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kapsch
challenging limits

Kapsch Group

The future is now.

Annual Report 2017/18.

Overview.
Fiscal Year 2017/18.

Highlights of the Fiscal Year from April 1, 2017 to March 31, 2018.

> Kapsch Group.
Commercial success. The revenue record set in the prior year was broken again, reaching a new high of EUR 1,145 million in the 2017/18 fiscal year.

Innovation power. Kapsch Group increased investments in research and development by 11% from EUR 125.0 million to EUR 138.8 million.

> Kapsch TrafficCom.
Major deals won. In Bulgaria, Kapsch TrafficCom secured the contract for constructing, technically equipping and technically supporting the nationwide tolling system for trucks over 3.5 metric tons as well as for launching the electronic toll sticker for cars. A joint venture between Kapsch TrafficCom and the Zambian company Lamise Trading Limited received a nationwide concession from the Zambian government to improve road safety and traffic management.

tolltickets certified as an EETS provider. The European Electronic Toll Service (EETS) supplements the national electronic tolling systems of the member states and simplifies cross-border mobility for road users due to the fact that a vehicle operating internationally no longer needs to be equipped with a separate on-board unit (OBU) for every country.

> Kapsch PublicTransportCom.
Mobile ticketing. In 2017/18, Kapsch PublicTransportCom fully concentrated on implementing its numerous customer projects in Belgium, the Netherlands, Romania, the USA, and Africa. The mobile ticketing solution for the Metropolitan Atlanta Rapid Transit Authority (MARTA) is worth highlighting. It enables passengers to order, purchase, and validate their tickets via a mobile app or on a mobile website. This provides users with access to 38 railway stations, 565 bus services and 210 transit buses in the Greater Atlanta metropolitan area. The MARTA project is carried out in cooperation with the sister companies Kapsch TrafficCom and Kapsch CarrierCom.

> Kapsch CarrierCom.
Railway technologies. The successful transition to a future mobile communications standard represents a major challenge for railway operators in the coming years. In June 2017, Kapsch CarrierCom became a member of the Association of the European Rail Industry (UNIFE), which aims to ensure uniform standards for railway networks throughout Europe and safeguard the interoperability of railway systems in order to facilitate the creation of a standardized European railway system. Kapsch has implemented GSM-R networks for leading railway operators around the world such as SNCF (France) and Deutsche Bahn (Germany), and continues to be successful. For example, contracts have been concluded with the national railway operators in the Czech Republic, Ireland, and India.

Telecommunication solutions. Kapsch CarrierCom implemented a nationwide "Software Enabled Network Densification™" solution for Hrvatski Telekom in Croatia and therefore forged ahead with its success story with this technology. As video traffic continues to increase globally, operators can only keep up with the aid of innovative and cost-effective solutions. The solution offered by Kapsch enables existing capacity to be expanded and optimizes future investments in mobile communication base stations.

> Kapsch BusinessCom.
Joint-Venture for IoT digitalization solutions and services. In collaboration with the ORF subsidiary ORS comm and Microtronics, Kapsch BusinessCom formed the joint venture SENS, which is focused on IoT digitalization solutions and services on the basis of the LoRaWAN™ radio standard. SENS stands for Sensor Network Services and offers services, applications, and solutions for IoT (Internet of Things) digitalization projects and IoT organizations in Austria.

Protection against Internet crime. Since 2017, Kapsch BusinessCom has had its own cyber defense center (CDC) for the detection, analysis, and containment of cyber attacks. Besides prevention, the CDC also focusses on the identification and isolation of cyber attacks. In case of an emergency, customers are consequently guaranteed not only short response times but also the establishment of a close-meshed security network.

Kapsch Group.

Annual Report 2017/18.

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

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

Disclaimer
Certain statements contained in this annual report constitute “forward-looking statements”. These statements, which contain the words “believe”, “intend”, “expect” and words of similar meaning, reflect Management’s beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. As a result, readers are cautioned not to place undue reliance on such forward-looking statements. KAPSCH-Group Beteiligungs GmbH disclaims any obligation to publicly announce the result of any revisions to the forward-looking statements made herein, except where it would be required to do so under applicable law.

Imprint
Media owner and publisher: KAPSCH-Group Beteiligungs GmbH.

Contents.

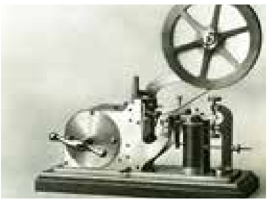
Milestones.

Kapsch. A company history.

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

1892

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



1918

Kapsch begins manufacturing capacitors and dry batteries.

1930

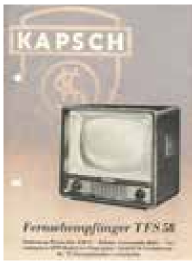
First television demonstration with a complete transmission and reception system in Austria – a revolutionary event at the Kapsch pavilion on the Vienna Trade Fair.

1948

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

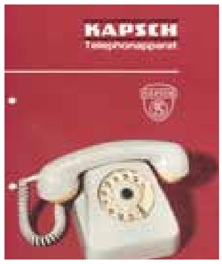
1955

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



1965

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

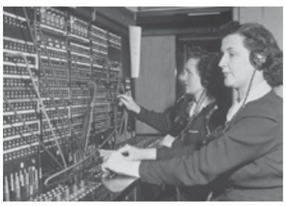


1924

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

1946

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



1958

Capri, the first fully transistorized portable radio is launched.

1969

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

1967

Presentation of the first Kapsch color television: the Chromomatic.

1970

Installation of train radio for Austrian Railways.

1972

Kapsch develops batteries with a non-leak guarantee.

1979

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

1980

Start of digital-telephony in Austria with Schrack.

1984

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

1991

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

1994

Kapsch equips multiple European railways with cab radios.

1999

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

2003

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

2010

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

2012

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

2013

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

2016

Kapsch installs Europe's largest integrated advanced traffic management system (ATMS) in England and in the Netherlands.

Kapsch bolsters its global market position through the acquisition of the transportation division of Schneider Electric.

2017

Highest revenues in the company's history: EUR 1,111.2 million in the 2016/17 fiscal year.

125% dedication

125 years of Kapsch

2018

Signing of the contract to set up a nationwide tolling system in Bulgaria.

Selected Key Financial Data.

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

Earnings Data	2015/16	2016/17	2017/18	+/-
Revenues	1,046.8	1,111.2	1,145.0	3.0%
EBITDA	102.3	68.1	56.3	-17.4%
EBITDA margin in %	9.8	6.1	4.9	-1.2%p
EBIT	72.3	20.1	20.1	-0.1%
EBIT margin in %	6.9	1.8	1.8	-0.1%p
Profit before tax	59.7	19.3	8.3	-57.1%
Profit for the period	39.4	4.4	6.3	44.8%
Free cash flow	100.1	25.6	13.3	-48.3%
Research and development	98.2	125.0	138.8	11.0%
Employees, end of period	5,838	6,868	7,236	5.4%

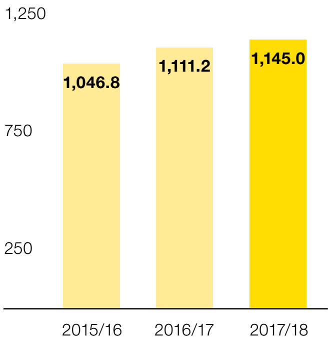
Balance sheet data	March 31, 2016	March 31, 2017	March 31, 2018	+/-
Total assets	942.3	1,058.2	1,007.1	-4.8%
Total equity	304.3	264.0	255.8	-3.1%
Equity ratio in %	32.3	25.0	25.4	0.4%p
Return on equity in %	23.7	7.6	7.9	0.2%p
Financial liabilities	229.2	342.7	313.6	-8.5%
Net credit (+)/ debt (-)	-77.5	-107.5	-116.2	-8.1%
Gearing in %	25.5	40.7	45.4	4.7%p
Capital employed	533.5	606.7	569.4	-6.1%
Net working capital	366.9	422.7	398.2	-5.8%

Business segments	2015/16		2016/17		2017/18		+/-
Traffic							
Revenues (share in revenues)	526.1	50%	648.5	58%	693.3	61%	6.9%
EBIT (EBIT margin)	62.3	12%	60.1	9%	50.1	7%	-16.7%
Employees (share in Group), end of period	3,716	64%	4,823	70%	5,259	73%	9.0%
Carrier							
Revenues (share in revenues)	233.1	22%	163.2	15%	150.7	13%	-7.7%
EBIT (EBIT margin)	0.7	0%	-17.0	(-10%)	-5.6	(-4%)	-66.8%
Employees (share in Group), end of period	802	14%	653	10%	600	8%	-8.1%
Enterprise							
Revenues (share in revenues)	322.0	31%	317.0	29%	317.7	28%	0.2%
EBIT (EBIT margin)	6.0	2%	6.9	2%	0.4	0%	-93.9%
Employees (share in Group), end of period	1,210	21%	1,201	17%	1,200	17%	-0.1%
Public Transport							
Revenues (share in revenues)			17.4	2%	13.6	1%	-21.7%
EBIT (EBIT margin)			-31.9	(-183%)	-27.9	(-205%)	-12.4%
Employees (share in Group), end of period			82	1%	77	1%	-6.1%

Regions	2015/16		2016/17		2017/18		+/-
Revenues (share in revenues)							
Austria	294.6	28%	296.7	27%	322.4	28%	8.6%
Central and Eastern Europe	377.1	36%	270.6	24%	270.6	24%	0.0%
Western Europe	135.9	13%	204.2	18%	213.5	19%	4.6%
Americas	119.3	11%	197.6	18%	210.4	18%	6.5%
Rest of the World	119.9	11%	141.9	13%	126.0	11%	-11.2%
Employees (share in Group), end of period							
Austria	1,926	33%	2,009	29%	2,063	29%	2.7%
Central and Eastern Europe	1,332	23%	1,233	18%	1,139	16%	-7.6%
Western Europe	523	9%	987	14%	993	14%	0.6%
Americas	585	10%	1,095	16%	1,343	19%	22.6%
Rest of the World	1,472	25%	1,544	22%	1,698	23%	10.0%

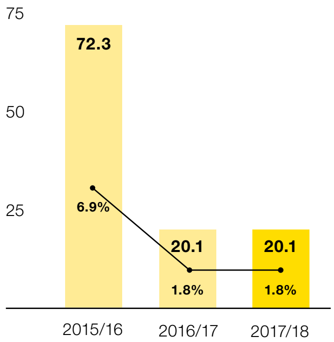
2017/18 (Fiscal Year 2017/18): April 1, 2017 – March 31, 2018
Unless otherwise stated, all values in EUR million.

Revenues



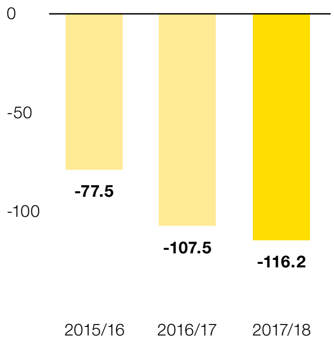
The record revenues of the previous year increased again in 2017/18 to EUR 1,145.0 million.

EBIT and EBIT margin



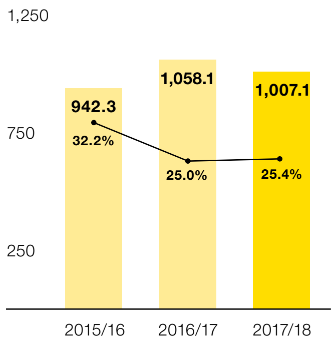
The operating result (EBIT) remained stable at EUR 20.1 million.

Net debt



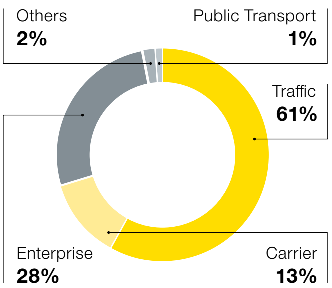
Net debt increased slightly year-on-year by EUR 8.7 million or 8% to EUR 116.2 million.

Total assets and equity ratio



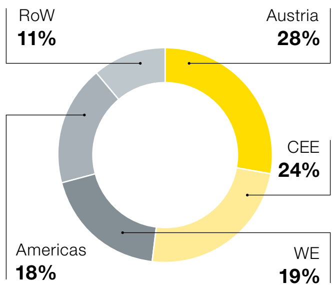
The balance sheet total as at March 31, 2018 remained stable at around 1 billion euros.

Revenues by segment



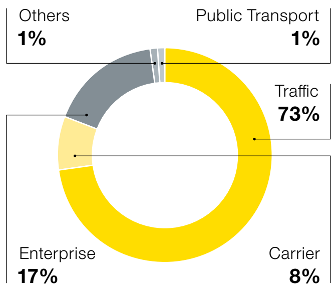
The Traffic segment was able to further increase its share of revenues in the Group.

Revenues by region



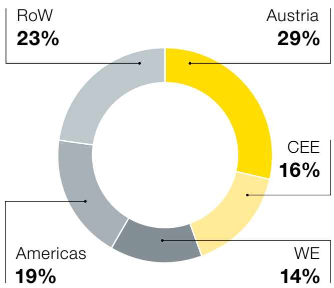
In the 2017/18 fiscal year, Kapsch Group again confirms international diversity through an even regional distribution of revenues.

Employees as of March 31, 2018 by segment



The number of employees in the Group continued to increase, even without major acquisitions. As of March 31, 2018, the Group employed 7,236 people.

Employees as of March 31, 2018 by region



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

Letter from the Management.

Dear readers,

Kapsch Group can look back on quite a challenging 2017/18 fiscal year. A situation which we have been confronted with time and again since our establishment in 1892. A situation which we have mastered time and again in our more than 125-year-long history. Many factors play a contributing role in the sustainable success of a company: the willingness to think well ahead and to identify future developments at an early stage; the ability to travel along innovative paths together with employees, customers and partners; the flexibility to react to unexpected events, to cope with any negative consequences and to convert these into opportunities.

Resilience is the buzzword for this attitude currently in vogue. The precondition for this resilience is a mindset which enables us to appreciate complex issues and relationships, and to develop novel concepts based on an intensive and broad exchange of ideas between experts and innovators from various fields. No less essential is the carefully targeted promotion of sustainable initiatives and technologies. It is in this context that we rediscover ourselves. That is what defines and characterizes the heart of this company.

Over the course of its history, Kapsch has repeatedly let go of products and business areas which once shaped their eras. These were replaced by others, by new approaches, better solutions and, most of all, new business models. Innovations which have been designed and developed together with our employees. This is without doubt one of our greatest strengths. The key to this is our ability to see the big picture extending far beyond our own industry. Borne of the simple consideration and past experience that changes almost never stem from one's own industry. The things which constantly surround us, can usually be easily understood. External influences, however, less so. These can be easily overlooked. That is why we don't focus on the superficial. Instead, we strive to identify underlying trends which, although slower, are nonetheless more forceful. The term generally referred to in this context is megatrends. These are what we look out for.

"The willingness to think far ahead, and the flexibility to convert unexpected outcomes into positive inputs: That is what defines the heart of our company."

Georg Kapsch, CEO

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

Mobility, urbanization and climate protection are the decisive issues of our times and the driving forces in the markets of our subsidiaries Kapsch TrafficCom, Kapsch CarrierCom and Kapsch PublicTransportCom. Mobility is increasingly viewed as a basic need or a necessity. Individual transportation is expected to increase massively in the years ahead, particularly in Africa, Asia and Latin America. Urbanization – around 70 percent of the world's population will live in cities by 2050 – poses fundamental challenges in terms of transport infrastructure and calls for intelligent, sustainable systems and mobility solutions. Intelligent traffic management systems deliver major improvements in traffic flows, redefine mobility behavior, and, as a result, contribute to significantly reducing CO_2 emissions.

