheet date (30 September) are as follows:

	September 30, 2015	September 30, 2016
Non-current assets	31,387	32,585
Current assets	1,936	2,146
Non-current liabilities	-9,129	-381
Current liabilities	-21,592	-31,820
Net assets	**2,603**	**2,530**
Revenue	39,444	33,811
Result for the period	997	1,237
Other comprehensive income	0	0
Total comprehensive income	**997**	**1,237**

The financial information stated above relates to the last audited financial report of Kapsch Financial Services GmbH, Vienna. Since the balance sheet date of the entity differs from the balance sheet date of the Group the net assets are evaluated and recognized based on an interim report.

evolaris next level GmbH, Graz
On September 30, 2015, the Group acquired 25% of the shares in evolaris next level GmbH, Graz. This investment is accounted for using the equity method. The carrying amount as of March 31, 2017 amounts to TEUR 279 (March 31, 2016: TEUR 128).

2011

Mobile number portability solution
Kapsch CarrierCom sets up a mobile number portability solution for mobile phone operators in Belarus.

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

	December 31, 2015	December 31, 2016
Non-current assets	58	59
Current assets	1,624	1,175
Non-current liabilities	0	-189
Current liabilities	-1,005	-222
Net assets	**676**	**823**
Revenue	2,445	1,961
Result for the period	278	175
Other comprehensive income	0	0
Total comprehensive income	**278**	**175**

2011

KTC IVHS and E-ZPass Group

Kapsch TrafficCom is selected by the E-ZPass Group, an association of 24 toll agencies in 14 US states, as its supplier for a new ten-year technology and service contract.

AIMC – Advanced Information Management Consulting GmbH, Vienna
In February 2017, Kapsch BusinessCom acquired 25% of the shares in Advanced Information Management Consulting GmbH (AIMC), Vienna. The company was founded in 2002 and is active in the field of data science, with the aim of generating large amounts of information and deriving recommendations for action that in turn enable companies to act more efficiently. In addition, AIMC is licensing partner of IBM Watson and Oracle's collaboration partner for the statistical development platform R.

The company is classified as an associated company. Therefore the investment is accounted for using the equity method. As of March 31, 2017, the carrying amount of the interest amounts to TEUR 50 (March 31, 2016: TEUR n.a.).

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

	December 31, 2015	December 31, 2016
Non-current assets	n.a.	134
Current assets	n.a.	47
Non-current liabilities	n.a.	-114
Current liabilities	n.a.	-18
Net assets	**n.a.**	**49**
Revenue	n.a.	219
Result for the period	n.a.	22
Other comprehensive income	n.a.	0
Total comprehensive income	**n.a.**	**22**

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

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

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

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 telematics services and holds an interest of 49%. The company is classified as an associated company. Therefore the investment is accounted for using the equity method. As of March 31, 2017, the carrying amount of the interest amounts to TEUR 0 (March 31, 2016: TEUR 0).

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

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

2011

Mediaprint

Mediaprint awards the operation and management of its Austria-wide network and security infrastructure, including several thousand network ports, to Kapsch BusinessCom.

18.2 Interests in joint ventures.

Rail Telecom SPA, Algeria
On March 23, 2016 the Group acquired 49% of the shares in Rail Telecom SPA, Algeria. This Algerian subsidiary is included in the Group as joint venture and the investment is accounted for using the equity method. Together with a partner, the Group manages the joint venture and has rights over the net assets. The carrying amount as of March 31, 2017 amounts to TEUR 60 (March 31, 2016: TEUR 91).

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

	December 31, 2015	December 31, 2016
Non-current assets	0	0
Current assets	130	173
Non-current liabilities	0	0
Current liabilities	0	-145
Net assets	**130**	**29**
Revenue	0	0
Result for the period	-55	-62
Other comprehensive income	0	0
Total comprehensive income	**-55**	**-62**

In the course of the company acquisition of tolltickets GmbH, Germany, on July 1, 2016 (see note 33), the two Italian consortia “Consorzio 4trucks” and “MyConsorzio” were acquired. Both investments are accounted for using the equity method.

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

2012

TDM network becomes IP

Kapsch CarrierCom migrates A1 Telekom Austria’s entire TDM network to IP, and supports the Telekom Austria Group in the integration of its Policy Manager across six countries in the CEE region.

Consorzio 4trucks, Italy
As of March 31, 2017, the carrying amount of the interest amounts to TEUR 1 (March 31, 2016: n.a.).

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

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

MyConsorzio, Italy
As of March 31, 2017, the carrying amount of the interest amounts to TEUR 1 (March 31, 2016: n.a.).

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

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

19 Current and non-current financial assets.

	2015/16	2016/17
Other non-current financial assets and investments	24,187	24,405
Other current financial assets	569	4,110
	24,756	**28,515**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other investments	Other non-current financial assets	Total
Carrying amount as of March 31, 2015	**9,163**	**19,291**	**352**	**98**	**28,904**
Currency translation differences	0	0	0	1	1
Addition resulting from company acquisition	0	0	0	0	0
Additions	75	101	0	98	274
Disposals	-40	0	0	-98	-138
Change in fair value	-286	-4,567	0	0	-4,853
Carrying amount as of March 31, 2016	**8,912**	**14,825**	**351**	**99**	**24,187**
Currency translation differences	0	0	83	7	90
Addition resulting from company acquisition	0	0	27	5	33
Additions	124	0	2,679	332	3,135
Disposals	-84	0	-9	0	-93
Change in fair value	195	-3,141	0	0	-2,946
Carrying amount as of March 31, 2017	**9,147**	**11,683**	**3,132**	**443**	**24,405**

Other current financial assets	Available-for-sale securities	Current loans	Other current financial assets	Total
Carrying amount as of March 31, 2015	**5,291**	**0**	**477**	**5,768**
Currency translation differences	0	-9	0	-9
Additions	0	106	0	106
Disposals	-5,291	0	-5	-5,296
Change in fair value	0	0	0	0
Carrying amount as of March 31, 2016	**0**	**97**	**472**	**569**
Currency translation differences	0	29	171	201
Addition resulting from company acquisition	0	282	0	282
Additions	0	1,068	1,990	3,058
Disposals	0	0	0	0
Change in fair value	0	0		0
Carrying amount as of March 31, 2017	**0**	**1,477**	**2,633**	**4,110**

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

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

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

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

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

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

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

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

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

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

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

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2016/17
Non-current financial assets				
Available-for-sale securities	8,484	663	0	9,147
Available-for-sale investments	11,683	0	0	11,683
	20,168	**663**	**0**	**20,830**
Current financial assets				
Available-for-sale securities		0	0	0
	0	**0**	**0**	**0**
Total	**20,168**	**663**	**0**	**20,830**

In the fiscal year 2016/17, other non-current financial assets amounting to TEUR 443, other investments amounting to TEUR 3,132 as well as other current financial assets amounting to TEUR 4,110 were recognized at cost less impairment.

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2015/16
Non-current financial assets				
Available-for-sale securities	8,219	693	0	8,912
Available-for-sale investments	14,825	0	0	14,825
	23,043	**693**	**0**	**23,737**
Current financial assets				
Available-for-sale securities	0	0	0	0
	0	**0**	**0**	**0**
Total	**23,043**	**693**	**0**	**23,737**

In the fiscal year 2015/16, other non-current financial assets amounting to TEUR 99, other investments amounting to TEUR 351 as well as other current financial assets amounting to TEUR 569 were recognized at cost less impairment.

20 Other non-current assets.

	2015/16	2016/17
Project in the Republic of Belarus	18,094	0
Truck toll collection system in the Czech Republic	711	212
Other long term receivables	3,224	4,072
	22,028	**4,283**

Other non-current assets include in prior year amounts due from customers for contract work for the installation of the truck toll collection system in the Republic of Belarus as well as trade receivables (non-current) that are due from the Czech Ministry of Transport for the installation of the Czech truck toll collection system. As in the prior year, the residual term of these assets is more than 1 year and less than 5 years.

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

The remaining amount of the other non-current assets mainly relates to tax refunds in France (2016/17: TEUR 2,444; 2015/16: TEUR 2,127).

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

	2015/16	2016/17
Up to 2 years	20,528	1,251
Between 2 and 3 years	944	1,325
More than 3 years	1,948	1,860
	23,420	**4,437**

The non-current receivables due from customers for contract work are as follows:

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

21 Inventories.

	2015/16	2016/17
Purchased parts and merchandise, at acquisition cost	41,136	40,661
Unfinished goods and work in progress, at production cost	67,606	58,010
Finished goods, at production cost	6,372	10,316
Prepayments on inventories	2,630	3,469
	117,745	**112,456**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 27,201 (2015/16: TEUR 26,162). In the reporting period TEUR 1,039 were recognized in the statement of comprehensive income (2015/16: TEUR 811).

2012

Satellite tolling

Production of "TS3290/00A" onboard units begins. This is the in-vehicle part of the Kapsch Satellite Tolling System, which facilitates the implementation of road-user charging schemes based on geographical positions obtained from a GNSS (Global Navigation Satellite System).

22 Trade receivables and other current assets.

	2015/16	2016/17
Trade receivables	152,647	239,045
Allowance for bad debts	-7,506	-8,734
Trade receivables – net	**145,141**	**230,311**
Amounts due from customers for contract work	108,144	80,445
Amounts due from customers for service and maintenance contracts	16,012	8,097
Current tax receivables from income tax	7,597	9,219
Receivables from tax authorities (other than income tax)	22,813	28,357
Other receivables and prepaid expenses	42,723	53,543
	342,430	**409,972**

As of March 31, 2017, trade receivables with a net value of TEUR 9,005 (2015/16: TEUR 7,650) have been impaired. The corresponding impairment amounts to TEUR -8,734 (2015/16: TEUR -7,506).

