Kapsch TrafficCom

**Highlights Q1 2019/20.**

April 1, 2019 – June 30, 2019.

- Year-on-year revenue growth (+18%) up to EUR 186.2 million.
- EBIT fell to EUR 4.6 million (previous year: EUR 7.1 million).
- Germany: Notices of termination received for both projects regarding the infrastructure charge ("passenger vehicle toll").
- Alfredo Escribá new CTO since May 1, 2019.
- Outlook for 2019/20 confirmed: Revenues and EBIT (excluding one-time effects) are both expected to go up by at least 5%.

None of the figures in this document have been subjected to an audit or audit review conducted by a statutory auditor.

<table>
<thead>
<tr>
<th>Revenues in EUR million</th>
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<tr>
<td>2018/19</td>
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<tr>
<td>737.8</td>
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<tr>
<th>EBIT (in EUR million) and EBIT margin</th>
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<tr>
<td>2018/19</td>
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<td>57.0</td>
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<th>Profit for the period in EUR million</th>
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<td>2018/19</td>
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<td>46.6</td>
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<tr>
<th>Free cash flow in EUR million</th>
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<tr>
<td>2018/19</td>
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<td>-57.5</td>
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<th>Net cash (+)/net debt (-) in EUR million</th>
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<tr>
<td>June 30, 2018</td>
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<tr>
<td>-5.8</td>
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<th>Total assets (in EUR million) and equity ratio</th>
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<tr>
<td>June 30, 2018</td>
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<td>614.8</td>
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1) Due to the initial application of IFRS 16.
Remarks by the CEO.

Business development in the Q1 2019/20 period.

Dear shareholders,

I would like to start off with a few words about the new format for reporting the results for the first (and later on also the third) quarter. The Vienna Stock Exchange changed the prime market rules on February 20, 2019. The prime market is a market segment of the Vienna Stock Exchange. It is composed of stocks of issuers which have agreed to meet higher transparency, quality and disclosure requirements.

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

As already mentioned on several occasions, I prefer to review and analyze the earnings of Kapsch TrafficCom over a longer period of time than each quarter. The main reason for this are the short-term fluctuations in revenues and earnings due to our project business. The fluctuation margins are reduced over a longer time frame, allowing the actual development of the company to be better represented.

However, I am well aware that it is especially important for smaller companies on the stock exchange to be transparent. Consequently, we have been considering (and discussing with a few capital market representatives) which information might be important for investors on a quarterly basis. The result of that is this report, consisting of three parts:

- An overview page showing the highlights of the period that has just ended.
- These remarks on business performance.
- A key figure sheet with a financial calendar and contact information.

Initial Application of IFRS 16.

One major change starting in the 2019/20 fiscal year is the initial application of the standard IFRS 16 “Leases”, which specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. As for Kapsch TrafficCom, this mainly relates to buildings, motor vehicles, and IT equipment. Details about this can be found in Note 40.18 to the 2018/19 consolidated annual financial statements.

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

In short: Rights of use arising from leasing agreements are capitalized (tangible assets), and lease liabilities are shown separately on the liabilities side of the balance sheet. This changed reporting of leases significantly increases the balance sheet total and net debt as of April 1, 2019, lowering the equity ratio.

Lease expenses recorded previously (other operating expenses) are replaced by a depreciation of the assets from leasing and an interest component (which flows into the financial result). This causes the EBITDA to go up (by the depreciation of the asset from leasing) and has a slightly positive effect on the EBIT (in the extent of the interest component which is shown in the financial result).
Kapsch TrafficCom Highlights Q1 2019/20

Results in Q1 2019/20.

Guidance confirmed for the fiscal year.

We are expecting the 2019/20 fiscal year to follow a course similar to that of the previous year: A weaker first half-year should be followed by a strong second half-year. We already took this into consideration in June in our outlook for the current fiscal year. This first quarter has confirmed this expectation.

Year-on-year, revenues rose by 17.7% to EUR 186.2 million, with both segments contributing towards this positive development. We were very happy about the growth in the Americas region (+38%).