Equally important factors are digitalization and automation, cloud computing, Big Data and cyber security. These are all fields in which we at Kapsch BusinessCom conduct research and work to create a digital ecosystem which allows data to be combined to deliver valuable outputs. Thus we make applications possible which go far beyond the boundaries of established solutions. Our in-depth expertise and tailor-made solutions provide a high-performance matrix acting as the basis for digitalization in all industries – from the automotive sector to medicine as well as safety and security. This way, we ultimately remain successful in a fast-changing business environment and are able to shape it.

This background explains the high priority we attach to research and development. We committed resources of 125 million euros to these efforts in our 2016/17 fiscal year. In 2017/18, we further increased our investments in this area, by eleven percent or 13.8 million euros, to a total of 138.8 million euros. The success of our research and development work is also reflected in the approximately 1,500 patents currently held by Kapsch Group. Our successful innovative endeavors over what has now been more than 125 years have proven that it is possible to effectively combine tradition and innovation even in technology-driven markets.

In commercial terms, Kapsch can look back on a challenging 2017/18 fiscal year. On the one hand, this was a year characterized by impressive performance, successes in new markets and acquisitions. On the other, focused efforts and strategic decisions made our corporate divisions fit for a successful future. We are delighted that it was possible to boost Group revenues to a new record of 1.145 billion euros in the past fiscal year. At 20.1 million euros, earnings before interest and taxes remained on a par with the prior-year's level, the reason for this was the underperformance of two business segments and high currency losses. Group equity also remained stable over the 2017/18 fiscal year; declining only slightly, by 8.2 million euros (-3.1 %). Despite this, it was possible to increase the equity ratio to 25.4 percent. Our long-term goal is to again reach and maintain a level of over 30 percent.

Kapsch TrafficCom Group achieved a significant increase in revenues and total sales of 693.3 million euros in the 2017/18 fiscal year. It is worth noting that this was driven by the expansion of core business rather than through acquisitions. A leading role in increasing revenues was played by the Electronic Toll Collection (ETC) division, with its truck tolling systems in Austria and Poland as well as the new project to establish a nationwide tolling system in Bulgaria. The increase in business in the Americas region also contributed significantly here.

Kapsch CarrierCom Group generated revenues of 150.7 million euros in the 2017/18 fiscal year. While the volume of business with rail customers was stable compared to the prior year, revenues in the Carrier division fell significantly due in most part to declines in the CEE region. In April 2018, an agreement was reached with S&T AG on the divestment of significant parts of the Carriers division. This includes the carrier business in Central and South-Eastern Europe and is an important step that underscores the focus on the Mission-Critical Networks division. This enables us to further optimize corporate structures and processes for this future core business and allows it to be ideally aligned with the relevant customer segment.

At 13.6 million euros, the revenues generated by **Kapsch PublicTransportCom Group** in 2017/18 were well below expectations. Various extraordinary items also impacted on this segment's bottom line. Several critical projects, for which corresponding accounting provisions had to be set up in addition to ongoing operating losses, and the revaluation of assets, above all the capitalized development costs of Kapsch PublicTransportCom Belgium NV, were responsible for this. The order backlog at the end of the fiscal year amounted to 22.5 million euros.

With revenues of 317.7 million euros, **Kapsch BusinessCom Group** was able to surpass the success already achieved in the 2016/17 fiscal year. And this despite the fact that its three subsidiaries, in Hungary, Slovakia and the Czech Republic, had been divested at the end of the first quarter. The increase in revenues is primarily attributable to growth in Austria and the successful expansion of service-related business. Geographically, Kapsch BusinessCom focusses on the so-called DACH region. The company acts as a reliable partner in the selection and implementation of the latest ICT solutions as well as associated services. Kapsch was able to excel particularly in the area of outsourcing. Business is expected to develop in a stable, growth-oriented direction in the new fiscal year.

Outlook. As in past business years, we again forecast that our markets will develop in the right direction in the 2018/19 fiscal year. The sound balance sheet structure, the diversification of our product and service portfolio as well as the cautious growth trajectory are all aimed at retaining the revenue growth. The Group and its Management will continue to focus their full attention on optimizing efficiency, meaning that considerable improvements in earnings can be expected – including in the Public Transport and Carrier segments. In all segments, Kapsch Group will continue to implement its strategy of further bolstering its market position through targeted acquisitions in existing and future business segments. In addition to this, Kapsch Group will also take selective action to optimize individual companies and to leverage Group-internal synergies.

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 also like to thank our employees for their high level of commitment, creativity, and willingness to perform. Let us work together on the further development of Kapsch Group and continue making a major contribution to the digital transformation and to sustainably shaping the future of public and private transportation.

Mag. Georg Kapsch Chief Executive Officer	Dr. Kari Kapsch Chief Operating Officer	Dr. Franz Semmernegg Chief Financial Officer

The future is now.

Megatrends as the impetus of our innovation power.

The term ‘megatrends’ was introduced by John Naisbitt in 1982 through the publication of his book of the same name. In this, the father of modern future studies formulated “10 New Directions Transforming Our Lives”.

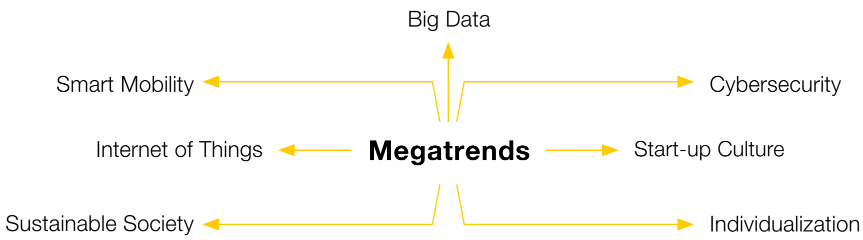
Megatrends are fundamental, long-term, and global change processes which are characterized by their extremely stable development and which penetrate all levels of society – culture, politics, the economy, science, and technology. With a half-life of at least 25 years, these currents of change affect every single individual and reshape entire societies.

Megatrends never develop lineally in a single dimension; instead, they are complex, multi-layered, and integrated. They combine numerous subtrends and, being intermixed with each other, are often difficult to isolate. People are at the heart of every megatrend – new lifestyles, needs, values, and consumption patterns form as a result.

> “The most reliable way to see the future is to understand the present.”
> John Naisbitt

Since being founded in 1892, Kapsch has always regarded itself as a mediator between the needs of people and the technologies which are best suited to meet these needs. As a future-oriented company, Kapsch has always actively tackled diverse challenges and demonstrated the courage to be a pioneer: From its early days as a manufacturer of Morse and telegraph equipment, through the era of radio and television, to today’s mobility, communication, and digitization solutions. This family-owned and run company has always broken new technological ground, aligned itself with people’s current needs, and never forgotten to fine tune its offerings when necessary. Kapsch will continue along this path in future.

Innovation begins where known boundaries are passed, where comfort zones are left, and tried-and-tested methods redefined. Striving for innovation leadership has always been at the heart of Kapsch’s entrepreneurial activities. We focus on this innovation power in this annual report, and have therefore selected the following issues:



By means of seven illustrated pages on these issues, we document how the Kapsch Group responds to key aspects of global megatrends with pioneering solutions and, in so doing, promotes technological progress in its areas of expertise, namely communication and mobility. Widely different megatrends and subtrends are addressed on the technological, environmental, and societal levels. We highlight how the employees of the Kapsch Group play an important role in responsibly and sustainably shaping a mobile and connected world.

Smart Mobility.

Our vision.

Smart streets.

Projects.

From the very first city access solution in Bologna in 1994 to current projects such as a mobility app for Stockholm or urban mobility management in Málaga: Kapsch demonstrates how cities can be made smarter and more attractive.

Sustainability.

Kapsch solutions also help to use road infrastructure more efficiently, to reduce the consumption of raw materials, to cut emissions, and to avoid accidents. This involves Kapsch employing disruptive technologies at an early stage in order to launch pioneering systems.

Our mission.

Intelligent mobility solutions.

People.

Around the world, about 760 engineers are constantly working on innovations from Kapsch TrafficCom. Game-changing solutions for the challenges associated with urbanization and globalization are being developed at 15 research and development facilities located on three continents.

Company.

Kapsch offers numerous intelligent solutions which improve traffic flows now and in the future: whether solutions for urban traffic management, smart parking apps or through the provision of leading-edge infrastructure for connected vehicles.

Corporate Profile.

About Kapsch Group.

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

Johann Kapsch laid the foundations of today's Kapsch Group by opening a workshop manufacturing telegraph equipment and telephones back in 1892. 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 from 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 26: 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 12% of revenues were committed to this in the fiscal year 2017/18. Kapsch makes a key contribution to shaping a mobile and interconnected world in a responsible and sustainable manner.

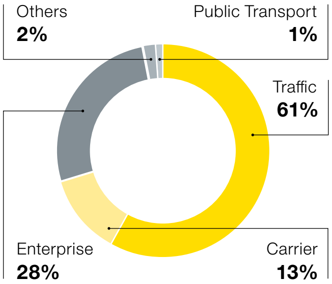
The group of companies based in Vienna has around 100 subsidiaries and representative offices around the world. Kapsch Group is active across almost all of Europe, with key growth markets also located in Asia, Australia, and the Americas region. At the end of the fiscal year 2017/18, Kapsch Group had 7,236 employees.

The Kapsch Group comprises the key entities Kapsch BusinessCom, Kapsch CarrierCom, Kapsch PublicTransportCom, and Kapsch TrafficCom and focuses on peoples' requirements in the fields of communication and mobility. With innovative products and solutions, Kapsch makes a significant contribution to the digital transformation and a sustainable future in public and private transportation.

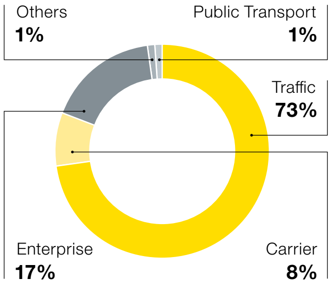
The Group's parent company is KAPSCH-Group Beteiligungs GmbH, Vienna, which is wholly owned by DATAX HandelsgmbH. The shares in this company are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung, and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian 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 are made in consultation with their respective supervisory boards.

Revenues by segment



Employees as of March 31, 2018 by 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 also 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 38 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). For more information about Kapsch PublicTransportCom, please refer to page 42 of this report.

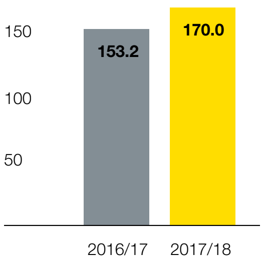
Kapsch CarrierCom is a global producer, supplier and systems integrator of end-to-end telecommunications solutions. The company is pursuing the mission to shape the path for railway operators and carrier networks as well as for public authorities, public transport operators, and airports in order to 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, the digitalization of railways, and virtualization in the communication domain. For more information about Kapsch CarrierCom, please refer to page 43 of this report.

Kapsch BusinessCom supports companies in taking their business performance to the next level and developing new business models. As a partner in digitalization, 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 the successful implementation of a variety of use cases across numerous industries. The company's comprehensive portfolio in the DACH region and Romania 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 HPE, Cisco, 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 46 of this report.

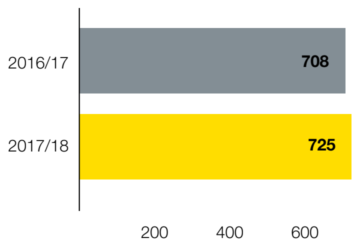
Global Presence.

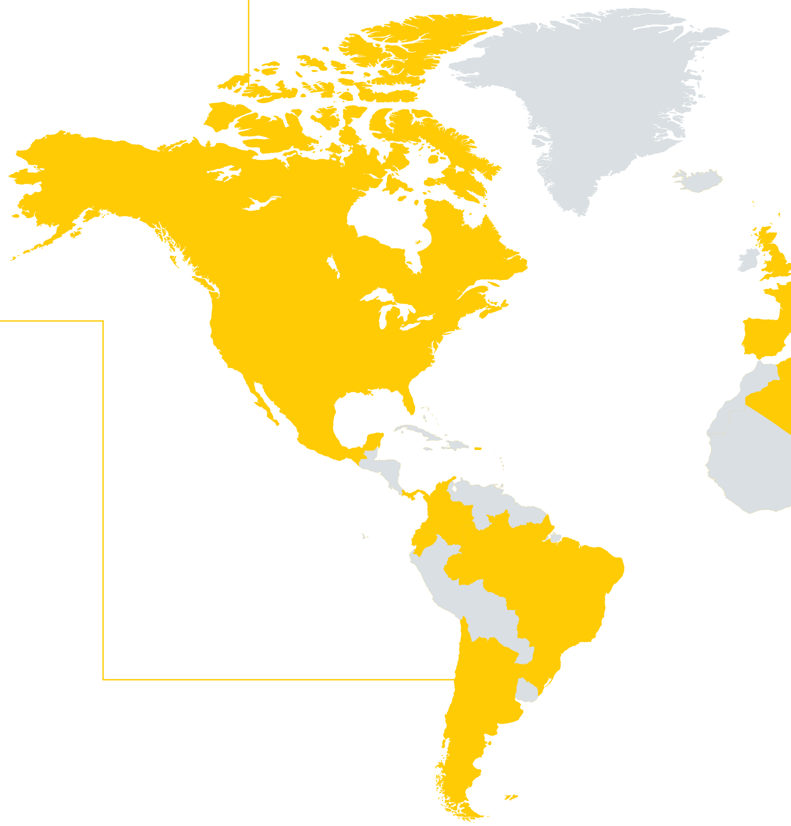
North America

Revenues (in EUR million)



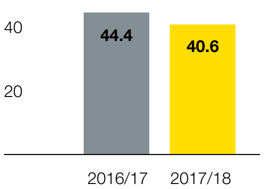
Employees (end of period)



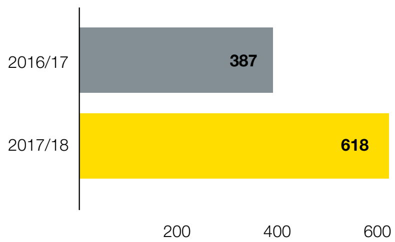


Central and South America

Revenues (in EUR million)

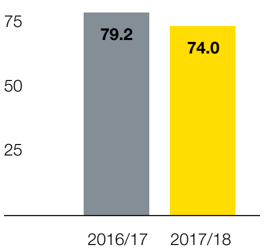


Employees (end of period)

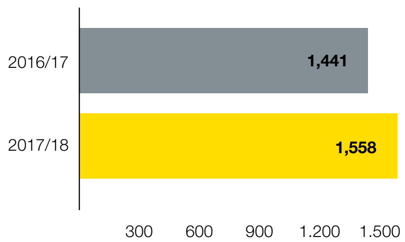


Africa

Revenues (in EUR million)



Employees (end of period)