Allowance for bad debts developed as follows:

	2015/16	2016/17
Balance as of March 31 of the prior year	**-9,247**	**-7,506**
Additions from the acquisition of companies	0	-2,661
Addition	-427	-4,018
Utilization	653	69
Disposal	1,424	5,486
Currency translation differences	90	-105
Balance as of March 31 of the reporting year	**-7,506**	**-8,734**

Maturity structure of trade receivables:

	2015/16	2016/17
Not yet due	99,568	158,996
Overdue:		
Less than 60 days (not impaired)	28,210	46,267
Less than 60 days (impaired)	14	653
More than 60 days (not impaired)	17,219	24,776
More than 60 days (impaired)	7,635	8,353
	152,647	**239,045**

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

Trade receivables amounting to TEUR 16 (2015/16: TEUR 3,365) were pledged as collateral to banks (see note 25).

2012

New buisness field: Public Transport

Kapsch CarrierCom establishes a new strategic business segment: Public Transport.

Amounts due from customers for contract work are as follows:

	2015/16	2016/17
Construction costs incurred plus recognized gains	538,217	589,148
Less amounts invoiced and advance payments received	-430,074	-508,703
	108,144	**80,445**

As of March 31, 2017, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 44,731 (2015/16: TEUR 23,592), Latin America amounting to TEUR 6,364 (2015/16: TEUR 921), Spain amounting to TEUR 6,954 (2015/16: TEUR 0), Poland amounting to TEUR 5,896 (2015/16: TEUR 0), Czech Republic amounting to TEUR 4,577 (2015/16: TEUR 0), the construction of the Belarusian toll system amounting to TEUR 1,931 (2015/16: TEUR 64,174) as well as to public transport projects in Belgium amounting to TEUR 3,240 (2015/16: TEUR 9,776).

Revenues from construction contracts amount to TEUR 303,467 (2015/16: TEUR 119,868).

23 Cash and cash equivalents.

	2015/16	2016/17
Cash on hand	171	228
Deposits held with banks	167,087	246,390
	167,258	**246,618**

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.

24 Share capital.

	2015/16	2016/17
Carrying amount as of March 31 of the fiscal year	**727**	**727**

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

25 Current and non-current financial liabilities.

	2015/16	2016/17
Non-current		
Loans for acquisitions	20,398	40,274
Loans for project financing	13,592	0
Capital expenditure loans	20,520	5,140
Corporate bonds	80,480	0
Promissory note bond	0	75,376
Other non-current loans	37,794	47,177
Current	**172,783**	**167,968**
Corporate bonds	0	80,923
Loans for acquisitions	375	10,618
Loans for project financing	20,568	6,660
Other current loans	35,514	76,483
	56,457	**174,683**
Total	**229,240**	**342,651**

2012

Apple

Kapsch BusinessCom is an Apple Partner in Austria. With help from Kapsch specialists, customers can easily access all business-related areas of the company network using iPads and iPhones, without putting data security at risk.

Movements are as follows:

	March 31, 2016	Addition resulting from company acquisition	Reclassification	Additions	Repayment	Currency translation differences	March 31, 2017
Non-current financial assets	172,783	893	-145,658	139,366	0	584	167,968
Current financial assets	56,457	2,861	145,658	49,751	-80,767	723	174,683
Total	**229,240**	**3,754**	**0**	**189,117**	**-80,767**	**1,307**	**342,651**

	March 31, 2015	Addition resulting from company acquisition	Reclassification	Additions	Repayment	Currency translation differences	March 31, 2016
Non-current financial assets	164,738	0	-12,849	21,396	0	-502	172,783
Current financial assets	101,686	0	12,849	18,052	-75,338	-793	56,457
Total	**266,424**	**0**	**0**	**39,449**	**-75,338**	**-1,295**	**229,240**

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

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

In May 2014, KAPSCH-Group Beteiligungs GmbH, Vienna, issued a corporate bond with a nominal value of EUR 10 million with a maturity of 3 years, and an interest rate of 2.70%. The effective interest rate is 2.97%.

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

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

2012

GSM-R in Africa

The first GSM-R call in Africa takes place.

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

	2015/16	2016/17
Carrying amount	**229,240**	**342,651**
Fair value	**244,057**	**340,960**
Gross cash flows:		
In the 1st half year of the next fiscal year	20,500	41,591
In the 2nd half year of the next fiscal year	41,259	138,465
Total up to 1 year	**61,758**	**180,056**
Between 1 and 2 years	119,939	40,409
Between 2 and 3 years	38,375	13,511
Between 3 and 4 years	20,007	28,624
Between 4 and 5 years	7,153	52,215
More than 5 years	5,941	42,865
	253,174	**357,681**

The classification of financial liabilities is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	March 31, 2017
Corporate bond	72,943	0	72,943
Promissory note bond	0	74,164	74,164
Other financial liabilities	0	193,853	193,853
Total	**72,943**	**268,017**	**340,960**

	Level 1 Quoted prices	Level 2 Observable market data	March 31, 2017
Corporate bond	73,297	10,270	83,567
Other financial liabilities	0	160,490	160,490
Total	**73,297**	**170,760**	**244,057**

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

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

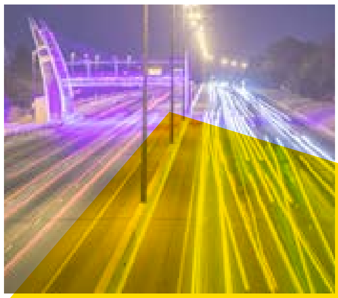
	2015/16	2016/17
Total financial liabilities:		
Carrying fixed interest rates	146,680	224,200
Carrying variable interest rates	82,559	118,451
	229,240	**342,651**
Average interest rates:		
Loans for acquisitions	1.98 – 3.80%	0.54 – 1.98%
Loans for project financing	0.20 – 5.46%	0.66%
Capital expenditure loan	0.75 – 1.75%	0.75 – 2.13%
Corporate bonds	2.97 – 4.54%	2.97 – 4.54%
Promissory note bond	–	1.20 – 2.57%
Other	0.53 – 2.77%	0.50 – 3.80%

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

2013

Tolling South Africa

Launch of a multi-lane free-flow toll collection system in South Africa's Gauteng province.



2013

Nationwide Tolling Belarus

Launch of a nationwide electronic toll collection system in Belarus.

Financial liabilities of Kapsch ConnexPlus GmbH, Vienna, are collateralized with a maximum amount of TEUR 4,500. As at March 31, 2017 an amount of TEUR 3,723 was outstanding (2015/16: TEUR 3,924).

Liabilities to banks in the amount of TEUR 20,000 (2015/16: TEUR 22,000) are pledged with shares in Kapsch Financial Services GmbH, Vienna.

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

26 Liabilities from finance lease.

Finance lease mainly relates to two lease contracts for buildings entered into by Kapsch BusinessCom AG, Vienna. The durations of the contracts are 18 and 20 years and include a purchase option to buy the buildings at their carrying amount at the end of the lease period. For the calculation of the present value, an interest rate of 0.82% was applied.

	2015/16	2016/17
Up to 1 year	636	636
Between 1 and 5 years	2,165	2,179
More than 5 years	13,731	13,081
Minimum lease payments (purchase option included)	**16,532**	**15,896**
Accrued interest	-419	-325
Present value of the lease liabilities	**16,113**	**15,571**
thereof disclosure as non-current liabilities	15,571	15,027
thereof disclosure as current liabilities	541	545
	16,113	**15,571**

The fair values approximate the carrying amounts.

The maturity of finance lease liabilities is as follows:

	2015/16	2016/17
Up to 1 year	541	545
Between 1 and 5 years	2,165	2,179
More than 5 years	13,406	12,848
	16,113	**15,571**

Finance lease liabilities are collateralized in a way that, in case of delayed payments, the ownership of the leased property is transferred back to the lessor.

27 Deferred tax assets/liabilities.

	2015/16	2016/17
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	30,396	25,277
Deferred tax assets to be recovered within 12 months	2,916	5,928
	33,312	**31,205**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	3,154	3,244
Deferred tax liabilities to be recovered within 12 months	3,373	1,724
	6,527	**4,968**
Deferred tax assets net (+)/deferred tax liabilities net (-)	**26,786**	**26,238**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards in the amount of TEUR 110,385 (2015/16 (adjusted): TEUR 48,573) have not been recognized because it was uncertain whether there would be sufficient taxable profits available against which to offset them. These tax loss carry-forwards originate from foreign subsidiaries with the predominant part not expiring before 2030. All other deferred tax assets have been recognized in the respective Group companies as future deductible items.

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

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

	March 31, 2016	Additions resulting from the acquisition of companies	Taken through the profit or loss of the period	Taken through other comprehensive income	Currency translation differences	Reclassification	March 31, 2017
Deferred tax assets							
Tax loss carry-forwards	21,265	0	-9,467	0	635	0	12,434
Provisions disallowed for tax purposes	11,827	0	-728	636	17	0	11,752
Depreciation disallowed for tax purposes	1,323	0	5,585	0	3	0	6,911
Other	4,830	668	408	-673	154	0	5,387
	39,245	**668**	**-4,202**	**-37**	**808**	**0**	**36,483**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	765	0	10	0	25	0	799
Construction contracts	1,758	0	-1,393	0	0	0	364
Gains from recognition at fair value	6,793	1,042	-1,920	43	0	0	5,958
Other	3,146	40	-82	0	20	0	3,124
	12,461	**1,082**	**-3,386**	**43**	**45**	**0**	**10,246**
Total change	**26,784**	**-414**	**-816**	**-80**	**762**	**0**	**26,238**

	March 31, 2015	Additions resulting from the acquisition of companies	Taken through the profit or loss of the period	Taken through other comprehensive income	Currency translation differences	Reclassification	March 31, 2016
Deferred tax assets							
Tax loss carry-forwards	28,018	0	-5,859	0	-893	0	21,265
Provisions disallowed for tax purposes	11,006	0	922	-11	-115	24	11,827
Depreciation disallowed for tax purposes	1,476	0	-147	0	-7	0	1,323
Construction contracts	2,014	0	0	0	0	-2,014	0
Other	6,802	0	-1,691	614	-281	-614	4,830
	49,316	**0**	**-6,775**	**604**	**-1,295**	**-2,605**	**39,245**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	857	0	-35	0	-57	0	765
Construction contracts	0	0	3,772	0	0	-2,014	1,758
Gains from recognition at fair value	9,609	0	-2,816	0	0	0	6,793
Other	4,118	0	525	-870	-37	-590	3,146
	14,584	**0**	**1,445**	**-870**	**-94**	**-2,605**	**12,461**
Total change	**34,732**	**0**	**-8,220**	**1,474**	**-1,201**	**0**	**26,784**

28 Liabilities from post-employment benefits to employees.

Amounts recognized on the balance sheet:

	2015/16	2016/17
Termination benefits	39,542	41,289
Retirement benefits	28,203	28,068
	67,745	**69,357**

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 Group in Austria after December 31, 2002, they are paid into an external employee benefit fund on a monthly basis so that the Group does not normally incur any severance payments.