Revenues in the “Electronic Toll Collection” (ETC) segment saw an impressive increase of 23.0% to EUR 147.0 million. This was driven by the growth in the Americas (+51%) and EMEA (+17%) regions. Momentum from implementation projects in the last fiscal year continued in Q1 2019/20: Implementation revenues in the ETC segment rose by 135%. In comparison, operations revenues went down by 5%. The major reason for this was that an old contract with a larger scope of services for operating the nation-wide toll system in Poland was still in effect in the first quarter of the previous year. Even though we managed to once again increase the number of on-board units sold, total components revenues fell by around 11%.

Revenues in the “Intelligent Mobility Solutions” (IMS) segment rose by 1.2% in Q1 2019/20. While revenues in the Americas region went up by 9%, they were 6% weaker in the EMEA region. An 8% drop in implementation revenues was all but compensated for through a 7% rise in operations revenues. Starting from a low level, component sales increased by around 19%.

Revenues +18%.

The seasonal effect on the operating result (EBIT) was greater than expected. While we achieved EUR 7.1 million in the previous year, we gained EUR 4.6 million in the first quarter of 2019/20. ETC EBIT went up by 9.3% to EUR 7.6 million; however, EBIT in the IMS segment was negative at EUR -3.1 million (previous year: EUR 0.1 million).

EBIT was EUR 2.5 million weaker than in Q1 of previous year.

The main reasons for lower profitability are investments in further growth, namely in the form of

> Costs of material. The implementation business underwent a very positive development in the first quarter of 2019/20. However, it required a relatively high material investment (i.e. higher costs of material). The newly installed systems, particularly in the ETC segment, will have to be operated later on. This gives Kapsch TrafficCom potential for further revenue.

> Staff costs. Since business in North America is growing rapidly, additional personnel need to follow in order to take full advantage of the available market potential. In the first quarter alone, the number of employees in the US went up by 50 people.

The greatly improved financial result of EUR -1.7 million (previous year: EUR -3.5 million) was mainly due to beneficial changes in exchange rates and primarily involved the South African rand compared to the euro and the Swedish krona compared to the euro and the Australian dollar.

The income tax expenses of EUR -0.4 million were also below those of the previous year (EUR -1.1 million). As in the previous fiscal year, a tax rate of 30% was applied to the adjusted earnings before taxes. Since the proportionate earnings from associated companies and joint ventures already involve figures after taxes, earnings before taxes need to be adjusted for these items when calculating the tax expenses.

In this way, we attained profit for the period of EUR 2.2 million (previous year: EUR 2.5 million) and earnings per share of EUR 0.19 (previous year: EUR 0.21).

At EUR -4.6 million, free cash flow was much better than in the comparative period of the previous year (EUR -15.1 million). The main reason for the positive development was the reduced, albeit continued, increase in the working capital.

As of June 30, 2019, net debt was EUR 133.4 million. Without the new application of IFRS 16, it would be EUR 81.7 million (March 31, 2019: EUR 73.5 million). The equity ratio on June 30, 2019, was still very strong despite the IFRS 16 effect: 36.3% (March 31, 2019: 38.2%). The balance sheet total increased to EUR 715.9 million, which was also principally due to the application of IFRS 16 (March 31, 2019: EUR 677.7 million).
Significant events.

On June 18, 2019, the Court of Justice of the European Union (CJEU) surprisingly ruled that the German infrastructure charge ("passenger vehicle toll") in conjunction with tax relief for the vehicle tax in Germany represents indirect discrimination on grounds of nationality and that it infringes against the free movement of goods and free movement of services.

Following the judgment by the CJEU:
Notices of termination received for both contracts for German passenger vehicle toll.

The next day, to our surprise, Kapsch TrafficCom received notices of termination for both contracts in connection with the passenger vehicle toll. The termination is to take effect on September 30, 2019. The contracts contain safeguard provisions intended to prevent financial losses for the operating companies and their shareholders.

Meanwhile, even though large portions of the contract have been made public by the customer, we are still bound by strict confidentiality provisions. For this reason, it is not possible for me at this point to make any further comments on this topic. I can only say that I am unable to confirm the various figures already stated in the media concerning any compensation payments. The contracts are still in force, and a list of receivables cannot be made available until the end of the contract and after all of the subcontractors’ claims have been evaluated. It is therefore my expectation that we will not be through with this matter for a while yet.