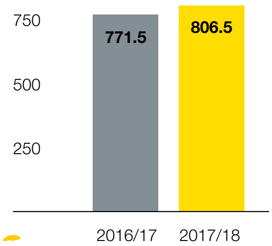


Branch offices and subsidiaries of Kapsch Group

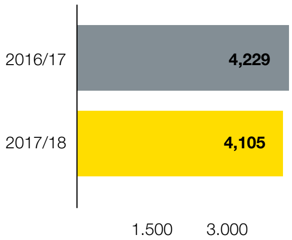
- Algeria
- Argentina
- Australia
- Austria
- Belarus
- Belgium
- Brazil
- Bulgaria
- Canada
- Chile
- China
- Colombia
- Croatia
- Czech-Republic
- Ecuador
- France
- Germany
- Hungary
- Italy
- Kazakhstan
- Kyrgyzstan
- Lithuania
- Macedonia
- Mexico
- Netherlands
- New Zealand

Europe

Revenues (in EUR million)

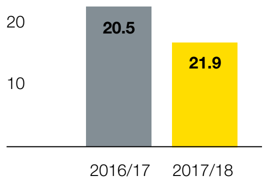


Employees (end of period)

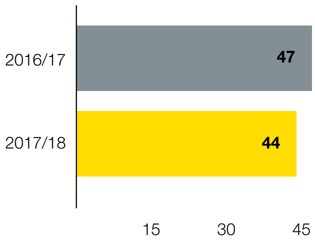


Asia

Revenues (in EUR million)

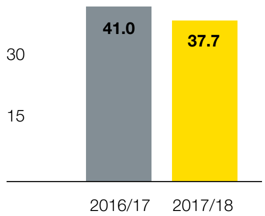


Employees (end of period)

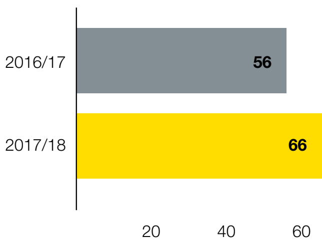


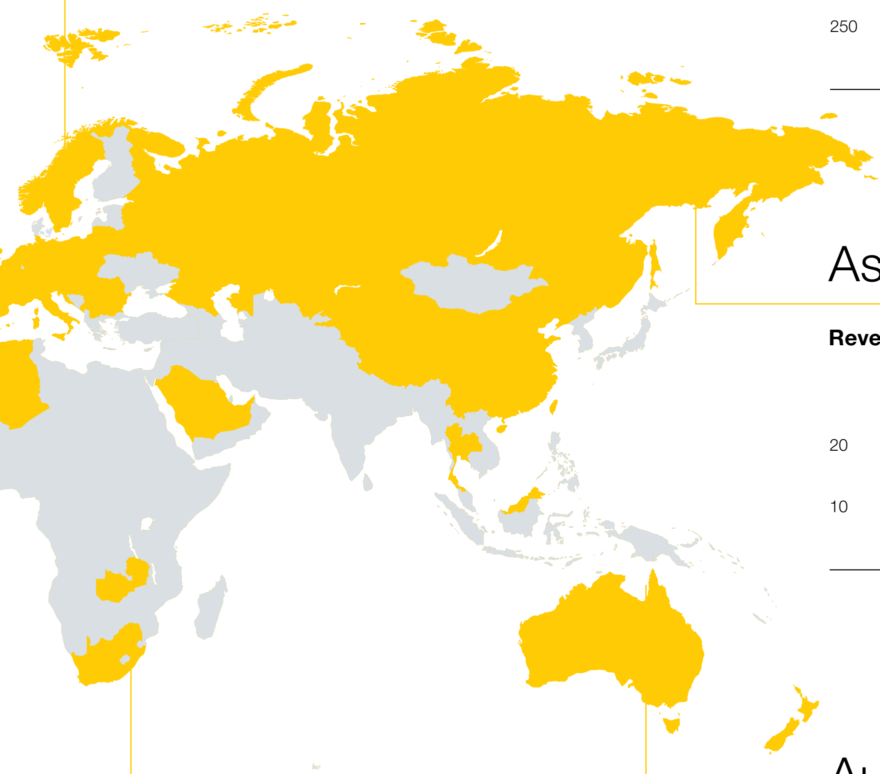
Australia

Revenues (in EUR million)



Employees (end of period)





- Norway
- Panama
- Poland
- Portugal
- Puerto Rico
- Romania
- Russia
- Saudi Arabia
- Serbia
- Singapore
- Slovakia
- Slovenia
- South Africa
- Spain
- Sweden
- Switzerland
- Taiwan
- Thailand
- United Arab Emirates
- United Kingdom
- United States of America
- Zambia

Our Identity.

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 call into question proven concepts and redefine them to forge ahead with innovations. This guiding principle forms the brand essence of Kapsch. And it is this attitude that drives our employees spread across six continents every day.

The company motto “challenging limits” is an expression of this Kapsch spirit: 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; because in our eyes, today is already yesterday. Because we have been a trendsetter, visionary, pioneer, for more than 125 years.

Kapsch combines technology, innovation, and expertise to create trendsetting solutions. As an incubator, we put emphasis on expert knowledge and the strength of implementation in every area of our corporate activities. We always work in a solution and user-oriented way, even when faced with challenging circumstances. This is how Kapsch makes infrastructure and business, as well as communication and mobility, intelligent.

Kapsch always has its eye on people as users and beneficiaries of its solutions. Smart solutions for global challenges are intended to improve the lives of people in a qualitative and sustained way. 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 through their dedication, expertise, and skills. Our products offer tailored, long-term solutions providing added value for our customers.

Through this customer orientation, our responsible actions and the willingness to progress and change, we strive to push 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.

125 years of experience with the future.

125% dedication

125 years of Kapsch

The first six months of the fiscal year were characterized by the 125-year anniversary of our company. We highlighted our passion for technology in a broad and multi-phased campaign, illustrating this in a variety of different ways using numerous highlights from the company’s history. The concept developed for our employees, customers, and partners, as well as interested members of the public, was based on three elements: information, experience, and added value.

Information. We made use of several channels to show who we are, what we do and what we are celebrating. In the online area, dedicated micro-pages were set up on the internet and intranet, along with various social media platforms. In the print area, a particular highlight was an anniversary magazine produced in cooperation with “Die Presse”, in addition to numerous advertisements and special formats in daily newspapers. And, with an out-of-home media mix, Kapsch became an integral visual part of everyday mobile life in Vienna.

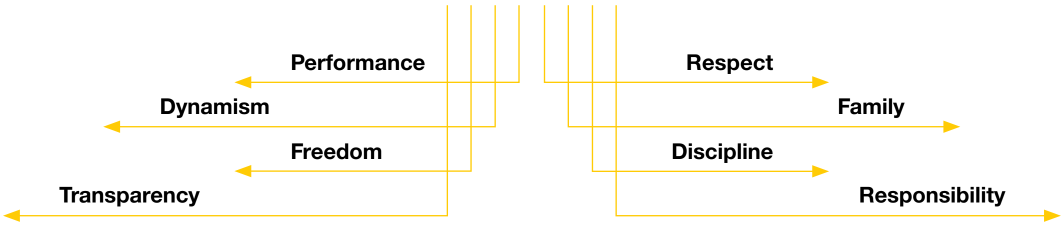
Experience. Feeling a sense of belonging, having fun, becoming inspired. Two highlights in September stood out from a whole host of activities and events: At “Club 125. Our Night of Dedication”, over 1,100 employees of the Kapsch Group celebrated in Vienna’s Volksgarten. And, a few days later, around 1,400 guests from the world of business, culture, and politics, as well as friends and followers of the company, were invited to a magnificent gala event at the Wiener Konzerthaus (Vienna Concert House), where Teodor Currentzis conducted an anniversary concert.

Added value. In order to leave behind something of value, gifts – both small and large – were also part of the campaign. The centerpiece was the smart radio “Capri125”: The Kapsch transistor radio “Capri” from 1958 was brought back to life for the anniversary, equipped with 21st Century state-of-the-art technology. 10,000 units were manufactured, with each employee of the global Kapsch family receiving one. As a symbol of our innovative spirit and to remind us of our roots.

Our Values.

As a company that has always been family-run, with roots stretching all the way back to 1892, values are of particular importance to the Kapsch Group. Values are not empty words for us; they are attitudes exemplified and internalized by all employees from the very beginning.

Our Values.



Creating and appreciating values.

Our values are a core component of our corporate culture and form the basis of our actions every day. Our activities define lasting values for the future and make an active contribution to 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 understand responsibility as acting in the interests of the company and its employees, bearing the consequences, and taking the initiative.
- **Transparency.** We understand transparency as being open in dealing with information, as well as the traceability of our decisions and actions in daily communication.
- **Respect.** We understand respect to be the basis of our cooperation, mutual recognition of our achievements, and the opinions of others.
- **Performance.** We understand performance as the result of the dedication and the success of each individual employee who contributes to achieving our common goals.
- **Freedom.** We understand freedom as using and designing a defined scope of action and developing this through personal engagement.
- **Family.** We understand family to all be pulling on the same rope, strengthening our bonds, and supporting one another.
- **Dynamism.** We understand dynamism as our determination toward continuous change and willingness to achieve newly established goals.
- **Discipline.** We understand discipline as the adherence to rules which govern our living and working together and the commitment to our values.

Big Data.

Our vision.

Predicting the future.

Projects.

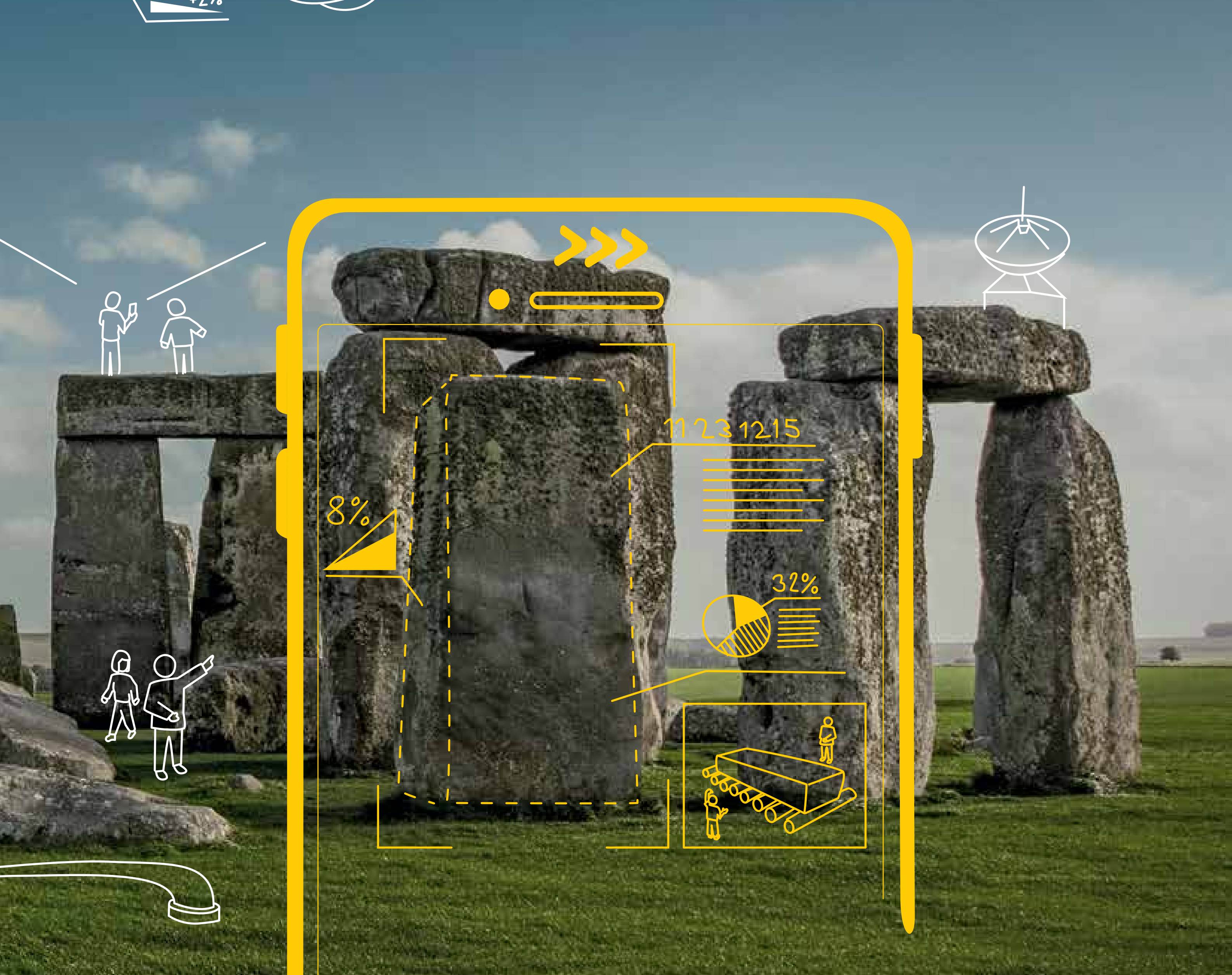
Knowing what the future holds. This is the ambitious goal which Kapsch has set itself. Highly specialized data scientists generate and analyze data to subsequently develop and recommend action plans. For example, predictive analytics can foresee which equipment needs to be serviced before faults arise.

Sustainability.

Understanding the movement behavior of people in cities, analyzing data, and drawing the right conclusions are the keys to providing, for example, urban planners with a better insight into mobility patterns and their influence on air pollution.

Our mission.

Digitizing, analyzing, optimizing.



People.

In 2016, 16 zettabytes (that's a 16 followed by 21 zeros) of data were generated. It has been forecast that this volume will already have risen to 163 zettabytes by 2025. This almost unlimited potential is being leveraged by means of digitalization to enable technologies to simplify everyday life.

Company.

Kapsch has extensive expertise in dealing with large volumes of data and data security. The company acts as a consultant, system and service provider, and helps numerous customers manage digital transformation.

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
> The best possible solutions for people
> Maximum performance derived from a sense of responsibility
> Innovation and a forward-looking approach based on the established values of a family-run company
> Calculated risk-taking
> Fair competition
> Promoting diversity
> Top performance for our business partners
> Dedicated and satisfied personnel
> Responsibility vis-à-vis society

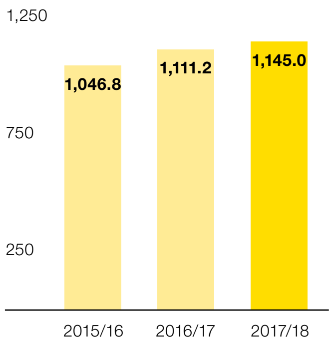
Commercial success. In order to ensure the continuation of the company's 126-year history, the key is to ensure the earning power and profitability of Kapsch Group. These two aspects form the foundation of our future success and the preconditions for being able to live up to our responsibility to employees and society.

We measure the success of our company on the basis of the development of revenues and the EBIT margin. In the 2017/18 fiscal year, the Kapsch Group generated consolidated revenue of EUR 1,145.0 million, up on the prior-year level of EUR 1,111.2 million (EUR +33.8 million or +3%).

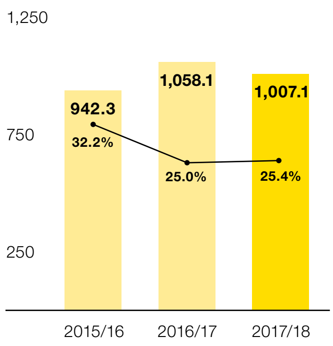
EBIT of EUR 20.1 million was on a par with the prior year, although there were significant shifts among the various business segments. Despite operational business developing in a stable manner, there were several FX-related burdens, largely still latent, without which earnings would have been significantly higher than in the prior year. Unscheduled impairments of intangible assets related to the Public Transport division impacted earnings. In order to safeguard the sustainability of the Group's steady growth in the years ahead, there were significant increases in investment levels, among others, in research and development – EUR 138.8 million in the past fiscal year. The workforce also increased again – the headcount rose to a new record of 7,236 (+368 employees or +5%) – impressively highlighting our growth trajectory. As a result, our EBIT margin remained stable at a low level of 1.8%.