2013

Mecca-Medina line

The high-speed line on the pilgrimage route between the two holy cities of the Kingdom of Saudi Arabia is equipped with GSM-R.

Retirement benefits.
Liabilities for retirement benefits recognized at the balance sheet date relate mainly to retirees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are partly covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the Group (see note 8). For retirement benefits, the Group bears the risk of longevity and inflation due to pension increases.

Termination benefits obligations were valued based on an interest rate of 1.20 – 1.85% (2015/16: 1.30 – 2.10%), pension benefit obligations for active employees were valued based on an interest rate of 1.60 – 2.35% (2015/16: 2.50 – 2.60%) for the euro area, and 4.00% (2015/16: 4.30%) for Canada as well as an interest rate of 2.00% (2015/16: 1.85%) for pensioners and compensation increases based on a rate of 2.50% (2015/16: 2.50%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2015/16: AVÖ 2008-P) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada, INSEE 2012 – 2014 for France and Richttafeln 2005 G Dr. Heubeck for Germany. Pension increases were estimated at 1.41% (2015/16: 0.81%).

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

	2015/16	2016/17
Change in liabilities recognized on the balance sheet:		
Carrying amount as of March 31 of prior year	**38,780**	**39,542**
Additions from the acquisition of companies	0	85
Current service cost	1,023	885
Interest expense	794	637
Remeasurements (actuarial gains/losses)	1,376	2,189
Payments	-2,365	-2,089
Currency translation differences	-65	40
Carrying amount as of March 31 of fiscal year	**39,542**	**41,289**
Total, included in staff costs (note 8)	1,023	885
Total, included in financial result (note 11)	794	637

Remeasurements are attributable to the following positions:

	2015/16	2016/17
Remeasurements from changes in demographic assumptions	-378	1,558
Remeasurements from changes in financial assumptions	1,795	630
Remeasurements from other changes (experience adjustments)	-41	0
Total	**1,376**	**2,189**

The expected allocation for termination benefits for the next fiscal year 2017/18 amounts to TEUR 1,343. The weighted average duration amounts to 8.6 years.

Analysis of expected maturity of undiscounted benefits.

	2017/18	2018/19	2019/20	2020/21	2021/22	over 5 years	Total
Termination benefits	1,938	1,927	2,373	2,525	2,360	40,729	51,853

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 0.5 Bp	2,024	-1,881
Expected annual interest expenses (IC)	± 0.5 Bp	-181	163
Expected annual service costs (CSC)	± 0.5 Bp	31	-46
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 0.5 Bp	-1,785	1,898
Expected annual interest expenses (IC)	± 0.5 Bp	-27	29
Expected annual service costs (CSC)	± 0.5 Bp	-50	35
Impact of changes in fluctuation			
Defined benefit obligation (DBO)	± 5%	152	-148
Expected annual interest expenses (IC)	± 5%	2	-2
Expected annual service costs (CSC)	± 5%	-3	-15

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

	2015/16	2016/17
Present value of funded obligations	6,845	7,740
Fair value of plan assets	-1,691	-2,163
Deficit of funded plans	**5,155**	**5,577**
Present value of unfunded obligations	23,048	22,491
Liability on the balance sheet	**28,203**	**28,068**

2013

Cab radio

This cab radio is the smart phone for train drivers. It is the terminal for in-train radio, also known as GSM-R.

Change in defined benefit obligation:

	2015/16	2016/17
Carrying amount as of March 31 of prior year	**31,306**	**29,893**
Current service costs	608	260
Interest expense	634	664
Remeasurements	-1,456	518
Payments	-988	-1,210
Currency translation differences	-212	106
Carrying amount as of March 31 of fiscal year	**29,893**	**30,231**

Change in fair value of plan assets:

	2015/16	2016/17
Carrying amount as of March 31 of prior year	**1,492**	**1,691**
Remeasurements	41	0
Expected return on plan assets	8	50
Employer contribution	149	423
Benefits paid	0	0
Carrying amount as of March 31 of fiscal year	**1,691**	**2,163**

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

	2015/16	2016/17
Total, included in staff costs (note 8)	608	260
Total, included in the financial result (note 11)	634	664

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

	2015/16	2016/17
Remeasurements from changes in demographic assumptions	23	5
Remeasurements from changes in financial assumptions	-1,450	1,079
Remeasurements from other changes	12	-566
	-1,415	**518**

Plan assets are comprised as follows:

	2015/16	2016/17
Equity instruments	28%	30%
Debt instruments	63%	59%
Property	0%	0%
Other	9%	11%
	100%	**100%**

The expected allocation for retirement benefits for the next fiscal year 2017/18 amounts to TEUR 993. The weighted average duration amounts to 16.3 years.

2013

Weigh-in-Motion

Vehicles are weighed at full speed to detect overloaded trucks. This helps to increase safety, reduce wear and emissions.

Analysis of expected maturity of undiscounted benefits.

	2017/18	2018/19	2019/20	2020/21	2021/22	over 5 years	Total
Retirement benefits	926	903	905	906	904	30,217	34,761

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	± 0.5 Bp	1,907	-1,680
Expected annual interest expenses (IC)	± 0.5 Bp	-81	68
Expected annual service costs (CSC)	± 0.5 Bp	60	-52
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 0.5 Bp	-1,374	1,513
Expected annual interest expenses (IC)	± 0.5 Bp	-27	30
Expected annual service costs (CSC)	± 0.5 Bp	-35	39

29 Other non-current liabilities.

	2015/16	2016/17
Liabilities resulting from earn-out clauses	272	5,386
Non-current liabilities from derivative financial instruments	1,514	1,253
Truck toll collection system Czech Republic	229	174
Other	1,462	1,814
	3,477	**8,627**

The liabilities resulting from earn-out clauses relate to the long-term part of the variable purchase price component (earn-out payment) from the acquisition of the remaining 48% share in Kapsch Telematic Services spol. s r.o., Czech Republic (TEUR 4,888) and the long-term portion of the variable purchase price component (earn-out payment) from the acquisition of the shares in Fluidtime Data Services GmbH, Vienna (TEUR 498).

The non-current liabilities from derivative financial instruments amounting to TEUR 1,253 (2015/16: TEUR 1,514) relate to an interest rate swap with a nominal value of EUR 10 million and a term to 2022 in connection with the hedging of the interest rate risk arising from the variable interest rate from finance leases.

The position "Truck toll collection system Czech Republic" relates to trade payables (non-current) amounting to TEUR 174 (2015/16: TEUR 229) due to subcontractors for the installation of the Czech truck toll collection system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years as of the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck toll collection system (see note 20).

Other non-current liabilities mainly relate to rental payments for American subsidiaries amounting to TEUR 1,085 (2015/2016: TEUR 576) as well as premium payments from a long-term incentive program for executives in the amount of TEUR 306 (2015/16: EUR 693).

The fair values approximate the carrying amounts.

2013

Air traffic control

Austria is the first country worldwide to deploy a complex nationwide wide area multilateration (WAM) solution for air traffic control.

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

	2015/16	2016/17
Up to 2 years	1,296	5,386
Between 2 and 3 years	279	215
More than 3 years	2,259	3,493
	3,835	**9,094**

30 Other liabilities and deferred income.

	2015/16	2016/17
Amounts due to customers for contract work	20,340	29,097
Prepayments received	21,993	19,204
Current employee liabilities	44,923	49,835
Other liabilities to tax authorities (other than income tax)	20,757	22,089
Other liabilities and deferred income	65,864	61,465
Current liabilities from derivatives	0	6
Cash flow hedges	0	72
	173,877	**181,767**

Amounts due to customers for contract work relate to the segment Traffic and detail as follows:

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

As of March 31, 2017, amounts due to customers for contract work mainly relate to toll collection projects in North America (March 31, 2016: toll collection projects in North America).

31 Provisions.

	2015/16	2016/17
Non-current provisions	5,356	21,477
Current provisions	42,447	50,009
	47,803	**71,486**

2013

Great successes

Hungary: Development and implementation of an integrated communications system for the M4 subway line in Budapest. In addition, the Polish automobile club STARTER, whose principal shareholder is the German ADAC club, commissions Kapsch BusinessCom for a complete modernization of its call center in order to optimize customer service processes.