As was already mentioned in the 2018/19 annual report, Alfredo Escribá was appointed to the Executive Board on May 1, 2019. He followed former Chief Technology Officer (CTO) Alexander Lewald, who left the company amicably. Previously the director of the “Urban Traffic Management” Solution Center, Mr. Escribá has taken on his new responsibilities with a great deal of enthusiasm.

Finally, I would like to say a few words about a positive development with regard to a legal dispute. For a while now, we have been litigating with a competitor in the US that claims we have violated its patents. The Federal Circuit has meanwhile reached a final decision against the competitor that the stated patent claims are invalid. Theoretically, the competitor could still appeal to the Supreme Court of the United States or attempt to pursue certain legal claims in another forum. From the perspective of Kapsch TrafficCom, however, the risk of this appears to be low at this time.

Sincerely,

Georg Kapsch
Chief Executive Officer
Selected key data.

2019/20 and 2018/19 refer to the respective fiscal year (April 1 – March 31)
Q1: first quarter of a fiscal year (April 1 – June 30)
All figures presented in EUR million unless otherwise stated.

| Earnings Data                          | 2018/19 | Q1 2018/19 | Q1 2019/20 | +/-  
|----------------------------------------|---------|------------|------------|------
| Revenues                               | 737.8   | 158.2      | 186.2      | 17.7%  
| thereof in ETC segment                 | 558.4   | 119.6      | 147.0      | 23.0%  
| thereof in IMS segment                 | 179.4   | 38.7       | 39.1       | 1.2%   
| EBITDA 1                               | 71.5    | 10.6       | 13.4       | 26.8%  
| EBIT                                   | 57.0    | 7.1        | 4.6        | -36.0% 
| thereof in ETC segment                 | 64.9    | 7.0        | 7.6        | 9.3%   
| thereof in IMS segment                 | -7.9    | 0.1        | -3.1       | -     
| EBIT margin                            | 7.7%    | 4.5%       | 2.4%       | -2.0%p 
| EBIT margin ETC segment                | 11.6%   | 5.8%       | 5.2%       | -0.6%p 
| EBIT margin IMS segment                | -4.4%   | 0.3%       | -7.9%      | -8.2%p 
| Financial result and result from associated companies | -2.0 | -3.5 | -1.9 | -45.6% 
| Income taxes                           | -8.5    | -1.1       | -0.4       | 61.1% 
| Profit for the period                  | 46.6    | 2.5        | 2.2        | -11.6% 
| Earnings per share in EUR 2)           | 3.68    | 0.21       | 0.19       | -9.0%  

| Cash flow                              |        |            |            |      
|----------------------------------------|---------|------------|------------|------
| Free cash flow 3)                      | -57.5   | -15.1      | -4.6       | 69.3% 
| Net CAPEX 4)                           | 11.7    | 1.4        | 4.4        | 203.5% 

| Balance sheet data                     | March 31, 2019 | June 30, 2019 | +/-  
|----------------------------------------|----------------|----------------|------
| Total assets 5)                         | 677.7          | 715.9          | 5.6%  
| Net cash (+)/debt (-) 5/6              | -73.5          | -133.4         | -81.6% 
| Equity ratio 6)                         | 38.2%          | 36.3%          | -1.9%p 

| Other information                      | 31. März 2019  | 30. Juni 2019 | +/-  
|----------------------------------------|----------------|----------------|------
| Employees, end of period               | 4,981          | 4,992          | 0.2%  

1) In 2019/20 including EUR 3.2 million from depreciation of right of use assets from leasing due to IFRS 16
2) Including non-controlling interests
3) Cash flow from operating activities + cash flow from investing activities
4) Capital expenditure less proceeds from the disposal of property, plant and equipment and intangible assets
5) In 2019/20 including liabilities from leases amounting to EUR 51.7 million from the initial implementation of IFRS 16 (increase in net debt and total assets in the same amount)
6) Cash and cash equivalents + other current financial assets - financial liabilities - lease liabilities

Financial calendar.

August 31, 2019 Record Date: Annual General Meeting
September 10, 2019 Annual General Meeting
September 13, 2019 Dividend Ex Date
September 16, 2019 Dividend Record Date
September 18, 2019 Dividend Payment Date
November 20 2019 Results H1 2019/20
February 18, 2020 Results Q1-Q3 2019/20

Contact details for investors.

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