We aim for a gearing of between 25% and 35% in order to preserve the company's financial independence. Despite this, the extremely volatile project-based business may mean that, under certain circumstances, the gearing strategy and the necessary covenants cannot be complied with at all times. At March 31, 2018, the gearing stood at 45% and was therefore not within the defined range. On the grounds of the very low interest rates prevailing at present, the Group does not regard this as an increased risk and aims to reduce the gearing to within the defined range in the midterm.

Revenues



Total assets and equity ratio



The best possible solutions for people. We, and ultimately Kapsch Group, make progress because we know how to adapt our business model flexibly to the 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 and a forward-looking approach, based on the 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 environmental 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 activities is to deal with risks in a controlled and deliberate manner rather than merely avoiding 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.

Top performance for our business partners. Kapsch Group takes responsibility for its business and sets the highest 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.

Dedicated personnel. The Kapsch Group has enjoyed sustained success because our employees are enthusiastic and fully committed to ensuring, every day, that people benefit in the best possible way from our services. We support and encourage their dedication through ongoing investments in further education and training, numerous measures to balance work and family life, as well as competitive and performance-oriented compensation.

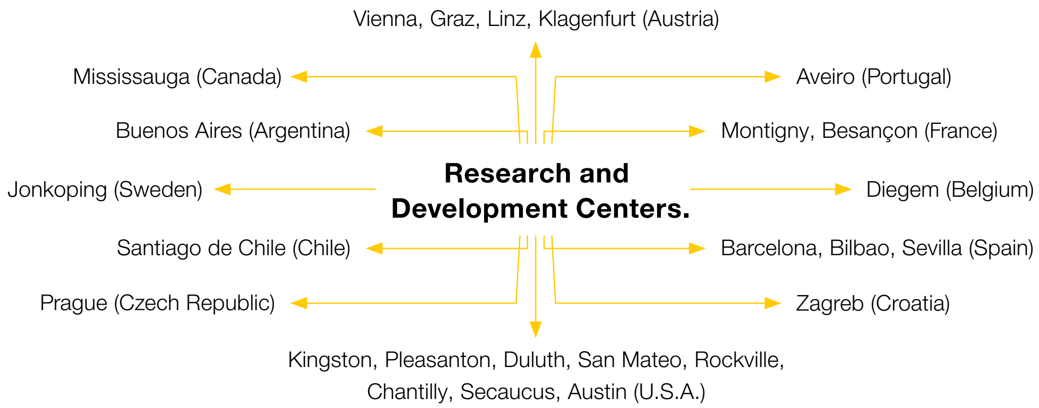
Research and Development.

Research and development activities are a high priority for the Group in terms of achieving its strategic goals. 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 138.8 million or 12.1% of revenues in the fiscal year 2017/18 compared with EUR 125.0 million or 11.2% in the prior year. This corresponds to an increase of 11.0%.

The Group's 25 in-house research and development centers located in 12 countries form the pillars of our innovation power:



In addition, there also exist development collaboration projects with companies beyond the Kapsch Group. For example, Kapsch CarrierCom is working together with outsourcing partners in Bangalore (India) and Nischni Nowgorod (Russia) in order to offer customers a wider product range.

Global patents. The success of our research and development work is also reflected in the over 2,500 patents currently held by Kapsch Group. In 2016/17, the Group evaluated and streamlined its patent portfolio. 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. Kapsch TrafficCom, for instance, received the IP Management Award 2016 for its outstanding innovation and patent management after the Fraunhofer Institute for Industrial Engineering IAO analyzed over 3,000 companies located in the entire German-speaking region (D-A-CH).

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.

Page 84: For further examples of the innovative power of Kapsch Group, please refer to the Management Report.

Presentation of innovations. The Kapsch Group presents the results of its extensive research and development work at global fairs and congresses, such as the ITS World Congress, the Intertraffic Amsterdam, the InnoTrans Berlin, and the HANNOVER MESSE events. This also ensures the active exchange of information with new and existing customers.

Collaborations provide impetus. Kapsch pursues an open innovation strategy which, besides Group-internal potential, also integrates external ideas. Numerous long-term collaborations with the scientific community, such as the Vienna University of Technology, the Vienna University of Economics and Business, the University of Innsbruck, and a range of universities of applied sciences (UAS), provide valuable inputs. Among others, Kapsch TrafficCom has collaborations with the UAS Technikum Wien (Josef Ressel Center), the AIT Austrian Institute of Technology as well as JOANNEUM RESEARCH Forschungsgesellschaft. Together with the UAS St. Pölten, Kapsch BusinessCom launched the Austria IT Security Hub in December 2017 in order to facilitate new forms of intensive cooperation between companies and universities and to foster innovations in the area of data security.

Another example of actively and sustainably promoting young scientists is the Kapsch Award for the best master's dissertations at the UAS Technikum Wien, which was awarded for the tenth time in November 2017. A total of six students met the strict criteria and each received a prize of EUR 2,000 for their outstanding dissertations and degree distinctions.

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. Examples from the recent past include the acquisition of the transportation division of Schneider Electric (KTT) by Kapsch TrafficCom or the 25% stake acquired by Kapsch BusinessCom in data science specialists AIMC Advanced Information Management Consulting GmbH.

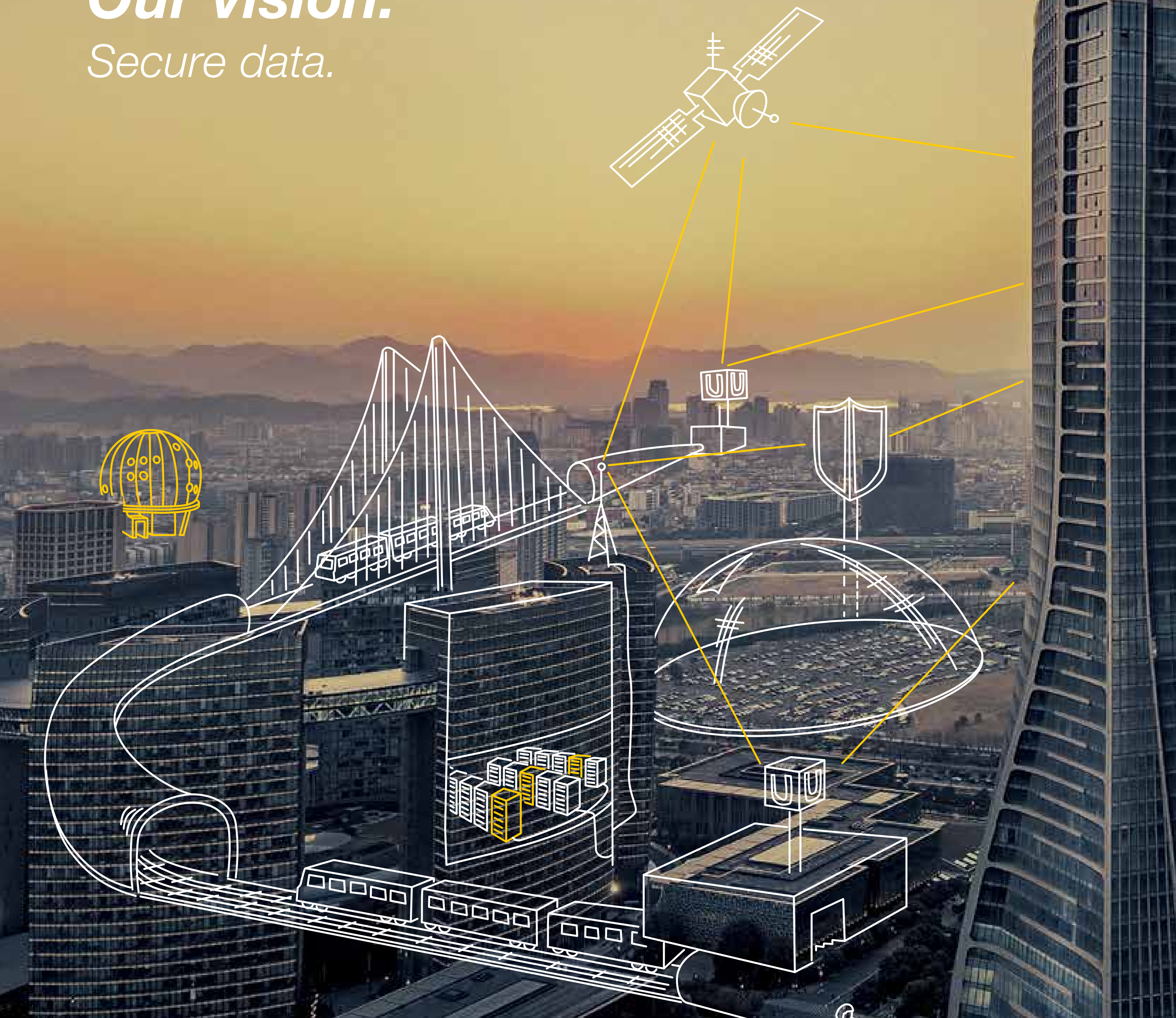
International initiatives and projects. In order to promote innovation and shape the future of mobility, Kapsch is involved in a whole series of international initiatives and projects. For instance, Kapsch TrafficCom is participating in the EU-funded project C-Roads Spain related to connected vehicles. The C-Roads platform is a joint initiative set up by EU Member States and road network operators to test C-ITS services (Cooperative-Intelligent Transportation System) in terms of cross-border harmonization and interoperability. Kapsch TrafficCom is working alongside Fluidtime on an EU research project focusing on dynamic tolling and intermodal routes. Pilot projects are planned in Portugal, Great Britain, and Slovenia.

Kapsch CarrierCom is an associate member of the EU's Horizon 2020 program Shift2Rail, which aims to develop new technologies, products, and solutions for rail systems by means of research and innovation. Kapsch is leading the work package entitled Adaptable Communications for all Railways and is also involved in the Zero On-Site Testing and Cybersecurity packages. Kapsch CarrierCom became a member of the Association of the European Rail Industry (UNIFE) in June 2017. The aim of this association is to ensure uniform standards for railway networks throughout Europe and to guarantee the interoperability of railways systems in order to facilitate a Single European Railway Area (SERA). UNIFE also ensures that the European railway sector is bolstered by joint research and innovation plans.

Cybersecurity.

Our vision.

Secure data.

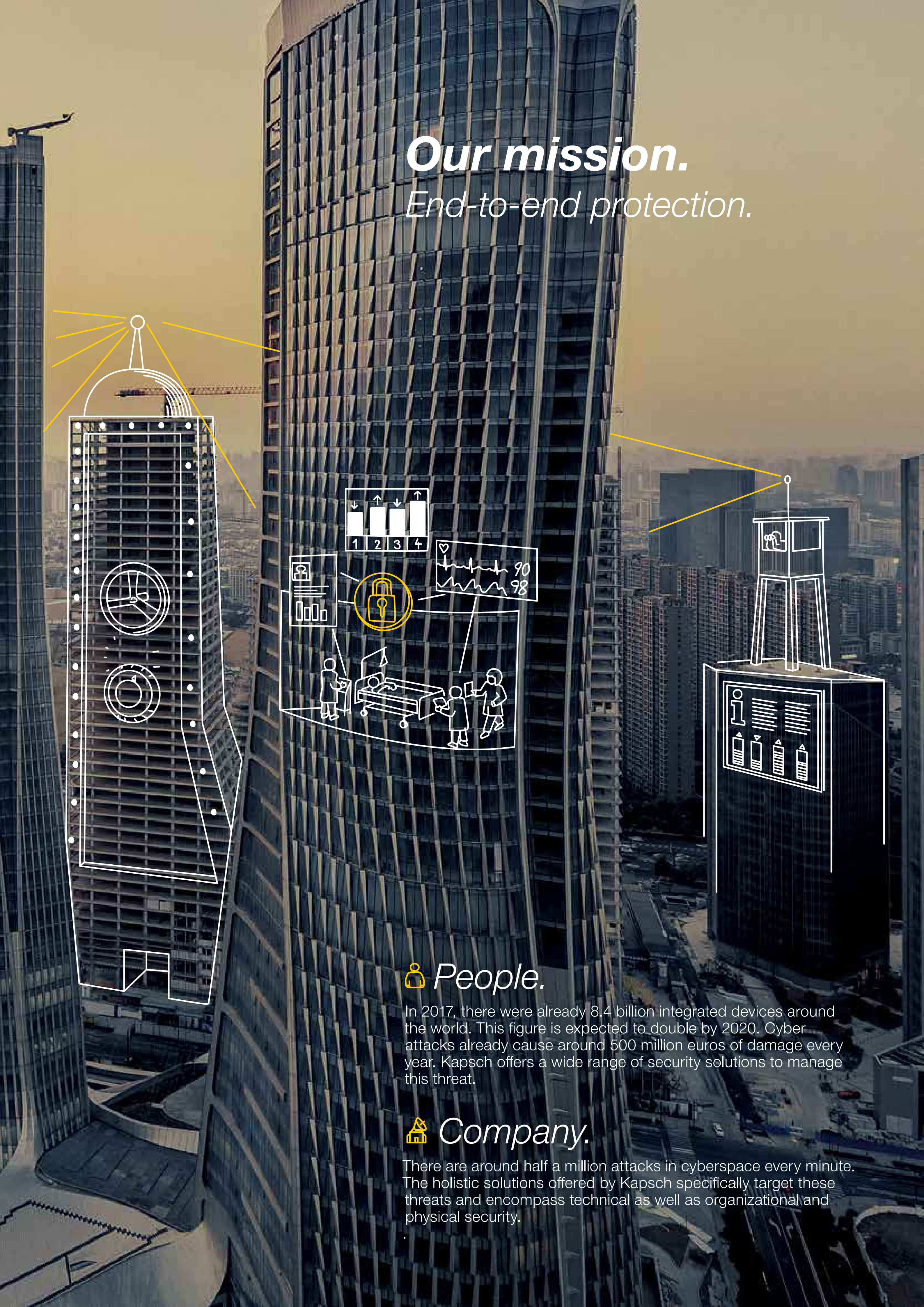


Projects.

Kapsch has established its own cyber defense center (CDC) in response to increasing digital threats. The specialists at the CDC identify and analyze attacks and anomalies every day and employ adequate technologies to respond swiftly and appropriately to attacks.

Sustainability.

To consolidate its position as a leading expert in ICT data security and management in the long term, Kapsch recently established the Austria IT Security Hub in collaboration with the St. Pölten UAS. This in-depth cooperation boosts innovations in the area of data security.



Our mission.

End-to-end protection.

People.

In 2017, there were already 8.4 billion integrated devices around the world. This figure is expected to double by 2020. Cyber attacks already cause around 500 million euros of damage every year. Kapsch offers a wide range of security solutions to manage this threat.

Company.

There are around half a million attacks in cyberspace every minute. The holistic solutions offered by Kapsch specifically target these threats and encompass technical as well as organizational and physical security.

Sustainable Management.

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 areas 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 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 and ideas from outside the Group. The accelerator program “Factory1”, launched in 2017, is worth highlighting. 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 cooperation.

Effective use of resources.