The provisions changed as follows:

	March 31, 2016	Additions from the acquisition of companies	Addition from accumulation	Addition	Utilization	Disposal	Reclassification	Currency translation differences	March 31, 2017
Obligations from anniversary bonuses	5,146	0	73	1,540	-28	-823	0	8	5,916
Warranties	0	0	0	0	0	0	2,278	0	2,278
Losses from pending transactions and rework	0	0	0	0	0	0	479	0	479
Projects (excl. impending losses)	0	0	0	0	0	0	3,121	0	3,121
Legal fees, costs of litigation and contract risks	0	0	0	0	0	0	3,377	0	3,377
Costs of dismantling, removing and restoring assets	0	0	0	0	0	0	137	0	137
Other	210	4,518	261	313	-87	-75	18	1,010	6,168
Non-current provisions, total	**5,356**	**4,518**	**334**	**1,853**	**-115**	**-897**	**9,411**	**1,019**	**21,477**
Warranties	4,836	0	0	1,441	-558	-278	-2,278	50	3,213
Losses from pending transactions and rework	7,241	0	0	3,512	-1,700	-817	-479	0	7,756
Projects (excl. impending losses)	17,652	6,342	0	10,106	-5,257	-3,175	-3,008	196	22,858
Legal fees, costs of litigation and contract risks	8,845	150	0	20,620	-16,198	-1,098	-3,377	243	9,185
Costs of dismantling, removing and restoring assets	156	0	0	0	-10	0	-137	10	19
Other	3,716	615	0	5,668	-1,619	-1,323	-132	53	6,979
Current provisions, total	**42,447**	**7,107**	**0**	**41,347**	**-25,342**	**-6,690**	**-9,411**	**551**	**50,009**
Total	**47,803**	**11,625**	**334**	**43,199**	**-25,457**	**-7,588**	**0**	**1,570**	**71,486**

	March 31, 2015	Additions from the acquisition of companies	Addition from accumulation	Addition	Utilization	Disposal	Reclassification	Currency translation differences	March 31, 2016
Obligations from anniversary bonuses	4,682	0	166	702	-100	-480	180	-4	5,146
Other	1,114	0	4	215	-606	-340	-41	-137	210
Non-current provisions, total	**5,796**	**0**	**171**	**916**	**-706**	**-820**	**139**	**-140**	**5,356**
Warranties	6,472	711	0	218	-87	-2,402	0	-76	4,836
Losses from pending transactions and rework	3,656	0	0	3,796	0	-1,237	1,027	0	7,241
Projects (excl. impending losses)	0	0	0	6,970	-452	-3,970	15,217	-113	17,652
Legal fees, costs of litigation and contract risks	5,198	0	0	10,640	-3,384	-907	-2,594	-109	8,845
Costs of dismantling, removing and restoring assets	0	183	0	0	0	-15	0	-12	156
Other	18,813	0	0	6,669	-5,219	-3,831	-12,419	-296	3,716
Current provisions, total	**34,138**	**894**	**0**	**28,293**	**-9,142**	**-12,362**	**1,232**	**-607**	**42,447**
Total	**39,935**	**894**	**171**	**29,209**	**-9,848**	**-13,182**	**1,371**	**-747**	**47,803**

The provision for *"anniversary bonuses"* relates to non-current entitlements of employees based on Collective Agreements. The valuation was based on an interest rate of 0.95–1.70% (2015/16: 1.15–1.85%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2015/16: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 2.50% (2015/16: 2.50%).

As manufacturer, dealer and service provider, the Group issues *"product warranties"* at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of TEUR 1,000 will be used in the first half of the fiscal year 2017/18, TEUR 2,212 in the second half of the year and the remaining amount of TEUR 2,278 in the following fiscal years.

2013

Public transport

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

There are *"provisions for losses from pending transactions and rework"* in the Group of TEUR 8,235. It is expected that an amount of TEUR 170 will be used in the first half of the fiscal year 2017/18, TEUR 7,586 in the second half – year and the remaining part in the amount of TEUR 479 in the following economic years.

The provisions for *"projects (excl. impending losses)"* mainly regard to maintenance, extension and repair services for current toll and GSM-R projects. It is expected that an amount of TEUR 4,474 will be used in the first half of the fiscal year 2017/18, TEUR 18,384 in the second half of the year and the remaining amount of TEUR 3,121 in the following fiscal years.

Provisions for *"legal fees, costs of litigation and contract risks"* mainly regard to current case laws and consulting costs related to acquisitions. It is expected that an amount of TEUR 4,722 will be used in the first half of the fiscal year 2017/18, TEUR 4,464 in the second half of the year and the remaining amount of TEUR 3,377 in the following fiscal years.

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

"Other provisions" mainly include a provision for taxes and duties amounting to TEUR 5,822 for KTT Brazil that was acquired at the beginning of the fiscal year by KTT Brazil for taxes and duties as well as provisions for commissions and bonuses, outstanding credit notes and project costs, as well as discounts granted to

customers. It is expected that an amount of TEUR 2,027 will be used in the first half of the fiscal year 2017/18, TEUR 4,953 in the second half of the year, and the remaining amount of TEUR 6,168 in the following fiscal years.

32 Contingent liabilities, other commitments and operating lease commitments.

The contingent liabilities of the Group are mainly the result of major projects in the segments Traffic and Carrier.

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

	2015/16	2016/17
Contract, warranty, performance and bid bonds		
South Africa (toll collection system)	47,029	42,134
Australia (toll collection systems)	20,832	22,428
Spain (GSM-R project)	32,838	34,213
Germany (GSM-R project)	17,877	19,276
Guarantees against third parties for subsidiaries	18,177	12,983
Other	395	11,100
Total	**137,148**	**142,135**

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutes and insurance companies. In case the contractual obligations cannot be fulfilled, there is a risk of utilization that can result in a recourse claim of the financial institute or insurance company against the Group. Such an outflow of resources is expected as unlikely. These kinds of contract, warranty, performance and bid bonds in the amount of TEUR 387,873 (previous year: TEUR 210,119) are not included in the contingent liabilities respectively in the financial statements.

For details of securities for above-mentioned contingent liabilities and other commitments, see note 19 and note 25. In addition, assets of Kapsch TrafficCom AB, Sweden, amounting to TEUR 9,442 (2015/16: TEUR 9,756) were used as collateral for contingent liabilities in favor of a Swedish bank as well as assets of Kapsch CarrierCom France SAS, France, in the amount of TEUR 472 (2015/16 : TEUR 472) were pledged as collateral for contingent liabilities in favor of a French bank.

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

	2015/16	2016/17
Up to 1 year	22,845	25,840
Between 1 and 5 years	49,437	52,517
Over 5 years	24,208	29,466
	96,490	**107,822**

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

	2015/16	2016/17
Rents	15,951	22,204
Motor vehicle leases	4,689	5,640
IT leases	3,806	3,880
Other	744	685
	25,190	**32,409**

2014

Personal fitness coach

80 million users, 800 million gigabytes: The IT infrastructure for the popular fitness app Runtastic is powered by 66 Kapsch servers.

2014

Intermodal solution

Kapsch implements a ticketing solution and intermodal transport control system for De Lijn, a Belgian public transport operator.

33 Business combinations.

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

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

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

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

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

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

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

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

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

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

Consideration paid	1,524
Less fair value of net assets acquired	-148
Goodwill (provisionally determined)	**1,376**
Less non-controlling interests	-505
Goodwill (attributable to equity holders)	**871**

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

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

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

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

Consideration paid	690
Variable purchase price	543
Purchase price total (provisionally determined)	**1,233**
Less fair value of net assets acquired	-382
Goodwill (provisionally determined)	**851**
Less non-controlling interests	-312
Goodwill (attributable to equity holders)	**539**

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

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

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

2014

All-IP core solution

Along 15,000 km of rail tracks, Kapsch modernizes SNCF Réseau/SYNERAIL's GSM-R network with next generation technology.

34 Interests in subsidiaries.

Entity, Headquarter of entity	Internal designation	March 31, 2016 Group's share	March 31, 2016 Non-controlling interests	March 31, 2017 Group's share	March 31, 2017 Non-controlling interests
Segment Traffic					
Kapsch TrafficCom AG, Vienna	KTC	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	KTC C&R CZ	63.60%	36.40%	63.30%	36.70%
Kapsch TrafficCom Ltd., Manchester, United Kingdom	KTC UK	63.30%	36.70%	63.30%	36.70%
Kapsch Components GmbH & Co KG, Vienna	KCO	63.30%	36.70%	63.30%	36.70%
Kapsch Components GmbH, Vienna	KCO GmbH	63.30%	36.70%	63.30%	36.70%
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	ArtiBrain	63.30%	36.70%	63.30%	36.70%
FLUIDTIME Data Services GmbH, Vienna [1]	Fluidtime	n.a.	n.a.	47.80%	52.20%
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	KTC Italy	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	KTC Slovenia	63.30%	36.70%	63.30%	36.70%
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4]	TTS, UAE	31.00%	69.00%	31.00%	69.00%
Kapsch TrafficCom Russia OOO, Moscow, Russia	KTC Russia	63.30%	36.70%	63.30%	36.70%
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	KTTB, Bulgaria	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	KTC Argentina	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	KTC Kazakhstan	63.30%	36.70%	63.30%	36.70%
Kapsch Telematic Services IOOO, Minsk, Republic of Belarus	KTS Belarus	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom KGZ OOO, Bischkek, Kyrgyzstan	KTC Kirgisistan	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	KTC Litauen	32.30%	67.70%	32.30%	67.70%
tolltickets GmbH, Rosenheim, Germany [1]	tolltickets	n.a.	n.a.	41.10%	58.90%
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain [1]	KTT Spain	n.a.	n.a.	63.30%	36.70%
Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain [1]	KTC Arce	n.a.	n.a.	63.30%	36.70%
Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia [1]	KTC Saudi Arabia	n.a.	n.a.	63.30%	36.70%
Telvent Thailand, Bangkok, Thailand [1]	KTT Thailand	n.a.	n.a.	63.30%	36.70%
Kapsch TrafficCom Transportation Brasil Ltda.,Sao Paulo, Brazil [1]	KTT Brazil	n.a.	n.a.	63.30%	36.70%
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina [1]	KTT Argentina	n.a.	n.a.	63.30%	36.70%
KTS Beteiligungs GmbH, Vienna	KTS Beteiligung	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom AB, Jönköping, Sweden	KTC Sweden	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom do Brasil LTDA., Sao Paulo, Brazil	KTC Brazil	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	KTC Australia	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	KTC Chile	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom France SAS, Paris, France	KTC France	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom PTE.LTD., Tripleone Somerset, Singapore	KTC Singapore	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia	KTC Malaysia	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Limited, Auckland, New Zealand	KTC New Zealand	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom South Africa (Pty) Ltd., Johannesburg, South Africa	KTC SA	63.30%	36.70%	63.30%	36.70%
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	ETC	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	KTC SA Holding	63.30%	36.70%	63.30%	36.70%
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa	TMT	63.30%	36.70%	63.30%	36.70%
MobiServe Pty Ltd., Cape Town, South Africa	Mobiserve	63.30%	36.70%	63.30%	36.70%
Berrydust 51 (Pty) Ltd., Cape Town, South Africa	Berrydust	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom B.V., Amsterdam, Netherlands	KTC BV	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Canada Inc., Mississauga, Canada	KTC Canada	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	KTC IVHS Mexico	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Holding II US Corp., McLean, USA	KTC Hold. II US Corp.	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom IVHS Inc., McLean, USA	KTC IVHS Inc., USA	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom USA Inc., Duluth, USA	KTC USA, Inc.	63.30%	36.70%	63.30%	36.70%