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

Kapsch Components regularly achieves reductions in the consumption of resources by implementing numerous environmental and lean projects related to production processes as well as value stream and machine data analyses. Switching to hydropower and other sources of green energy has enabled CO_2 emissions associated with electrical power per metric ton of product manufactured to be reduced to zero in Austria. In comparison to the prior year, the consumption of power at all manufacturing sites (in Austria and Canada) fell by 2.1% to 3,835 MWh.

The company also strives to ensure the recycling of resources used in production processes and the use of environmentally-sensitive packaging materials. Besides commercial and quality-related aspects, particular attention is also paid to achieving reductions in the environmental impacts associated with procurement processes and the transportation of goods. On the grounds of its persistent efforts to optimize its entire value added chain, Kapsch Components was awarded a Green Factory title in the course of the Fabrik 2016 competition organized by Industriemagazin and Fraunhofer Austria.

When new cars are purchased for the vehicle fleet, their fuel consumption is taken into account. In the area of administration, steps were also taken to improve energy efficiency. To raise awareness among employees about climate and environmental protection issues, our internal communications department regularly highlights the potential to reduce resource consumption levels. Among other positive impacts, this has made it possible to significantly minimize the annual consumption of paper per employee. Telepresence and video conferencing systems have been increasingly used in recent years to reduce business travel.

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 Internet of Things (IoT) 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.

Our employees are the foundation of our success.

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

As at the balance sheet date of March 31, 2017, Kapsch Group had a total of 7,236 employees, representing a year-on-year increase of 5%. 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, which includes a six-month posting abroad, trainees can familiarize themselves with various companies and departments within the 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.

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. Annual staff appraisals form a core personnel and organizational development tool within Kapsch Group. They support cooperation by means of the clearly structured exchange of information between managers and employees regarding their performance in the past twelve months and also offer an opportunity to discuss perspectives for personal development and to define training objectives.

With regard to training and development, the focus is 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. To meet 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 and the University of Applied Sciences FH Campus Wien. The Kapsch Award for the best master’s dissertations at the University of Applied Sciences Technikum Wien was presented for the tenth time in 2017. 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 projects or special presentations. Master lectures and workshops are also offered. In order to get children and young people enthusiastic about technology as early as possible, the Kapsch Group supports a range of projects and offers, for instance, workshops within the framework of the wienXtra vacation game or the “smart kids” initiative.

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. The Kapsch Group values and supports the work of charitable institutions such as the Institute for Cooperation in Development Projects (ICEP): The Austrian corporAID platform highlights how commercially-oriented cooperation in the area of development and corporate responsibility can lead to the creation of innovative solutions for sustainable global development. Our annual donation campaign at Christmas benefits the CONCORDIA learning and family center LenZ in Vienna's Second District which supports children, young people, and families at risk of being excluded from society.

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.

kapsch >>>
CONTEMPORARY
ART PRIZE

Platform for young artists. Under the title "Changing Views", for over 20 years Kapsch had been committed to providing up-and-coming young artists a platform for their work through a calendar project. In 2016, a new initiative was launched through the awarding of the Kapsch Contemporary Art Prize in cooperation with the Museum moderner Kunst Stiftung Ludwig Vienna (mumok): by means of a three-month exhibition at the mumok as well as an associated publication, talented up-and-coming artists living in Austria are given the opportunity to present their work for the first time before an international audience.

The first winner of the award, Anna-Sophie Berger, has since held exhibitions in New York, Rome, and Düsseldorf, and, in 2018, was included in the highly acclaimed Forbes list of the 30 most interesting people to watch under 30 in Europe (in the category "Art & Culture"). The exhibition of the second winner of the award, Julian Turner, was also very positively received.

Long-standing cultural partnerships. Bridging the gap between tradition and innovation shapes the self-image of the Kapsch Group. A general partnership with the Vienna Concert House has existed for more than 25 years. 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.

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 these issues to life and making them easier to understand.

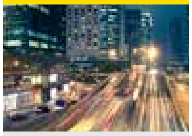
Portfolio.

Kapsch TrafficCom

Tolling

- Electronic Toll Collection
- Plaza Tolling
- City Tolling
- Tolling Services

Traffic Management



- Highway Traffic Management
- Managed Lanes
- Tunnels and Bridges

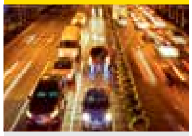
Smart Urban Mobility

- Access Management
- Urban Traffic Management
- Smart Parking
- Intermodal Mobility

Safety & Security

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

Connected Vehicles



- V2X Automotive
- V2X Infrastructure
- Connected Mobility

Kapsch Public TransportCom

Public Transport Solutions

- Automatic Fare Collection
- Mobile Ticketing
- Intermodal Transport Control Systems
- Passenger Information
- End-to-End: Plan | Build | Maintain | Operate

Brand essence.

Tradition and innovation, mobility and communication, a 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 since 1892.

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 also 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 CarrierCom

Mission-Critical Networks (MCN)

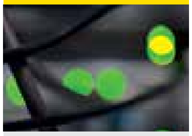
- Railway Dedicated Networks – GSM-R and Next Generation
- PS-LTE for MCN Users
- Communication Solutions based on TETRA and DMR
- Transmission
- LoRa for MCN
- Internet of Things for MCN
- Cybersecurity
- Terminals and Devices
- End-to-End Integration
- End-to-End: Plan | Build | Maintain | Operate

Carriers & Verticals

- Voice Solutions and Signalling for Mobile and Fixed Networks
- Wireless and Fixed Access
- Transmission
- Software Defined Networks
- Network Function Virtualization
- OSS/BSS Portfolio
- LoRa and Internet of Things Applications
- Cybersecurity
- Professional Services including Consulting
- Managed Services

Kapsch BusinessCom

Technology Solutions



- Connected Platforms & Applications
- Unified Workplace
- Intelligent Network & Security
- Converged Infrastructure
- Digital Facility Solutions

Business Services

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

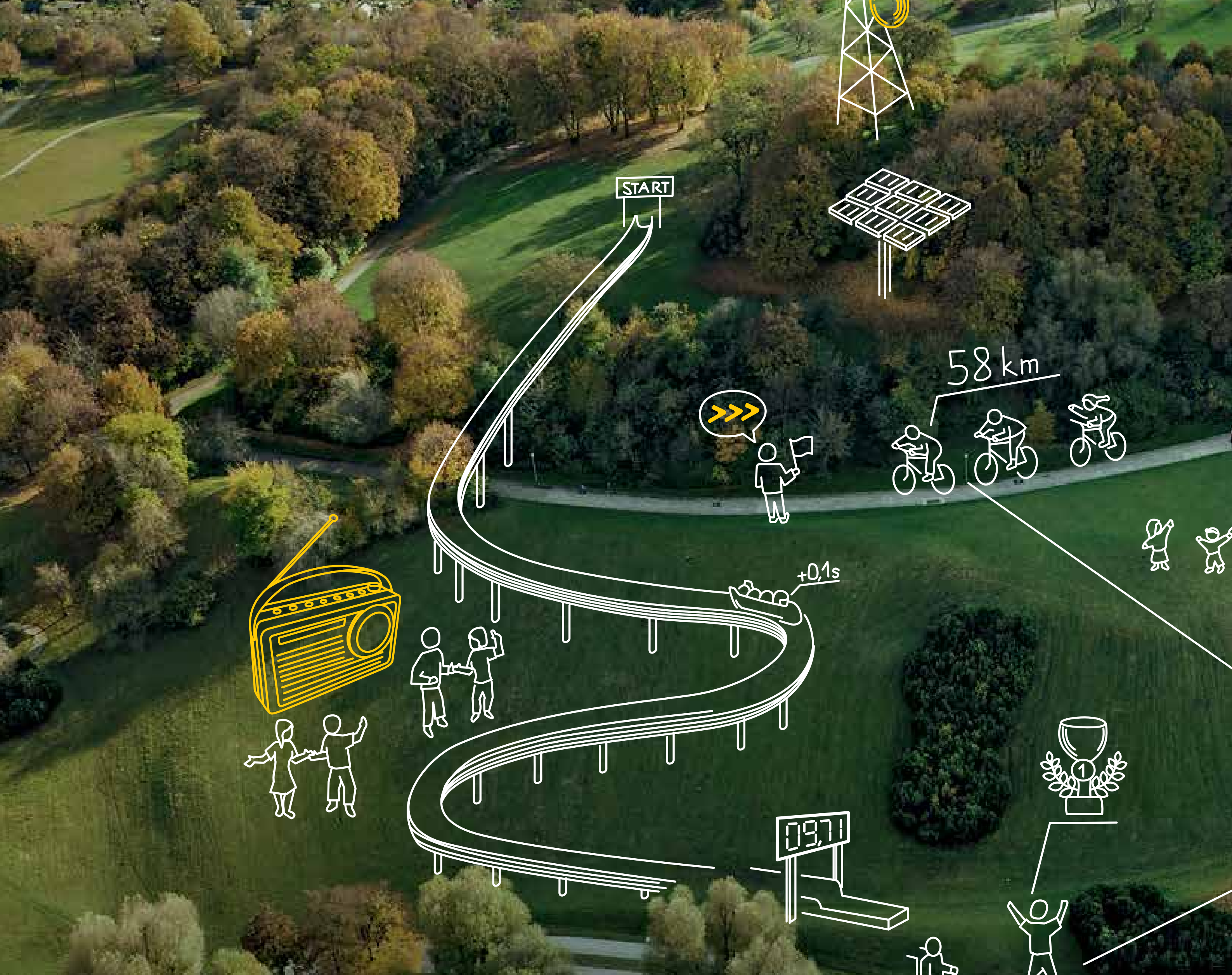
Kapsch CarrierCom is a global producer, supplier and systems integrator of end-to-end telecommunications solutions. The company is pursuing the mission to shape the path for railway operators and carrier networks as well as for public authorities, public transport operators and airports to leverage technologies 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, digitalization 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 partner in digitalization, 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 the successful implementation of a variety of use cases across numerous industries. The company's comprehensive portfolio in the DACH region and Romania 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 HPE, Cisco, 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.

Internet of Things.

Our vision.

Simplifying everyday life.

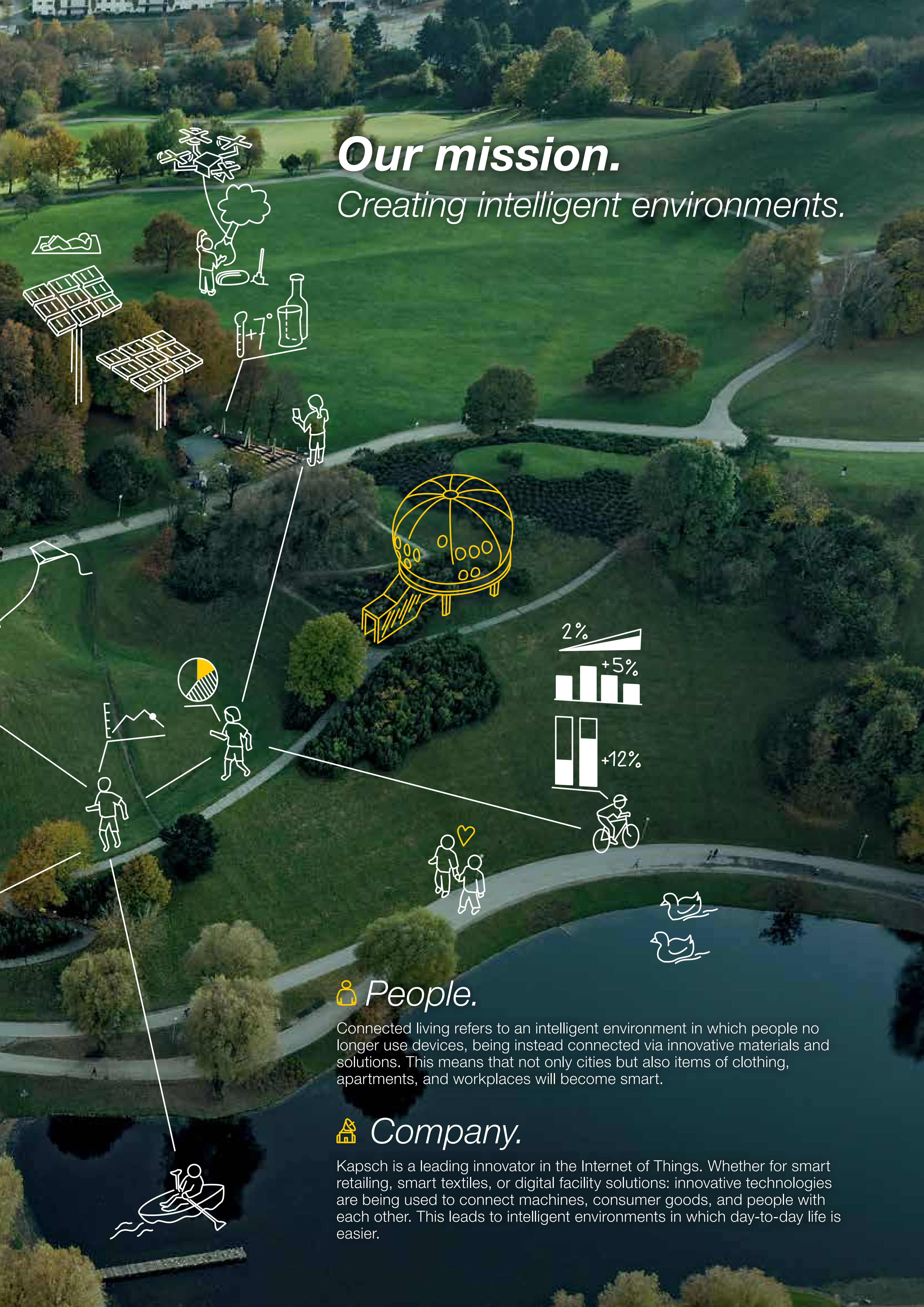


Projects.

One of the growth segments for digitalization projects is the area of smart textiles, in which Kapsch has entered into a development partnership with the Grabher Group. Intelligent textiles are already being used in the healthcare sector and by companies such as Airbus and BMW.

Sustainability.

The main potential of the Internet of Things is in the area of optimized resource allocation and use: traffic can be managed more efficiently, and harmful emissions can be reduced. Alternatively, smart shelf sensors can provide information about stock levels, expiry dates, and shelf filling in order to save resources.



Our mission.

Creating intelligent environments.

People.

Connected living refers to an intelligent environment in which people no longer use devices, being instead connected via innovative materials and solutions. This means that not only cities but also items of clothing, apartments, and workplaces will become smart.

Company.

Kapsch is a leading innovator in the Internet of Things. Whether for smart retailing, smart textiles, or digital facility solutions: innovative technologies are being used to connect machines, consumer goods, and people with each other. This leads to intelligent environments in which day-to-day life is easier.

Kapsch TrafficCom.

Business Segments and Strategy.

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

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

Development of Kapsch TrafficCom until 2017/18. At the time of the IPO (2007), Kapsch TrafficCom almost exclusively provided tolling solutions, supplemented by a few activities in the area of traffic management. The company only had a small number of customers and was mainly active in Europe and Australia.

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

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

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

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

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

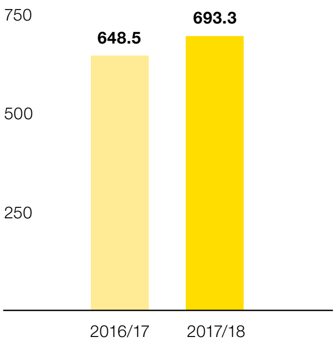
With end-to-end solutions, Kapsch TrafficCom covers the customers' entire value chain as a one-stop shop – from components, to design and installation of systems, to operation.