Kapsch TrafficCom Transportation NA, Inc., Rockville, USA [1]	KTT USA	n.a.	n.a.	63.30%	36.70%
Kapsch TrafficCom Holding Corp., McLean, USA	KTC Holding Corp., USA	63.30%	36.70%	63.30%	36.70%
Kapsch TrafficCom Inc., McLean, USA	KTC Inc., USA	63.30%	36.70%	63.30%	36.70%
Streetline Inc., Foster City, USA	Streetline	51.40%	48.60%	59.50%	40.50%
Streetline International, Inc., Delaware, USA	Streetline international	51.40%	48.60%	59.50%	40.50%
SPS funding Co. LLC, Delaware, USA	SPS Funding	51.40%	48.60%	59.50%	40.50%
Kapsch Telematic Services GmbH, Vienna	KTS Austria	63.30%	36.70%	63.30%	36.70%
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	KTS CZ	32.90%	67.10%	63.30%	36.70%
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	KTS Germany	63.30%	36.70%	63.30%	36.70%
Kapsch Telematic Services Solutions A/S under tvangsopløsning, Kopenhagen, Denmark [2]	KTSS Denmark	38.00%	62.00%	38.00%	62.00%
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	KTS Poland	63.30%	36.70%	63.30%	36.70%
Kapsch Road Services Sp. z o.o., Warsaw, Poland	KRS Poland	63.30%	36.70%	63.30%	36.70%
Segment Carrier					
Kapsch CarrierCom AG, Vienna	KCC	100.00%	–	100.00%	–
Kapsch CarrierCom Kft., Budapest, Hungary	KCC Hungary	100.00%	–	100.00%	–
Kapsch EOOD, Sofia, Bulgaria	KCC Bulgaria	100.00%	–	100.00%	–
Kapsch DOOEL, Skopje, Macedonia	KCC Macedonia	100.00%	–	100.00%	–
Kapsch d.o.o. Beograd, Belgrade, Serbia	KCC Serbia	100.00%	–	100.00%	–
Kapsch CarrierCom d.o.o., Zagreb, Croatia	KCC Croatia	100.00%	–	100.00%	–
FUN-AGENT d.o.o., Zagreb, Croatia [3]	Fun-Agent	100.00%	–	n.a.	n.a.
Kapsch d.o.o., Ljubljana, Slovenia	KCC Slovenia	100.00%	–	100.00%	–
Foreign Trade Unitary Enterprise "Kapsch", Minsk, Republic of Belarus	KCC Belarus	100.00%	–	100.00%	–
Kapsch CarrierCom France SAS, Paris, France	KCC France	100.00%	–	100.00%	–
Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany	KCC Germany	100.00%	–	100.00%	–
Kapsch CarrierCom Taiwan Co., Ltd., Taipeh, Taiwan	KCC Taiwan	100.00%	–	100.00%	–
Kapsch CarrierCom UK Ltd., Harrow, United Kingdom	KCC UK	100.00%	–	100.00%	–
Kapsch CarrierCom España, S.L.U., Madrid, Spain	KCC Spain	100.00%	–	100.00%	–
Kapsch CarrierCom Russia OOO, Moscow, Russia	KCC Russia	100.00%	–	100.00%	–
Kapsch CarrierCom Sp. z o.o., Warsaw, Poland	KCC Poland	100.00%	–	100.00%	–
Kapsch CarrierCom s.r.o., Prague, Czech Republic	KCC CZ	100.00%	–	100.00%	–
Kapsch (Beijing) Information and Communication Technology Co., Ltd., Beijing People's Republic of China	KCC China	100.00%	–	100.00%	–
Kapsch CarrierCom SARL, Rabat, Morocco [2]	KCC Morocco	100.00%	–	n.a.	n.a.
Kapsch CarrierCom - Unipessoal LDA, Lisbon, Portugal	KCC Portugal	100.00%	–	100.00%	–
Kapsch Carrier Solutions GmbH, Neuss, Germany	KCS Germany	100.00%	–	100.00%	–
Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi Arabia	KCC Saudi Arabia	100.00%	–	100.00%	–
Austria Telecommunication International GmbH, Vienna	ATI	100.00%	–	100.00%	–
Kapsch PublicTransportCom GmbH (formerly FIPOFIX GmbH), Vienna	KPTC	100.00%	–	100.00%	–
Kapsch CarrierCom Belgium NV, Zaventem, Belgium (formerly: Prodata Mobility Systems NV)	KCC BE	100.00%	–	100.00%	–
Transvision NV, Zaventem, Belgium	Transvision	100.00%	–	100.00%	–
AP Trans NV, Zaventem, Belgium	AP Trans Beglium	100.00%	–	100.00%	–
AP Trans Scandinavia AB, Mölndal, Sweden	AP Trans Sweden	100.00%	–	100.00%	–
Kapsch CarrierCom Romania S.R.L., Bucharest, Romania (formerly: AP Trans Romania S.R.L)	KCC RO	100.00%	–	100.00%	–
Prodata Systems & Solutions SAS, Besançon, France [3]	ProData France	100.00%	–	n.a.	n.a.
Kapsch CarrierCom North America Inc., Delaware, USA [1]	KCC North America	n.a.	n.a.	100.00%	–
Segment Enterprise					
Kapsch BusinessCom AG, Vienna	KBC	94.90%	5.10%	94.90%	5.10%
Kapsch s.r.o., Bratislava, Slovakia	KBC Slovakia	94.90%	5.10%	94.90%	5.10%
Kapsch BusinessCom s.r.o., Prague, Czech Republic	KBC CZ	94.90%	5.10%	94.90%	5.10%
Kapsch Sp. z o.o., Warsaw, Poland [2]	KBC Poland	94.90%	5.10%	n.a.	n.a.
Kapsch S.R.L., Bucharest, Romania	KBC Romania	94.90%	5.10%	94.90%	5.10%
Kapsch BusinessCom Kft., Budapest, Hungary	KBC Hungary	94.90%	5.10%	94.90%	5.10%
Kapsch IT Services for finance and industries GmbH, Vienna	KITS	88.20%	11.80%	87.30%	12.70%

Kapsch Cashpooling and Hedging GmbH, Vienna	Kapsch Cashpooling	94.90%	5.10%	94.90%	5.10%
Kapsch BusinessCom d.o.o., Ljubljana, Slovenia [2]	KBC Slovenia	94.90%	5.10%	n.a.	n.a.
Kapsch Liegenschaft Management GmbH, Vienna	KLM	94.90%	5.10%	94.90%	5.10%
ITM Informationstransport und -management Gesellschaft m.b.H., Vienna	ITM Austria	94.90%	5.10%	94.90%	5.10%
Kapsch BusinessCom Turkey Bilgi ve İletiș im Teknolojileri Hizmetleri Limited Şirketi, Istanbul, Turkey [2]	KBC Turkey	94.90%	5.10%	n.a.	n.a.
Kapsch BusinessCom Schweiz AG, St. Gallen, Switzerland [1]	KBC CH	n.a.	n.a.	94.90%	5.10%
Kapsch BusinessCom USA Inc., Delaware, USA [1]	KBC USA	n.a.	n.a.	94.90%	5.10%
Kapsch Smart Energy GmbH, Vienna	KSE	100.00%	–	94.90%	5.10%
Segment Others					
Kapsch Aktiengesellschaft AG, Vienna	KAG	100.00%	–	100.00%	–
Kapsch Partner Solutions GmbH, Vienna	KPS	100.00%	–	100.00%	–
Kapsch ConnexPlus GmbH, Vienna	Kapsch Connex	100.00%	–	100.00%	–

[1] Foundation/acquisition in the fiscal year 2016/17
[2] Liquidation/deconsolidation in the fiscal year 2016/17
[3] Merger in the fiscal year 2016/17
[4] Power over the relevant activities of the entity based on substantiv rights

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 the balance sheet date of March 31.

Entities which do not report at the balance sheet date 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, Bishkek, Kyrgyzstan (December 31)
- Kapsch EOOD, Sofia, Bulgaria (December 31)
- Kapsch DOOEL, Skopje, Macedonia (December 31)
- Kapsch d.o.o. Beograd, Belgrade, Serbia (December 31)
- Foreign Trade Unitary Enterprise "Kapsch", Minsk, Belarus (December 31)
- Kapsch CarrierCom Russia OOO, Moscow, Russia (December 31)
- Kapsch (Beijing) Information and Communication Technology Co., Ltd., Beijing, China (December 31)

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

35 Non-controlling interests.

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

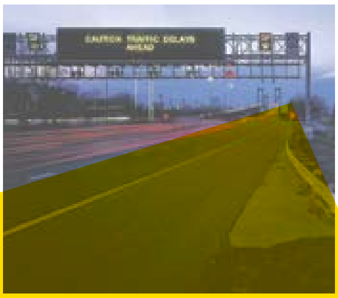
Information on the balance sheet.