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

Operation. This includes consulting customers as well as providing the technical and commercial operation of systems. Consulting concerns the development of overall concepts which comprise both the technical as well as the commercial aspects. To do this, Kapsch TrafficCom analyzes 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.

Page 69: For more information about business development in this segment, please refer to the Management Report.

Revenues Kapsch TrafficCom
(in EUR million)



Components. These are developed and manufactured 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 and reading devices as well as cameras and sensors). The components are integrated by Kapsch TrafficCom either into subsystems, which are sold individually or in combination, or into complete turnkey systems.

IMS segment. This segment, representing around a quarter of group revenues, combines a broad spectrum of solutions. IMS comprises established services, for example, in the fields of traffic safety and traffic management. The latter is clearly the largest area in the IMS segment. The areas of connected vehicles and solutions in connection with smart urban mobility represent new business areas that should be seen as investments in the future. Kapsch TrafficCom's approach is to build a visible market position at an early stage and help shape the development of the industry.

Traffic management. The company has two high-performance software solutions for traffic management: DYNAC® is deployed on open motorways, toll roads, managed lanes, and reversible roadways as well as in tunnels and bridges. The software is used to monitor and control traffic, safety, and facilities management assets and processes. EcoTrafiX™ is a web-based integrated mobility management platform designed primarily for urban requirements that ranges from central signal systems to complex multiagency/multimodal city mobility management centers. Both solutions work in real-time. They have a modular design allowing them to be deployed in a variety of applications and making the solutions highly scalable.

Traffic safety. This business area comprises commercial vehicle enforcement and electronic vehicles registration. In addition, Kapsch TrafficCom supports the local authorities in some countries with technologies to monitor traffic.

Smart urban mobility. Kapsch solutions are leveraging data and technology to help provide sustainable urban mobility in the three important areas of smart parking, intermodal mobility, and access management.

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

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

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

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

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

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

Start-up Culture.

Our vision.

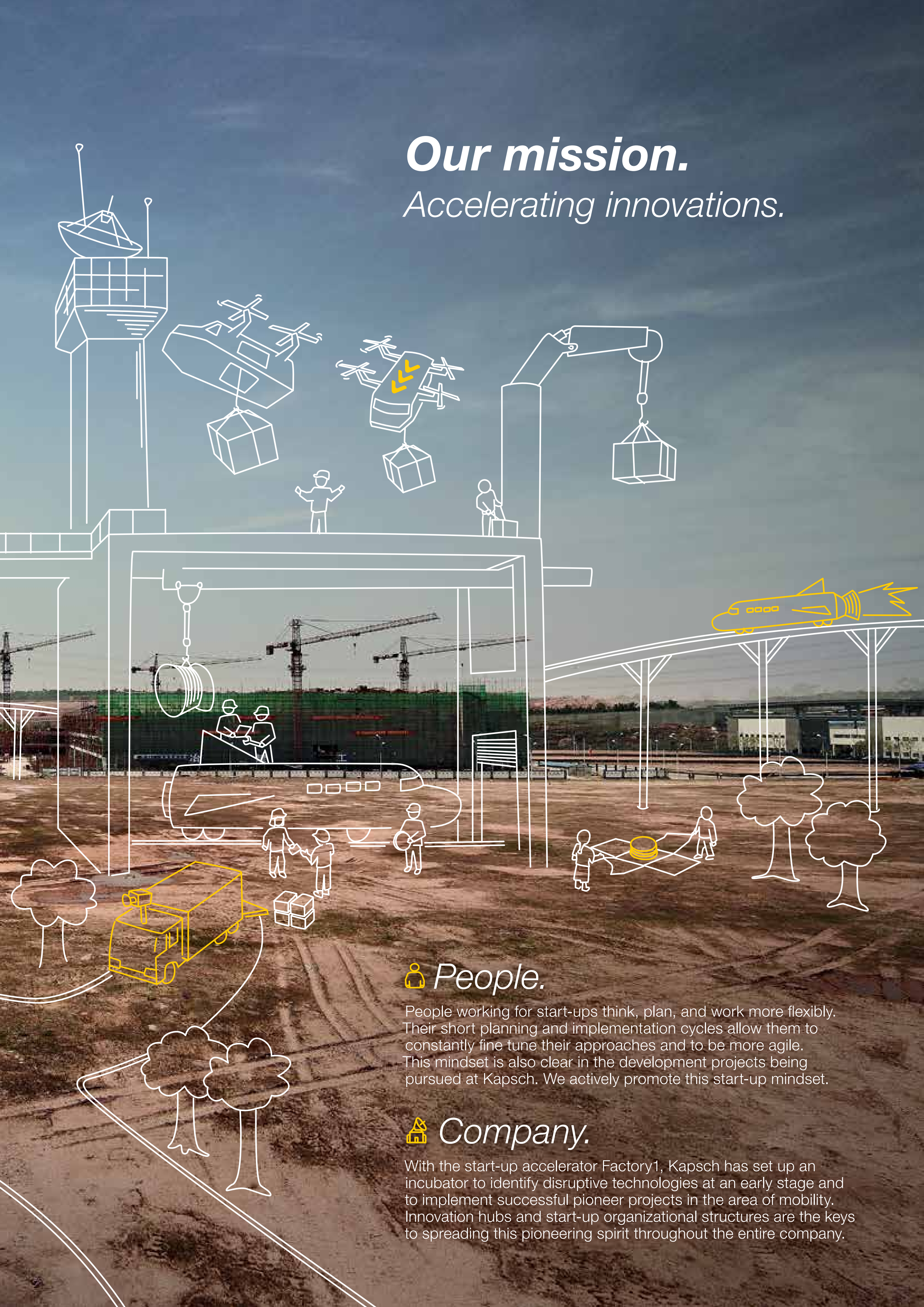
Shaping tomorrow's business processes.

Projects.

Whether connected and autonomous driving, big data analytics and deep learning, smart mobility, security and privacy, infrastructure or payment and transaction processes: Kapsch is currently working together with seven start-ups on business models which could shape and influence the mobility of tomorrow.

Sustainability.

For more than 125 years, Kapsch has successfully acted as an innovation leader and technology pioneer in completely different business areas. From telegraphy and radios to communication and transport: Pioneering spirit combined with commercial foresight has always ensured sustainable business success.



Our mission.

Accelerating innovations.

People.

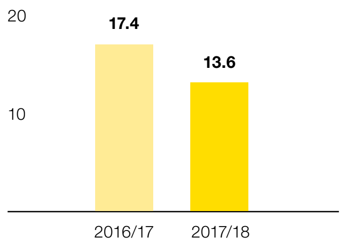
People working for start-ups think, plan, and work more flexibly. Their short planning and implementation cycles allow them to constantly fine tune their approaches and to be more agile. This mindset is also clear in the development projects being pursued at Kapsch. We actively promote this start-up mindset.

Company.

With the start-up accelerator Factory1, Kapsch has set up an incubator to identify disruptive technologies at an early stage and to implement successful pioneer projects in the area of mobility. Innovation hubs and start-up organizational structures are the keys to spreading this pioneering spirit throughout the entire company.

Kapsch PublicTransportCom.

Revenues Kapsch PublicTransportCom
(in EUR million)



Business Segments and Strategy.

As a manufacturer and supplier of smart infrastructure solutions, Kapsch PublicTransportCom focuses on public and other transport companies.

Following the successful integration of the innovative Belgian company Prodata Mobility Systems, the establishment of Kapsch PublicTransportCom in 2016 has made it possible to concentrate fully on the public transport market. The individual portfolio of Kapsch PublicTransportCom 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), and mobile ticketing systems (mobi.ticketing). Kapsch PublicTransportCom is an expert in cloud-based, universal mobi.efficiency network solutions for smart infrastructure such as control and administration systems for public rail and road transport.

Kapsch lists a number of the most innovative solutions in its mobi.portfolio, including the 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.

In order to raise awareness of local public transport among the general public, Kapsch PublicTransportCom works closely together with renowned organizations. We are a member of UITP (Union Internationale des Transports Publics), which defends the vision of sustainable urban mobility, APTA (American Public Transportation Association), which works to improve the quality and accessibility of public transport in the USA, and STA (Smart Ticketing Alliance), which focuses on the future of tickets. Kapsch PublicTransportCom is also a member of the ITxPT (Information Technology for Public Transport) initiative, which aims to standardize the use of IT technologies in local public transport.

Our current projects. In the 2017/18 fiscal year, Kapsch PublicTransportCom focused entirely on handling its numerous customer projects in Belgium, the USA, and Africa. This is intended to create the basis for future growth, particularly in new markets. The mobile ticketing solution for the Metropolitan Atlanta Rapid Transit Authority (MARTA) is a particular highlight here, making it possible for travelers to order, purchase, and redeem their tickets via a mobile app or a mobile website, and giving users access to 38 train stations, 565 bus lines and 210 transit buses in the Greater Atlanta metropolitan area.

Outlook. Kapsch PublicTransportCom expects moderate growth in the coming years. This forecast is based on new projects and contracts linked to the new product portfolio. In addition, strategic projects were launched that are aimed at ensuring Kapsch PublicTransportCom's ability to meet the demands of the coming years.

The search for synergies within the Kapsch Group has been intensified and proposals on how best to harness these are being developed. The growth markets which we are focusing on comprise Belgium, the Netherlands, Romania, Africa, and, especially, the USA.

The ever-quickening pace of urbanization calls for fully integrated, multi-modal solutions, meaning that Kapsch PublicTransportCom is working to develop just such fully integrated mobility solutions.

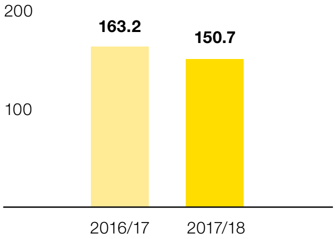
Page 81: For more information about business development in this segment, please refer to the Management Report.

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

Kapsch CarrierCom.

Business Segments and Strategy.

Revenues
Kapsch CarrierCom
(in EUR million)



Kapsch CarrierCom is a successful and globally active manufacturer, supplier, and system integrator of end-to-end telecommunications solutions. The company is pursuing a 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 digitalization of railways, and 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 (NR) in the United Kingdom, SNCF Réséau/SYNERAIL in France, and Deutsche Bahn (DB) 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 EU's Horizon 2020 program Shift2Rail, which aims to develop new technologies, products, and solutions for rail systems by means of research and innovation. Kapsch is leading the work package entitled Adaptable Communications for all Railways and is also involved in the Zero On-Site Testing and Cyber Security packages. Kapsch CarrierCom became a member of the Association of the European Rail Industry (UNIFE) in June 2017. The aim of this association is to ensure uniform standards for railway networks throughout Europe and to guarantee the interoperability of railways systems in order to facilitate a Single European Railway Area (SERA). UNIFE also ensures that the European railway sector is bolstered by joint research and innovation plans.

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. Kapsch CarrierCom has provided leading railway companies in 25 countries around the world, such as NR, SNCF, and DB, with railway communication solutions – 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.

Page 73: 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.

Individualization

Our vision.

Individualized travel.

Projects.

The Cloud-based software solution FluidHub connects travelers' plans with the mobility options offered by a city. It is in use in 28 regions, for example in projects in Helsinki and Stockholm. Atlanta has also commissioned Kapsch to provide a mobile ticketing system.

Sustainability.

Kapsch develops diverse mobility solutions to enable all passengers and travelers access to sustainable, comfortable, and cost-effective mobility. This allows existing resources to be used optimally and improves quality of life.

Our mission.

Facilitating intermodal mobility.

People.

Urbanization is continuing in leaps and bounds. In many cities, the existing infrastructure is overloaded – traffic jams and delays are daily events. The top priority is therefore to enable individualized travel rather than individual travel. This allows people to get from A to B easily and swiftly.

Company.

Fluidtime, which has been a Kapsch Group company since 2016, is Austria's leading app provider for intermodal urban mobility. This mobility platform provides passengers with real-time information about transport options or multi-modal alternative routes as well as offering reservation and payment services.

Kapsch BusinessCom.

Business Segments and Strategy.

As a leading digitalization partner, Kapsch BusinessCom, with its 1,200 employees, supports companies in improving business performance and developing new business models. 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 the successful implementation of a variety of use cases across numerous industries.

The company's comprehensive portfolio includes technology solutions for intelligent and – most importantly – secure ICT infrastructure along with smart building technology, media and security technology, and outsourcing services. 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.

Kapsch relies on being independent from manufacturers and on partnerships with leading global providers as well as a digital ecosystem made up of partners from the field of research and industry-specific solution providers – from start-ups to large players.

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 of customer processes, extensive know-how in the handling of big data and security, as well as a range of successfully implemented use cases in diverse 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. Digitalization 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 digitalization 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 sectors, for example in the form of digital "health files" for cars.

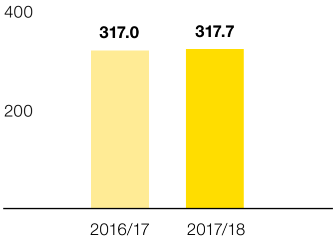
Start-ups are also part of the Kapsch BusinessCom ecosystem. In this context, Kapsch often acts as an incubator to supplement new innovative ideas with its big data or security know-how, and to provide the necessary personnel resources so as to be able to implement large projects. Here, Kapsch draws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

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

In addition to this, the company offers 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 proofs of concept in the field of digitalization were implemented with various renowned companies in the fiscal year 2017/18.

Page 77: For more information about business development in this segment, please refer to the Management Report.

Revenues
Kapsch BusinessCom
(in EUR million)



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.

Independent of manufacturers, yet in conjunction with recognized technology partners such as Cisco, Hewlett Packard Enterprise or Microsoft as well as a digital ecosystem comprising research institutions and start-ups, Kapsch BusinessCom acts as a consultant, system supplier, and service provider.

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

Outlook. The focus of Kapsch BusinessCom continues to be on digitalization in selected sectors such as manufacturing industries, retail, healthcare, public, utility, and finance. The aim 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, the entire value-added chain and the role of IT in existing processes and future business models are highlighted and possible business models identified together with its customers in accordance with a digitalization 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.

The digitalization and growth course is being pursued further by means of a 2022 strategy program launched by Kapsch BusinessCom in 2017.

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

Sustainable society

Our vision.

A future worth living in.

Projects.