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

2014

Advanced traffic management system

The software DYNAC allows road authorities to detect and respond to congestion, incidents, and emergencies.



Information on the balance sheet as of March 31, 2017	Amounts before intercompany eliminations					Carrying amount of non-controlling interests
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Net assets	
KTC	265,999	232,202	108,623	123,620	265,958	60,789
KTC Holding Corp., USA	95,791	1,086	48,267	34,337	14,272	-17,165
KTS CZ	1,745	31,600	0	21,995	11,351	16,568
KTS Poland	3,316	29,532	1,105	26,696	5,048	10,553
KTC Sweden	16,763	42,359	7,000	25,514	26,608	9,729
KTC Canada	21,725	23,000	7,612	7,440	29,673	9,349
KTC BV	104,109	51	0	451	103,709	-8,317
KTC Inc., USA	0	60	15,001	3,303	-18,243	-6,977
KTC USA, Inc.	691	48,355	461	25,863	22,722	5,859
KTC C&R CZ	229	7,978	174	6,755	1,278	5,693
KCO	7,359	23,961	16,512	4,672	10,136	5,581
ETC	2,634	31,100	33,210	18,808	-18,284	-5,299
Streetline	996	1,283	0	9,867	-7,588	-3,856
KTC Chile	686	12,721	0	6,476	6,931	3,814
KTC SA Holding	8,410	3,015	807	58	10,560	2,607
KTS Belarus	1,667	33,181	2,333	23,238	9,277	2,410
KTC SA	1,139	2,124	8,500	1,061	-6,298	-2,278
TMT	2,588	9,080	267	6,816	4,585	2,223
KTC Australia	949	12,695	0	10,249	3,395	1,812
KTC Hold. II US Corp.	42,935	15,026	0	0	57,961	-1,601
KTT Brazil	250	14,562	5,822	3,701	5,289	-1,027
Remaining	120,854	254,446	58,765	228,847	87,687	418
Carrying amount as of March 31, 2017						**90,885**

Information on the balance sheet as of March 31, 2016	Amounts before intercompany eliminations					Carrying amount of non-controlling interests
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Net assets	
KTC	200,196	180,991	80,094	54,347	246,746	62,421
KTS CZ	1,285	36,076	0	18,545	18,816	25,360
KTC Holding Corp., USA	73,163	1,882	44,257	13,887	16,900	-9,547
KTS Poland	3,464	28,605	672	19,147	12,250	8,948
KTC Canada	21,600	19,401	7,568	7,734	25,698	8,073
KTC BV	68,184	32	0	322	67,893	-7,993
KTC Sweden	17,748	37,329	7,000	28,066	20,011	7,286
KTC Inc., USA	0	57	14,359	2,943	-17,245	-6,613
ETC	3,617	29,940	31,825	22,523	-20,791	-6,221
KTC C&R CZ	732	5,860	229	5,014	1,350	5,565
KCO	7,602	23,737	17,161	4,141	10,036	3,710
KTC SA Holding	8,409	2,402	640	83	10,089	2,435
KTC SA	932	1,693	8,305	995	-6,675	-2,417
TMT	7,164	7,876	35	10,759	4,246	2,099
KTC Holding II US Corp., USA	20,898	0	0	1	20,897	-2,019
KTC USA, Inc.	604	29,039	538	18,701	10,404	1,830
KTS Belarus	8,093	61,404	0	66,585	2,912	-1,687
KTC Chile	299	6,622	0	3,690	3,231	1,654
KTC US Corp., USA	804	1,324	441	2,667	-979	-1,413
KTC IVHS Inc., USA	25,015	30,384	103	51,821	3,476	1,378
KTC Australia	528	7,175	0	5,618	2,085	1,316
Remaining						1,874
Carrying amount as of March 31, 2016						**96,041**

Information on the statement of comprehensive income.

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

Information on the statement of comprehensive income 2016/17	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
	Revenues	Result for the period	Other comprehensive income	Total comprehensive income	Result for the period	Other comprehensive income	Total comprehensive income
KTC Holding Corp., USA	2,272	-17,744	7,789	-9,955	-6,514	-1,107	-7,622
KTC	145,239	39,904	-7,689	32,215	5,250	298	5,548
KTS Belarus	42,382	6,365	0	6,365	4,097	0	4,097
KTC USA, Inc.	45,285	11,346	-488	10,858	3,673	357	4,030
Streetline	1,552	-6,388	84	-6,304	-2,934	-122	-3,057
KTS CZ	75,554	7,316	368	7,684	2,687	7	2,694
KTC Sweden	69,703	7,227	145	7,372	2,677	-232	2,445
KTC IVHS Inc., USA	78,356	-5,224	376	-4,848	-2,102	-255	-2,357
KTC Chile	16,636	3,378	-374	3,004	2,025	135	2,160
KCO	44,123	5,229	-187	5,042	1,920	-47	1,872
KTS Poland	63,646	4,369	-812	3,557	1,628	-21	1,607
KTC Canada	45,775	3,175	-386	2,789	1,166	113	1,279
KTT Brazil	10,329	-1,897	376	-1,521	-696	-331	-1,027
KTT USA	42,338	-3,365	7,789	4,424	-1,236	290	-946
ETC	52,861	5,731	3,943	9,674	2,104	-1,184	920
KTT Spain	47,468	-2,061	0	-2,061	344	158	502
KTC Australia	28,747	1,824	-75	1,749	422	75	497
KTC Hold. II US Corp.	0	0	-5,498	-5,498	0	418	418
Remaining	411,998	32,844	-7,753	25,091	793	-387	405
Total					**15,302**	**-1,835**	**13,467**

2014

Hauptbahnhof Vienna

475 square feet of pure information: Kapsch delivers an LED display board for Vienna's main train station, the Vienna Hauptbahnhof.

Information on the statement of comprehensive income 2015/16	Amounts before intercompany eliminations				Amounts attributable to non-controlling interests		
	Revenues	Result for the period	Other comprehensive income	Total comprehensive income	Result for the period	Other comprehensive income	Total comprehensive income
KTS CZ	80,332	14,001	368	14,369	9,398	247	9,645
KTC	142,363	30,714	-7,689	23,025	8,456	-2,829	5,626
ETC	52,881	-12,001	3,943	-8,058	-5,625	1,923	-3,702
KTS Poland	68,257	7,001	-812	6,188	2,573	-300	2,273
KTC Holding II US Corp., USA	0	0	-5,498	-5,498	0	-2,019	-2,019
KTC Canada	45,052	5,099	-386	4,712	1,874	-142	1,731
KTC USA, Inc.	33,549	4,945	-488	4,457	1,704	-181	1,523
KTC Sweden	61,748	4,240	145	4,385	1,356	52	1,408
KTC Inc., USA	2,506	-3,829	84	-3,745	-1,436	41	-1,395
KTS Belarus	78,515	6,974	0	6,974	1,263	0	1,263
KTC Holding Corp., USA	1,506	-10,834	7,789	-3,045	-3,979	2,878	-1,101
KTC BV	0	-42	0	-42	-1,080	0	-1,080
KCO	43,347	2,129	-187	1,942	783	-69	714
KTC IVHS Inc., USA	67,686	-5,219	376	-4,844	-781	139	-641
TMT	19,461	2,461	-2,370	90	883	-400	483
KTC C&R CZ	12,472	829	20	849	302	7	309
KTC Chile	7,600	1,119	-374	745	397	-138	260
KTC Inc., USA	0	-319	996	676	-117	371	254
KRS Poland	3,679	696	-22	673	256	-8	247
KTC Russia	1,404	-457	-185	-642	-168	-66	-234
KTC Australia	8,687	703	-75	628	260	-28	232
Remaining					424	-287	138
Total					**16,741**	**-809**	**15,933**

Information on the cash flow statement and dividends.

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

Information on the cash flow statement 2016/17	Cash flow from			Cash Net Increase/decrease	Dividends paid to non-controlling shareholders
	Operating activities	Investing activities	Financing activities		
KTC	48,487	-61,732	57,448	44,203	-7,160
KTC Hold. II US Corp.	756	-22,037	35,925	14,644	0
KTS Austria	34,106	-21,834	-17,800	-5,527	0
KCO	10,513	-773	-5,000	4,740	0
KTS Poland	7,254	-43	-11,515	-4,304	0
KTT Spain	1,762	-11,079	12,830	3,513	0
KTC Sweden	-2,296	-685	0	-2,982	0
KBC	13,326	-4,389	-6,178	2,759	0
ETC	1,339	0	1,385	2,723	0
KTC Saudi Arabia	587	-48	1,770	2,309	0
KTC IVHS Inc., USA	536	-303	1,730	1,963	0
KTC SA Holding	135	0	1,600	1,735	0
KBC Hungary	1,324	8	0	1,332	0
KTC USA, Inc.	-781	-244	0	-1,025	0
Remaining	-7,677	-58,583	68,480	2,220	0
Total					**-7,160**

Information on the cash flow statement 2015/16	Cash flow from Operating activities	Investing activities	Financing activities	Cash Net Increase/decrease	Dividends paid to non-controlling shareholders
KTC	42,287	-14,198	238	28,327	-2,387
KTS Austria	16,920	7	-6,530	10,397	0
KTS CZ	20,726	-482	-13,967	6,276	-6,704
KTS Poland	7,204	-134	-10,392	-3,321	0
KCO	4,805	-420	-1,360	3,025	0
KTC Sweden	3,378	-1,081	0	2,297	0
KTC Chile	2,461	-161	-25	2,275	0
KTC IVHS Inc., USA	-7,067	-519	5,553	-2,034	0
KTC Australia	2,047	-168	-334	1,545	0
KTC New Zealand	-1,497	3	0	-1,494	0
KTC SA	-209	0	1,305	1,096	0
KTC USA, Inc.	1,458	-327	-87	1,044	0
TMT	5,562	-966	-5,441	-845	0
KTC Inc., USA	-465	-2,109	3,239	665	0
KRS Poland	762	-10	-122	630	0
KTC C&R CZ	1,058	0	-429	630	0
ETC	917	-30	-1,508	-621	0
KBC Romania	727	-49	-1,163	-485	0
KTC Argentina	-428	-48	0	-476	0
KTC UK	358	0	0	358	0
KBC Hungary	710	-83	-970	-342	0
Remaining	32,696	-42,312	8,974	-642	0
Total					**-9,091**

The information mentioned above relate to amounts before intercompany eliminations.