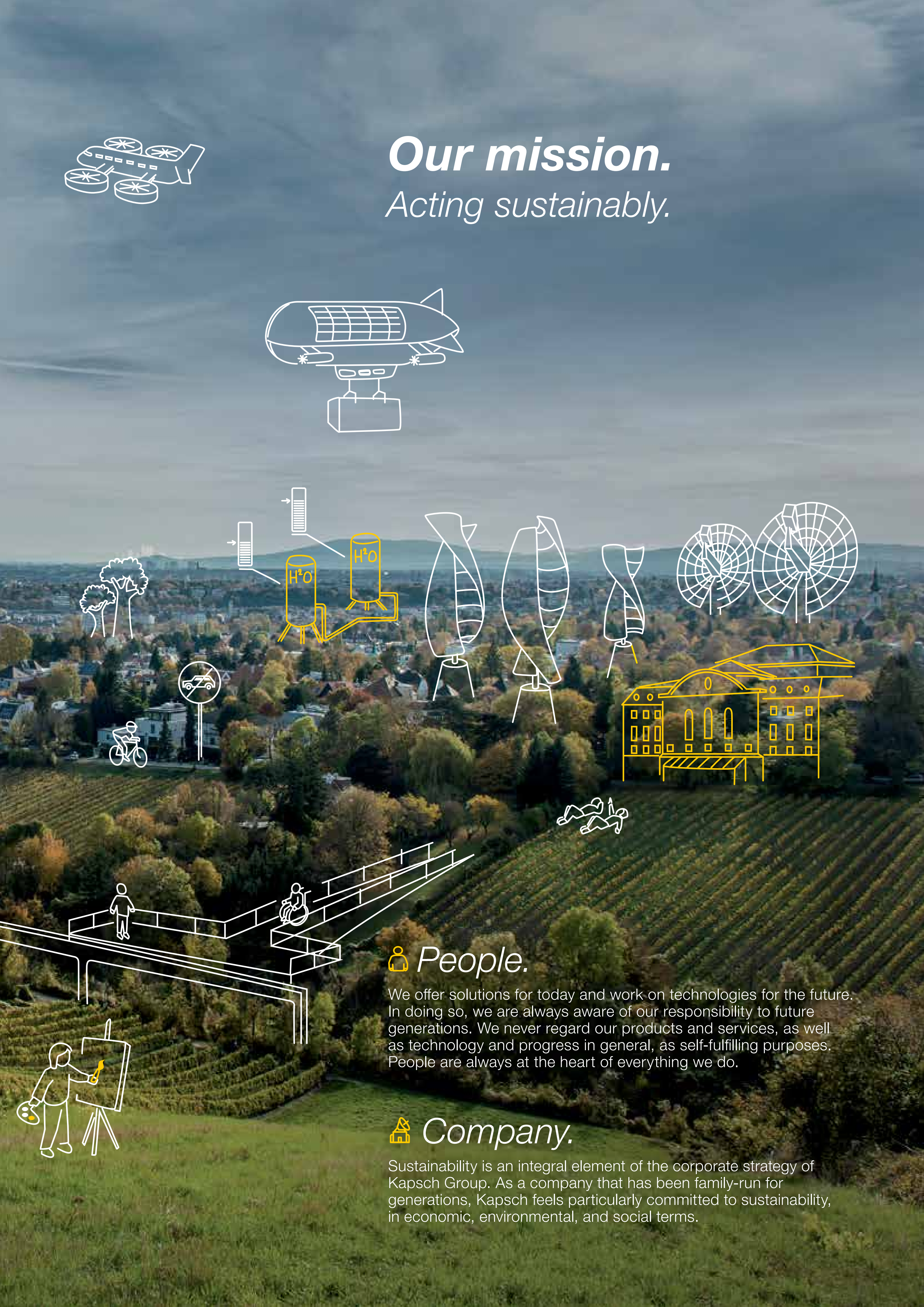
More free-flowing traffic as a result of multi-lane free-flow systems. Optimizing maintenance using the digital assistance system EVOCALL. Solutions for railways and public transport providers: Numerous products and services from Kapsch have a positive impact on people and the environment.

Sustainability.

We constantly strive to provide our customers with solutions which save resources, cut emissions, and improve quality of life. Whether it is by applying the re-use principle or through the recycling of various packaging materials and product components: we act sustainably. This is the only way we, as a company, can be fit for the future.

Our mission.

Acting sustainably.



People.

We offer solutions for today and work on technologies for the future. In doing so, we are always aware of our responsibility to future generations. We never regard our products and services, as well as technology and progress in general, as self-fulfilling purposes. People are always at the heart of everything we do.

Company.

Sustainability is an integral element of the corporate strategy of Kapsch Group. As a company that has been family-run for generations, Kapsch feels particularly committed to sustainability, in economic, environmental, and social terms.

Executive Board and Supervisory Board.

Interaction between 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 the 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 and the Managing Director of Kapsch PublicTransportCom GmbH since December 2016. 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 a member of the board of the Federation of Austrian Industries – Vienna, 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 Vice-President of the Österreichisch Polnische Gesellschaft, a board member of the Austro-Arab Chamber of Commerce (AACC), a member of the French Austrian Chamber of Commerce, a board member of Austria Telecommunication International GmbH, of Gezoge Beteiligungsverwaltungs GmbH, of KEGK Holdinggesellschaft m.b.H, of ADONARD Beteiligungs GmbH, and of UKAL Handels- und Vermietungs GmbH.

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

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

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

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

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

Supervisory Board at Kapsch Aktiengesellschaft.

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

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

Karl-Heinz Strauss has been a member of the Supervisory Board of Kapsch Aktiengesellschaft, KAPSCH-Group Beteiligungs GmbH, and DATAX HandelsgmbH since September 2007. He graduated with a degree in civil engineering before going on to study at Harvard University, the Business School in St. Gallen and completing an MBA program at IMADEC University. Until 2000, he was engaged in various positions at Raiffeisen Zentralbank – including some 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 50).

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

Management of Kapsch PublicTransportCom GmbH.

Kari Kapsch has been Managing Director of Kapsch PublicTransportCom GmbH since December 2016. He also holds internal and external functions in companies of the Kapsch Group (see page 50).

Bernd Eder has been Managing Director 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.

Reinhold Pfeifer has been a member of the Management Board of Kapsch PublicTransportCom GmbH since October 2017. He has undertaken various mandates within Kapsch Group in the past. Since 2004, he has been the Managing Director of Management Factory Corporate Advisory GmbH, a company specialized in providing outsourced management services. Reinhold Pfeifer studied business administration at the Karl-Franzens-University in Graz. He began his professional career at PricewaterhouseCoopers and has also, among other positions, been Head of Accounting and Reporting at Ericsson Austria AG.

Executive Board at Kapsch CarrierCom AG.

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

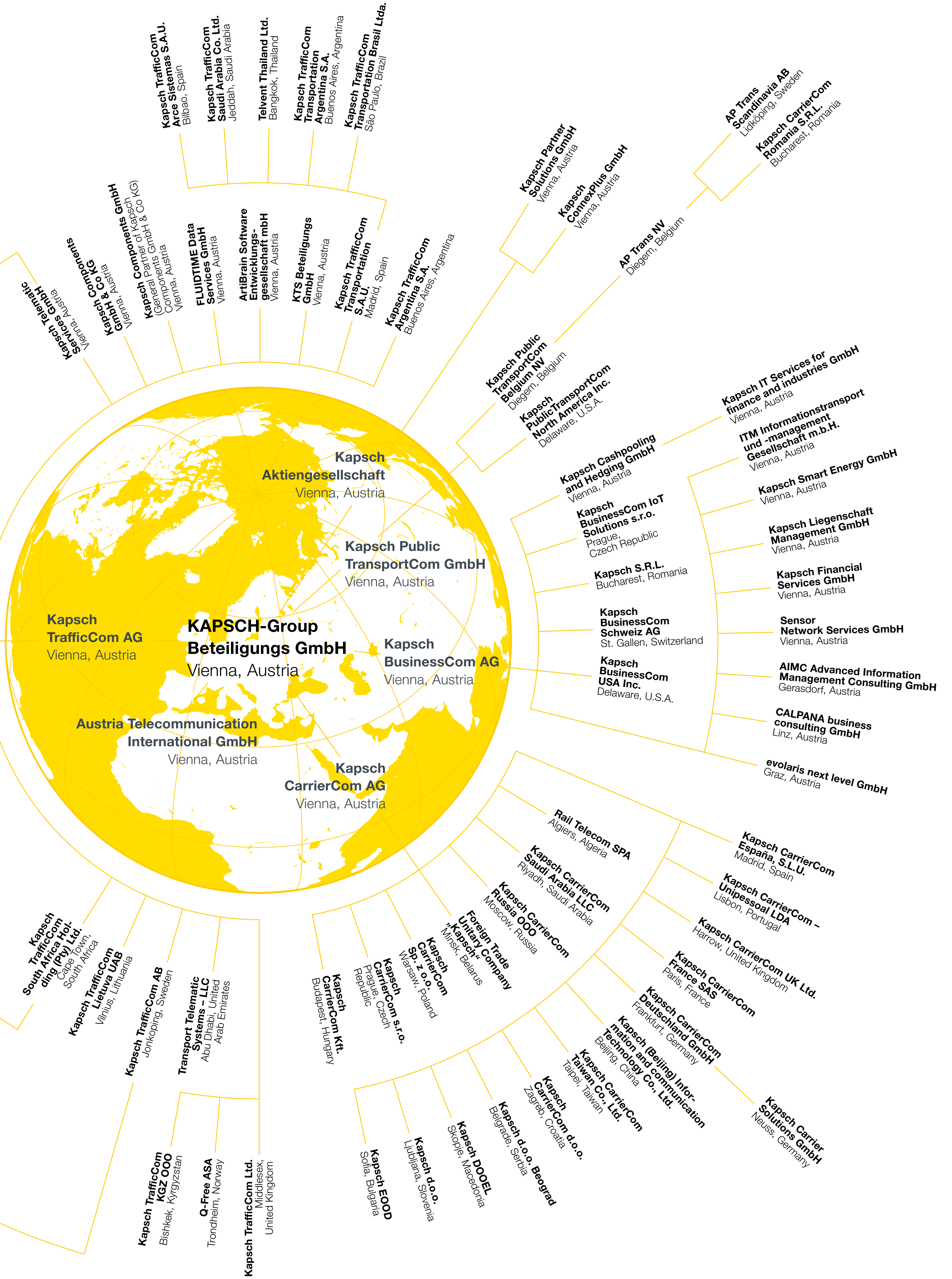
Thomas Schöpf has been a member of the Executive Board of Kapsch CarrierCom AG since 2002. His responsibilities as COO of Kapsch CarrierCom AG include sales as well as sales support and customer solution management. He studied at the Vienna University of Economics and Business Administration and in Fontainebleau, France. He started his career at 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 50).

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.

Kapsch Group worldwide.


KAPSCH-Group Beteiligungs GmbH
Vienna, Austria
Kapsch Aktiengesellschaft
Vienna, Austria
Kapsch Public TransportCom GmbH
Vienna, Austria
Kapsch BusinessCom AG
Vienna, Austria
Kapsch CarrierCom AG
Vienna, Austria
Austria Telecommunication International GmbH
Vienna, Austria
Kapsch TrafficCom AG
Vienna, Austria
Kapsch Telematic Services GmbH
Vienna, Austria
Kapsch Components GmbH & Co KG
GmbH, Austria
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 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 Partner Solutions GmbH
Vienna, Austria
Kapsch ConnexPlus GmbH
Vienna, Austria
AP Trans NV
Diegem, Belgium
AP Trans Scandinavia AB
Lidköping, Sweden
Kapsch CarrierCom Romania S.R.L.
Bucharest, Romania
Kapsch Public TransportCom Belgium NV
Diegem, Belgium
Kapsch PublicTransportCom North America Inc.
Delaware, U.S.A.
Kapsch IT Services for finance and industries GmbH
Vienna, Austria
ITM Informationstransport und -management Gesellschaft m.b.H.
Vienna, Austria
Kapsch Cashpooling and Hedging GmbH
Vienna, Austria
Kapsch Smart Energy GmbH
Vienna, Austria
Kapsch BusinessCom IoT Solutions s.r.o.
Prague, Czech Republic
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
Sensor Network Services GmbH
Vienna, Austria
Kapsch BusinessCom USA Inc.
Delaware, U.S.A.
AIMC Advanced Information Management Consulting GmbH
Gerasdorf, Austria
CALPANA business consulting GmbH
Linz, Austria
evolaris next level GmbH
Graz, Austria
Rail Telecom SPA
Algiers, Algeria
Kapsch CarrierCom España, S.L.U.
Madrid, Spain
Kapsch CarrierCom Saudi Arabia LLC
Riyadh, Saudi Arabia
Kapsch CarrierCom – Unipessoal LDA
Lisbon, Portugal
Kapsch CarrierCom Russia OOO
Moscow, Russia
Kapsch CarrierCom UK Ltd.
Harrow, United Kingdom
Foreign Trade Unitary Company „Kapsch"
Minsk, Belarus
Kapsch CarrierCom France SAS
Paris, France
Kapsch CarrierCom Sp. z o.o.
Warsaw, Poland
Kapsch CarrierCom Deutschland GmbH
Frankfurt, Germany
Kapsch CarrierCom s.r.o.
Prague, Czech Republic
Kapsch (Beijing) Information and communication Technology Co., Ltd.
Beijing, China
Kapsch CarrierCom Kft.
Budapest, Hungary
Kapsch CarrierCom Taiwan Co., Ltd.
Taipei, Taiwan
Kapsch Carrier Solutions GmbH
Neuss, Germany
Kapsch CarrierCom d.o.o.
Zagreb, Croatia
Kapsch d.o.o. Beograd
Belgrade, Serbia
Kapsch DOOEL
Skopje, Macedonia
Kapsch d.o.o.
Ljubljana, Slovenia
Kapsch EOOD
Sofia, Bulgaria
Kapsch TrafficCom South Africa Holding (Pty) Ltd.
Cape Town, South Africa
Kapsch TrafficCom Lietuva UAB
Vilnius, Lithuania
Kapsch TrafficCom AB
Jonkoping, Sweden
Transport Telematic Systems – LLC
Abu Dhabi, United Arab Emirates
Kapsch TrafficCom KGZ OOO
Bishkek, Kyrgyzstan
Q-Free ASA
Trondheim, Norway
Kapsch TrafficCom Ltd.
Middlesex, United Kingdom

Management Report.

KAPSCH-Group Beteiligungs GmbH on the Consolidated Financial Statements as of March 31, 2018.

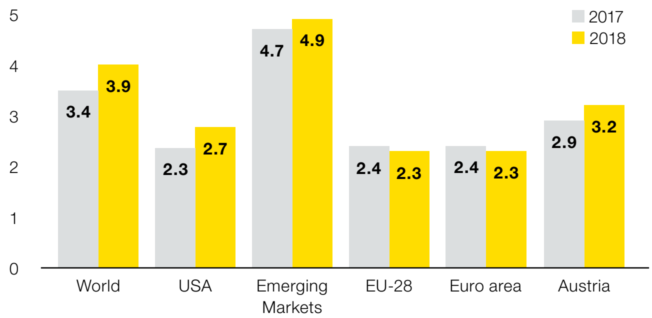
1 Economic Climate.

1.1 Market analysis.

Global economic growth at 3.7%.

Global economy.
Global economic growth was more dynamic than expected in 2017, expanding at a faster rate of 3.7%, up from 3.2% in the prior year. It is noteworthy that the additional momentum was evident in both the leading industrialized countries as well as emerging and developing countries. This widespread upswing gave world trade a significant boost: While the volume of global trade increased by just 1.3% in 2016, growth in 2017 was robust at 3.6%. In a longer-term comparison, this represents the highest value since 2011, despite the recent rise in protectionist sentiment. With regard to 2018, economic researchers expect the positive trend to continue. According to the current forecast of the International Monetary Fund, the global economy is expected to grow by 3.9%. The World Trade Organization forecasts a growth rate of 3.2% in the volume of internationally traded goods and services.

GDP growth 2017/18.
(in %)



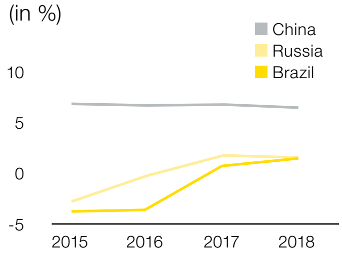
USA.
In the USA, GDP growth in 2017 again climbed above the two-percent threshold. Despite existing uncertainties about the course of the new government, the third-longest phase of expansion in US economic history has remained on track and is expected to continue in 2018 as well. Economists forecast a positive, albeit short-term effect from the tax reform passed at the end of 2017. The willingness of companies to invest in particular is one anticipated result of the cut in corporation tax from 35% to 21%. Against this backdrop, US economic output is set to expand by 2.7% in 2018.