36 Related parties.

The following transactions were performed with related parties:

Kapsch Immobilien GmbH, Vienna.
The Managing Directors of Kapsch Immobilien GmbH are members of the Supervisory Board of various group companies. In addition, one Managing Director is also the Managing Director of KAPSCH-Group Beteiligungs GmbH and a Board Member of two Group companies.

The Group members Kapsch Immobilien AG, Kapsch Aktiengesellschaft and Kapsch Partner Solutions GmbH, as tenants, have entered into leases with Kapsch Immobilien GmbH as owner of the company buildings in Vienna.

The lease agreement regarding the office building in Vienna, Johann-Hoffmannsplatz 9, with Kapsch Partner Solutions GmbH was concluded indefinitely on December 1, 2004. This resulted in rental expenses of TEUR 414 (2015/16: TEUR 438) in the Group during the fiscal year 2016/17.

On December 19, 2008, a rental agreement for the location Wagenseilgasse 14 was concluded. In the fiscal year 2016/17, expenses for rent in the Group amounted to TEUR 541 (2015/16: TEUR 540).

On November 25, 2013, Kapsch ConnexPlus GmbH concluded a building contract for Liebenstraße 6, on which Kapsch ConnexPlus GmbH has meanwhile built and put into operation a parking garage. The building permit was granted until September 30, 2013, and the annual user fee was fixed at TEUR 55 (value-added tax).

In the fiscal year 2016/17, the company also charged the Group other services in the amount of TEUR 886 (2015/16: TEUR 1,149).

2014

Acquisitions

Strategic acquisitions in the fields of Traffic Management and Systems Integration (Transdyn Inc., USA) and public transport (Prodata Mobility Systems NV, Belgium).

Kapsch Financial Services GmbH, Vienna.
The company leases Kapsch BusinessCom AG's systems for voice, data and IT business to business customers. The rental income and other sales of Kapsch Financial Services GmbH to Kapsch Group companies amounted to EUR 6.6 million (2015/16: EUR 7.4 million) for the fiscal year 2016/17. Sales of material (hardware) and services, including maintenance and other supplies and services from Kapsch BusinessCom AG to Kapsch Financial Services GmbH amounted to EUR 37.8 million for the fiscal year 2016/17 (2015/16: EUR 35.4 million).

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

	2015/16	2016/17
Associated companies		
Revenues	35,427	37,802
Expenses	7,433	6,590
Other related parties		
Revenues	564	675
Expenses	2,144	1,861

	2015/16	2016/17
Associated companies		
Trade receivables and other assets	6,193	6,058
Trade payables and other payables	1,268	11
Other related parties		
Trade receivables and other assets	80	116
Trade payables and other payables	350	1,146

37 Events after the balance sheet date.

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

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

38 Supplementary disclosures.

The average number of employees during the fiscal year 2016/17 was 6,872, including 6,110 employees and 762 workers (2015/16: 5,655 employees, of which (adapted) 5,171 employees and 484 workers).

2014

Ward round trolley/ health care

Kapsch BusinessCom develops an innovative ward trolley that makes the daily work routine at hospitals significantly easier. Besides an integrated video conference system through which experts can virtually participate in visits, this certified medical device includes a fully-featured PC, an electronically-controlled medication dispenser, and most importantly, wireless mobility.

Expenses for the auditor.

The expenses for the auditor amount to TEUR 61 (2015/16: TEUR 50) and are broken down as follows:

	2015/16	2016/17
Audit of the consolidated financial statements	44	44
Other assurance services	5	5
Tax consulting services	0	0
Other services	1	12
Total	**50**	**61**

Information on organs.

The total remuneration of the members of the Executive Board of KAPSCH-Group Beteiligungs GmbH for the performance of their duties in the parent company and subsidiaries is as follows:

	2015/16	2016/17
Fixed	2,331	2,390
Variable	0	1,407
Total	**2,331**	**3,797**

Expenses for termination benefits and pensions after use of provision for members of the Management amount to TEUR 999 (2015/16: TEUR 543).

Total compensation of the members of the Supervisory Board amounted to TEUR 63 in total in the fiscal year 2016/17 (2015/16: TEUR 73).

As in the previous year, neither advances nor loans were granted to the members of the Executive Board and the Supervisory Board, nor were liability agreements made in favor of these persons.

In the fiscal year 2016/17, the following persons were employed as Managing Directors:

Mag. Georg Kapsch
Dr. Kari Kapsch
Dr. Franz Semmernegg

In the fiscal year 2016/17, the following persons were members of the Supervisory Board:

Veit Schmid-Schmidsfelden (Chairman)
Dr. Christian Gassauer-Fleissner (Deputy Chairman)
Mag. Elisabeth Kapsch
Ing. Karl-Heinz Strauss, MBA

Proposed appropriation of profit.

The Group intends not to distribute a dividend from KAPSCH-Group Beteiligungs GmbH's balance sheet profit as of March 31, 2017 (previous year: TEUR 9,000) and to carry forward the entire amount to new account.

2015

China

Kapsch CarrierCom adds GSM-R solutions to seven segments of the Chinese railway system with a total length of over 1,250 miles.

39 Risk management.

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

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

39.1 Foreign exchange risk.

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

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

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

	Effect on equity in TEUR			
	2015/16		2016/17	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
AUD	-138	169	-652	797
CAD	-416	509	-470	574
CZK	-319	390	-906	1,107
EUR	4,225	-5,163	10,734	-13,119
PLN	-141	172	-477	583
SEK	-430	525	-379	464
USD	-4,292	5,245	-5,442	6,651
ZAR	-951	1,162	-2,165	2,646

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.

2015

Parking management

Majority acquisition of smart parking provider Streetline Inc. in the United States. These smart parking solutions guide drivers to the nearest available parking place. This increases convenience for drivers and helps to minimize traffic volumes in the city.

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

2015

EU initiative "Shift2Rail"

Within the European Union's Shift2Rail research program, Kapsch works with railway operators to define the next generation of railway communications.

39.2 Interest rate risk.

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

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

In the Group, derivative instruments in an insignificant proportion exist to minimize interest rate risk of financial liabilities (see note 25).

39.3 Credit risk.

As part of the Group's risk management policy, the Group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the Group sells only to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain group policies limit the amount of its credit exposure to individual financial institutions, depending on the rating of the institution. There is usually a credit risk in the implementation phase of large toll collection projects. With the exception of the toll collection projects in America, the Czech Republic, South Africa, Poland, and the Republic of Belarus (see note 22), there is no concentration of credit risk relating to trade receivables since the Group generally has a large number of customers worldwide. Based on the Group's experiences, the default risk for trade receivables can be considered low.

The maximum credit risk is similar to book values:

	2015/16	2016/17
Other non-current financial assets and investments	24,187	24,405
Other non-current assets	22,028	4,283
Current securities	569	4,110
Trade receivables and other current assets	342,430	409,972
Cash and cash equivalents	167,258	246,618
	556,472	**689,389**

39.4 Liquidity risk.

Kapsch Group attaches considerable importance to the ongoing monitoring, control and measurement of financial and liquidity positions in order to reduce financial risk. This important task is carried out at the level of operative companies and is then monitored and optimized in the individual subgroups and grouped together in the Group as a whole.

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

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

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

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

Kapsch Group employs a risk-averse investment strategy. Liquid funds are held such that they are generally available in the short term and can therefore be used quickly whenever needed. When it comes to securities, conservative securities funds, which are actively managed on an ongoing basis and include an appropriate share of bonds, are used as a rule for the coverage and hedging of pension obligations. In the event of international financial market turbulence, however, the financial investments made might still develop unfavorably or individual securities might even become untradeable. This might result in reductions in value and impairments, which in turn have a negative impact on the financial result and equity of Kapsch Group. Such a crisis also increases the default risk of individual issuers of securities or their customers. In addition, the Group might for strategic reasons acquire a direct interest in individual entities by purchasing shares. A sufficiently 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.

2015

Tyrol Air Ambulance

Tyrol Air Ambulance flies patients home safely while Kapsch manages the powerful IT solution in the background.

39.5 Equity price risk.

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

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

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

39.6 Commodity price risk.

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

40 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.

2015

Joint venture with the Algerian railway company SNTF

Kapsch CarrierCom founds a joint venture with the Algerian railway company SNTF.

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 of March 31, 2017, the debt ratio was 41% and thus not within the desired range. This is mainly caused by the already described effects, which led to the reduction of the equity on the balance sheet date. Due to the currently very low level of interest rates, the Group does not see any increased risk and aims to reduce the debt level within the defined range in the medium term.

In the year under review, all externally imposed capital requirements, which are repaid from financing at the level of KAPSCH-Group Beteiligungs GmbH, were complied with in accordance with the agreement.

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.

	2015/16	2016/17
Non-current financial liabilities	172,783	167,968
Current financial liabilities	56,457	174,683
Finance Lease	16,113	15,571
Total financial liabilities	**245,352**	**358,223**
Cash on hand and at banks	167,258	246,618
Current securities	569	4,110
Net assets (+) / net debt (-)	**-77,526**	**-107,494**
Equity	304,254	264,009
Net gearing	**25%**	**41%**

41 Accounting policies.

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

41.1 Fair value measurement.

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

To the greatest extent possible, the Group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of 3 levels in the following fair value hierarchy:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72 et seq.).

41.2 Borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

A qualifying asset is an asset (inventories, manufacturing plants, toll collection projects, power generation facilities, intangible assets and investment in properties) that requires a substantial period of time (with regard to the Group at least 12 months) to be made ready for its intended use or sale.

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

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

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

41.3 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.

41.4 Intangible assets.

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

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

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

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

2015

Towards digitization

Kapsch BusinessCom acquires a stake in evolaris next level GmbH, based in Graz. This research facility is considered a center of excellence in the field of mobile communication and innovation. For Kapsch, this cooperative effort is another building block in the expansion of its activities towards digitization in the value creation chain for its customers.

2016

Metro communications

Kapsch provides TETRA (Terrestrial Trunked Radio) communications infrastructure for metro line 4 in Rio de Janeiro, Brazil.

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

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

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

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

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

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

Other development expenditures that do not meet these criteria are recognized as an expense. The costs for producing the intangible asset are capitalized as from the point in time when the above criteria are initially met. Development costs previously recognized as an expense cannot be subsequently capitalized. Capitalized development costs are amortized using the straight-line method on the basis of the normal useful life, which generally ranges between 3 and 5 years.

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

41.5 Investment property.

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

Investment property is recognized at acquisition and production costs, including transaction costs, upon addition. The Group applies the cost model pursuant to IAS 40.56 to investment property. Depreciation is charged on a straight-line basis over the expected useful lives of the assets in accordance with group policies. With respect to a multi-story car park built using solid construction methods, the normal useful life for investment property is 40 years.

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount as at the reporting date. The fair value is determined internally in accordance with generally accepted valuation principles.

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

41.6 Impairment of non-financial assets.

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

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

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

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

41.7 Financial instruments.

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

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

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

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

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

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

2016

Ticketing

In a joint project with Scania, a bus rapid transit in Accra, Ghana, is equipped with a smart ticketing solution. Some stations feature digital travel information systems.

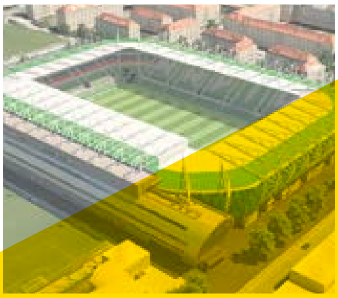
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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

2016

Soccer stadium

The new Allianz stadium in Vienna is equiped with full wireless coverage and media technology – for 28,000 fans and with 264 screens.



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

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

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

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

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

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

41.7.2 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.

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

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

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

The fair values of the various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the cash flow hedge reserve are shown in note 13. The full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than twelve months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

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

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

In addition to that, the Group has stand-alone derivatives that do not qualify for hedge accounting. They are therefore designated as financial instruments held for trading and measured at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive fair values at the balance sheet date are recognized under financial assets and negative fair values under financial liabilities. Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other operating income or other operating expenses or the financial result, depending on the derivative's purpose.

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

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

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

At each balance sheet date, the Group assesses whether there is objective evidence of impairment. Evidence of impairment may include the following: Indications that the debtors or a group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2016

Frequency measurement

The city of Graz, Austria, uses frequency measurement to develop and refine integrated concepts for urban development and marketing.

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.

41.8 Leases.

41.8.1 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.

2016

Bridge and tunnel

The multi-lane free-flow tolling system for the Sydney Harbour Bridge and Tunnel uses a video-based vehicle detection and classification system.

41.8.2 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.

41.9 Government grants.

Government grants with regard to purchased non-current assets (technical equipment) are deferred and taken through profit or loss over the estimated useful life of the respective asset. Government grants are recognized at their fair value, provided it is 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.

41.10 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 as well as 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.

41.11 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.

41.12 Trade receivables.

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

41.13 Cash and cash equivalents.

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

41.14 Provisions.

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

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

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

41.15 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.

2016

Feasibility studies

Kapsch conducts SDN/NFV feasibility studies for numerous European telecom operators and delivers expertise for the operators.

2016

Green Factory Award

Kapsch Components is honored by the Fraunhofer Institute and Industriemagazin with the Green Factory Award.

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.

41.16 Current and deferred income tax.

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

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

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

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

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

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

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

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

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

41.17 Liabilities.

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

41.18 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.

41.19 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.

2016

Internet of Everything

First LoRa™ network in Austria for efficient communication in the "Internet of Everything". Kapsch BusinessCom joins forces with Microtronics and ORS, a subsidiary of ORF, to build the first LoRa™ network in Austria.

41.20 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”.

41.21 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 Management was made the main decision-makers.

Georg Kapsch
Chief Executive Officer

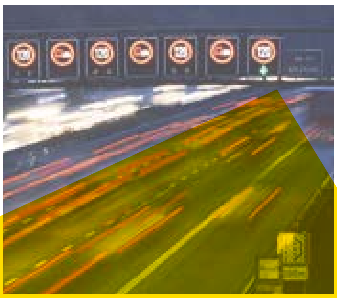
Kari Kapsch
Chief Operating Officer

Franz Semmernegg
Chief Financial Officer

2016

CHARM

Kapsch installs Europe’s largest integrated advanced traffic management system (ATMS) in England and in the Netherlands (CHARM). Kapsch bolsters its global market position through the acquisition of the transportation division of Schneider Electric.



Auditor's Report.

Report on the consolidated financial statements.

Audit opinion.
We have audited the consolidated financial statements of KAPSCH-Group Beteiligungs GmbH, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2017, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

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

Responsibilities of management and the Supervisory Board 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 Supervisory Board is responsible for overseeing the Group's financial reporting process.

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

As part of an audit in accordance with Austrian Generally Accepted Auditing Standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

2017

Digital signage ski regions

Kapsch installs audiovisual displays and solutions in several ski regions. They provide weather or avalanche updates and other crucial tips.

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 Supervisory Board 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.

2017

Ferry terminals

The ferry terminals of Danish Frederikshavn and the island of Læsø will be equipped with electronic toll collection equipment by Kapsch.

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 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.

Vienna, June 28, 2017

PwC Wirtschaftsprüfung GmbH

signed:

Mag. Peter Pessenlehner
Austrian certified Public Accountant

2017

Highest revenues so far

Kapsch achieved a lot and – with these 125 milestones – looks back on 125 years‘ experience with the future. Finally, another big achievement: Highest revenues in the company's 125-year history: over EUR 1.1 billion (+6.2% compared to the previous year) in the fiscal year 2016/17.

Glossary.

3GPP	3GPP – 3rd Generation Partnership Project is a global collaboration of standardization bodies aiming to achieve standardization in mobile telephony
Big Data	Big data describes corporate data volumes growing exponentially. They must be saved and structured and be trackable at a later date with the help of intelligent searches
ETC	Electronic Toll Collection, enabling vehicle drivers to pay for tolls without having to stop at the toll booth
ETCS	European Train Control System – one component of the ERTMS. The ETCS is designed to replace and standardize the variety of train safety systems in place throughout the European Union
GPRS	General Packet Radio Service – description for packet-based service transmitting data in GSM and UMTS networks
GPS	Global Positioning System – a global navigation satellite system used to pinpoint positions and measure time
GSM	Global System for Mobile Communication – standard for fully digital mobile telephony networks
GSM-R	GSM for Railways – a mobile telephony system built on the leading global radio standard, which was adapted specifically for use in the rail industry
ICT	Information and Communication Technology signifies technologies in the field of information and communication
IG	GSM-R Industry Group – established to promote GSM-R technology and its successful deployment in projects throughout Europe
ISO	International Organization for Standardization
ITIL	The IT Infrastructure Library (ITIL) is a collection of best practices describing the possible implementation of IT service management, which is taken as the de facto international standard in this field
ITS	Intelligent Transportation Systems – systems employing information and communication technologies, which support and optimize transport, including infrastructure, vehicles and users
OHS	Coordinate switchboard – electromagnetic switching equipment for analog switched telephony; was used to connect voice communication in a telephone exchange or in remote equipment
On-board unit	An on-board unit (OBU) is an electronic device readable and writeable via wireless communication. An OBU identifies a vehicle and/or serves as a payment means and/or as data memory for vehicle and/or personal data
OSS/BSS	Operation Support System/Business Support System – a network management system supporting automated service processes
TETRA	Terrestrial Trunked Radio – standard for digital trunked radio, which facilitates the construction of universal networks
UIC	Union Internationale des Chemins de Fer – the International Union of Railways acts as a global association for the rail industry and comprises almost 200 members throughout the world
UMTS	Universal Mobile Telecommunications System – third-generation mobile telephony standard. Facilitates much faster data transmission rates than previous systems
V2X	Vehicle-to-X is the abbreviation for vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, a core technology for managing and improving future traffic safety and mobility
Voice-over-IP	IP telephony, also known as internet telephony or voice-over-IP, describes the act of telephoning over computer networks constructed in accordance with internet standards
VÖNIX	The VBV Austrian Sustainability Index is a stock index comprising listed Austrian companies that play a leading role in terms of their social and environmental performance

Addresses.

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Social Media.

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Kapsch Group

Kapsch is one of Austria's most successful technology corporations. The globally positioned Group comprises four key entities: Kapsch TrafficCom, Kapsch BusinessCom, Kapsch CarrierCom and Kapsch PublicTransportCom. Kapsch Group makes a pro-active contribution to meeting today's challenges as well as those of tomorrow. Its products and solutions offer intelligent mobility solutions for both public and private transportation in addition to leading the way to digitization in a multitude of application fields. Founded in 1892, the family-owned company headquartered in Vienna can look back on 125 years' experience with the future. Year after year, Kapsch Group invests some 10% of its total revenue in research and development. This commitment ensures consistent innovation and implementation of new technologies for the benefit of the Group's customers all over the world. The companies in Kapsch Group employ nearly 7,000 people at subsidiaries and branch offices around the world.

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