GDP of emerging markets and developing economies rose by 4.7%.

Emerging markets and developing economies.
Aggregate economic performance rose by 4.7% in emerging and developing countries in 2017, with the greatest impetus coming again from the up-and-coming Asian economic region. In China, for example, the growth slowdown forecast for the year under review did not materialize: While the GDP of the regional heavyweight expanded by 6.7% in 2016, the pace of growth accelerated to 6.8% in 2017 on the back of strong external demand. As far as the ASEAN-5 (Indonesia, Malaysia, Thailand, Vietnam, and the Philippines) are concerned, the economy expanded by 5.3% in 2017 while, in India, it was not possible to match the prior-year level in the aftermath of the currency reform. Asia will continue to drive global growth in 2018, although geopolitical tensions in the eastern part of the region pose a certain downside risk.

Economic development in the Commonwealth of Independent States (CIS) was primarily shaped by the slow recovery in Russia. The region's largest economy emerged from a two-year-long recession, recording modest growth of 1.8%. This was mainly due to the steady rise in oil prices in the second half of the year under review. In order to further stabilize the global oil market, OPEC and ten other non-OPEC producing countries, including Russia, extended their agreement to restrict production until the end of 2018. Although the development of prices also benefited the oil-exporting MENAP states (Middle East and North Africa, Afghanistan and Pakistan), the overall economic situation in 2017 in this region was not very satisfactory. Contrary to the general trend, growth in the MENAP region weakened to 2.5% due to a lack of necessary fiscal adjustments.

GDP growth 2015 – 2018.
(in %)



Latin America saw a return to growth in 2017, following a slight decline in economic output in the previous year. The main reason for this was the end of the two-year recession in Brazil, the largest regional economy. Argentina and Mexico also posted solid expansion rates in excess of 2%, even though Mexico's economy is suffering from the uncertain future of the NAFTA agreement. In addition to the countries of Latin America, those of sub-Saharan Africa also benefited from the ongoing recovery in commodity markets in the year under review. Growth in this region increased to 2.7% in 2017, but remains below its potential due to political uncertainties.

Europe.
The European economy was characterized by a broad recovery in 2017 and appears to have largely shrugged off the effects of the financial and debt crisis. The combined GDP of the EU-28 was 2.4% above the level of the previous year. This was mainly due to the higher consumer spending propensity of private households, although investment on the part of companies rose again thanks to brighter business perspectives. Not only was the performance of major economies such as Germany (+2.2%) and France (+1.8%) satisfactory in the year under review, but also in the southern peripheral countries. Even the two crisis-ridden countries Greece and Italy reported relatively solid economic growth data for 2017. The European labor market also experienced a positive development: While the unemployment rate at the peak of the credit crunch refused to drop below 12%, at the beginning of 2018 it was only a little over 7%.

Growth in the euro zone on a par with the EU-28.

The euro zone economy grew at a rate of 2.4% in 2017, the same as in the European Union as a whole. The positive sentiment in the business sector continued unabated in the first few months of 2018, even though the uncertain outcome of the ongoing Brexit negotiations and the secessionist movement in Spain are viewed as potential risks to economic growth. Inflation in the euro zone stood at 1.5% in 2017, again falling short of the 2% target set by the European Central Bank. In view of this, the ECB maintained its expansionary monetary policy and, for the time being, has not indicated when it plans to end the period of low interest rates. However, the halving of monthly bond purchases at the beginning of 2018 is seen as the first signal of a monetary policy turnaround.

In the region of Central and South-Eastern Europe, the pace of economic growth also picked up noticeably in 2017, helped by rising wages and household incomes. A general upward trend was also evident here in investments. Romania (+6.9%), Poland (+4.6%), and Slovenia (+4.6%) performed particularly well in a comparison of countries, while the recovery in crisis-stricken Ukraine was sluggish. Although the Ukrainian economy expanded slightly for the second time in a row in 2017, it remained dominated by numerous risk factors.

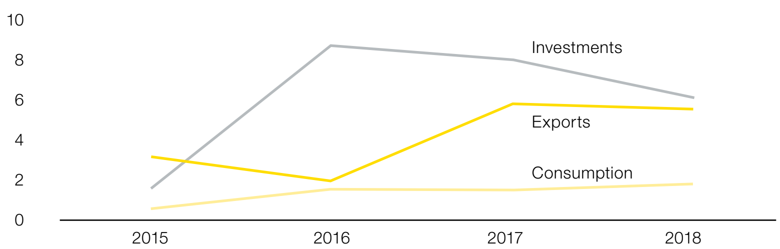
Austria recorded its strongest GDP growth since 2007 (+2.9%).

Austria.
In Austria, the economy experienced a strong upswing in 2017. Specifically, domestic gross domestic product rose by 2.9% compared to the previous year, which is the strongest increase since 2007. Exports, which benefited from the generally favorable economic environment in the year under review, made a significant contribution to this development. Real export growth reached 5.7% in 2017, driven by more dynamic demand from neighboring countries to the east, North America, and Asia. As far as the outlook for 2018 is concerned, economic researchers forecast GDP growth of 3.2%.

The macroeconomic upswing in 2017 led to a greater willingness on the part of companies to invest. Equipment-related investment increased by 7.9% thanks to attractive financing conditions and high capacity utilization. However, a stabilizing effect also came from private household consumption: Spending rose by 1.4% in the year under review, mainly due to higher real incomes. In contrast, however, the development of consumer prices in Austria had a dampening effect. The average domestic inflation rate was 2.1%, well above the benchmark euro zone value. Inflation of 1.9% is expected for 2018.

The Austrian labor market experienced a slight recovery in 2017. The persistently robust increase in the number of jobs over the course of the year led to a fall in the unemployment rate, as defined by Eurostat, below the 6% threshold. In 2018, this positive trend is likely to continue, although some groups will only feel the positive effects of this after some delay. As regards public finances, the budget deficit fell to 0.8% of GDP in the year under review.

Export and investment growth in Austria 2015 – 2018.
(in %)



1.2 Economic situation of the industry.

Market for intelligent transportation systems (ITS).

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). This 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 position. From this perspective, the ITS market was divided into four customer segments and the corresponding primary targets were identified.

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

Vehicle-related ITS aim at in-car telematics such as remote diagnostics or driver assistance systems. They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles, as well as road safety. 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 to V2X, which Kapsch TrafficCom believes will be based on 5.9 GHz technology. The target customers here are vehicle manufacturers and their suppliers.

User-related ITS are focused mainly on convenience and efficiency for travelers. The customer in the car receives information to facilitate orientation during the journey, thereby increasing traffic safety. Example applications for advanced vehicle information systems include transmitting traffic-related vehicle information to travelers before or during a trip as well as navigation services. The target customers here 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. Example applications include above all systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the target customers here are insurance companies, who see pay-as-you-drive car insurance as a promising way to attract new customers by offering fair insurance premiums and ITS-based value-added mobility services.

Market positioning.
The current focus of Kapsch is on the operator/infrastructure-related segment of the ITS market. Vehicle and user-oriented ITS are becoming increasingly important. Kapsch also continuously monitors developments in industry-related ITS.

In recent years, a convergence of the ITS market, an increasing merger of the individual market segments began. Kapsch now believes that the future will include intelligent, holistic mobility solutions, and aspires to play a leading role.

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

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

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

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 a maximum of 314 cars (Argentina), and the figure is even significantly lower in some African countries. If the emerging economies such as China (154 vehicles per 1,000 residents) or Brazil (249 vehicles per 1,000 residents) continue the process of catching up with more developed nations economically, it can be assumed that individual transportation will experience strong growth as well.

Urbanization. The proportion of people living in cities is increasing. While this applied to only 2% of the world's population in the year 1800, over half of all people (55%) on the planet now reside in cities. Forecasts predict that the share of the urban population will rise to 68% by 2050. By then, the global middle class will have grown by more than two billion people, mostly in emerging markets. Since many of these people also aspire to owning a car, a major increase in revenues is expected. Some analysts expect the global number of cars to double between 2017 and 2030 (2017: 1.2 billion), assuming sustained economic growth. This growth dynamic also represents fundamental challenges for the urban transportation infrastructure and requires 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 results from the search for parking alone. The total number of kilometers driven in urban areas per year is forecast to almost triple between 2010 and 2050, rising from 25.8 trillion to 67.1 trillion. 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 cut CO_2 emissions, substantial improvements require changes to user behavior and, above all, intelligent transportation control systems.

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

Expansion and financing of transportation networks. The basic need for mobility, the increasing population and ever-higher volumes of goods traffic involved in global economic trade reveal the limits of current transportation systems. The road network needs to be expanded – especially in emerging markets – and highways that were built decades ago no longer live up to the demands placed on them today. The willingness and ability of governments to invest in the expansion of transportation networks depends on reliable financing opportunities, among other factors.

According to recent studies, global investment in transport infrastructure will grow at an average annual rate of 5% between 2015 and 2025, the majority of which will be investments in roads. The highest growth rates for transport infrastructure investments are projected for sub-Saharan Africa, while the greatest share of investment by far will be in the APAC region.

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

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

Market for public network operators (Carriers).

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

"Cloud Computing" and "Big Data", just to name a couple of examples, are steadily driving up the volume of data traffic. This means that the limits of the existing UMTS networks (3G) have been or will soon 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 broadband access products. A handful of providers have started setting up pre-5G networks. As a result, these areas are the focus of attention for large telecommunications companies and are 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 data protection issues, which have become more important not least as a result of the newly enacted European General Data Protection Regulation (GDPR).

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.

Nevertheless, there are still some projects in this challenging market environment that provide good starting points for system integrators such as Kapsch. For instance, projects on NFV (Network Function Virtualization) are frequently requested and partially implemented. Kapsch aims to position itself as an end-to-end solutions provider in the field of NFV. In addition, SDN (Software-Defined Networking) provides another technological approach to optimizing the cost base of public network operators.

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 in this market segment, on the one hand, due to their size, yet, on the other, leaves space for specific, manufacturer-independent system integration services performed by system integrators.

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.

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

Investment in the railway business, which is adapted to the general growth trend in 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 considered encouraging for the coming years as both capacity-expanding commissioning projects and a need for services are expected.

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 and work on these programs is continuing apace at the moment. 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. At the same time, there continue to be signs that this change will take place over long technology cycles. This means that GSM-R networks will continue to be in use until 2035 and beyond.

GSM-R is now also being used beyond Europe's borders. New GSM-R networks are already in service or are currently being installed. 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 into 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 and is also taking advantage of this position already in the ongoing work as part of this initiative.

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.

Digitalization and security are also becoming increasingly relevant factors in this customer segment. For example, Kapsch has succeeded in selling the first "Communications Security" solution to the French rail customer SNCF, which represents an attractive entry point for further potential cyber security topics in respect of this customer.

Market for public transport solutions.

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 every year in Europe (EU-28). These include those on 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 vendors in some countries, especially in Europe, making the market even more attractive for established vendors.

Machine-to-machine communication (M2M) 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.

Market for information and communication technologies (ICT).

The segment Enterprise addresses the ICT market.

With a share of around 8.6%, the ICT market not only generates a considerable share of added value in Austria, ICT also drives value creation in other areas to a considerable extent. According to the Association of the Electrical and Electronics Industry in Austria, ICT companies in Austria have a production value of up to EUR 36.6 billion per year due to indirect effects and safeguard as many as 289,000 jobs.

It is therefore not surprising that, according to a representative study by the market analyst Pierre Audoin Consultants (PAC), "Digitalization" is the most important issue falling under the responsibility of IT managers and will remain so for the foreseeable future. The impact of digitalization on currently trending IT topics such as Industry 4.0 and IoT, the Internet of Things, which deals with the digitalization of the entire value creation process within the manufacturing industry, and IoT in the context of smart products and smart services, is significant. As such, most companies have started projects and have greatly increased their digitalization budgets. Ultimately, the goal is to optimize the range of products and services on offer, along with the associated processes, by using new technologies and to generate new business models.

Other key issues, according to PAC, include artificial intelligence and robotic process automation (RPA), which are intended to help overcome personnel shortages by automating many horizontal and vertical processes. Kapsch covers all these topics in the segment Enterprise.

The ICT market continues to experience change. 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 IT operating models. Kapsch is ideally equipped to meet the challenges of the future in this segment in order to be able to offer its customers the best service and customized solutions.

2 Development of Kapsch Group.

2.1 Overview of Group development.

Revenues rise again to over EUR 1.1 billion.

In the past 2017/18 fiscal year, Kapsch Group proved once again 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 2017/18 fiscal year which, on the one hand, was associated with impressive achievements, new market successions, acquisitions and their integration as the keys to sustained company success but, on the other, great efforts and progress were also made in order to make those business segments which are facing major challenges fit for success in the future through corresponding attention from Management, a strong focus on the tasks to be overcome, as well as through strategic decisions. It was again possible to further increase consolidated revenues to EUR 1,145 million in the past year, a new record. At EUR 20.1 million, earnings before interest and taxes were on a par with the prior-year's level, with some shifts between the individual segments. Operationally speaking, results have essentially developed in a stable way, although there were some, largely unrealized, foreign currency charges, without which the result would have been significantly higher than in the previous year. In order to ensure the sustainability of the company's steady growth, there was a significant increase in spending on research and development (EUR 138.8 million) in the past fiscal year, among other things. The further rise in the number of employees is also impressive evidence of the company's growth trajectory, with the headcount increasing to a new record level of 7,236 employees (+368 or +5%).

Segments of Kapsch Group.

Kapsch Group operates in the following main segments:

Considerable growth was again recorded in the **segment Traffic** in the past fiscal year, reaching EUR 693.3 million, although this time it was not acquisitions but instead the expansion of existing business that was responsible for this compared to the last fiscal year. Above all, the Electronic Toll Collection (ETC) division, and in particular the rise in construction revenues for the expansion of truck toll collection systems in Austria and Poland, the newly won project to set up a nationwide toll collection system in Bulgaria, and higher volumes of business in the Americas region contributed to the significant increase in revenues. As such, this segment continues to make the largest contribution to consolidated revenues and the group result.

The **segment Carrier** was able to generate revenues of EUR 150.7 million in the year under review. While revenues in the Mission-Critical Networks segment further normalized and actually even grew slightly again, the higher level of revenues generated with Carriers in the prior year could not be sustained. Revenues in the Public Transport division are presented in a dedicated segment from the past reporting period onwards. In order to achieve a greater degree of comparability, the comparative figures from the previous year are no longer presented in the segment Carrier, but instead in the Public Transport segment in this annual report. The segment result was negatively impacted by a decline in business in this segment and the associated general inability to cover fixed and one-off costs. With resources having already been adjusted to the lower revenue level as well as the current order backlog at the end of the fiscal year (EUR 149.5 million), Kapsch has now created a sound basis for continuing and further developing business in this segment.

In the **segment Enterprise**, Kapsch was actually able to slightly exceed the prior year's volume of revenues, reaching EUR 317.7 million, although three subsidiaries in Hungary, Slovakia, and the Czech Republic were divested at the end of the first quarter. This is primarily attributable to the level of growth in Austria as well as the successful work to expand the service business. The regional focus in this segment is on the "DACH" region and Kapsch is proving to be a reliable partner to its customers 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. A stable development with potential for growth is expected in the future.

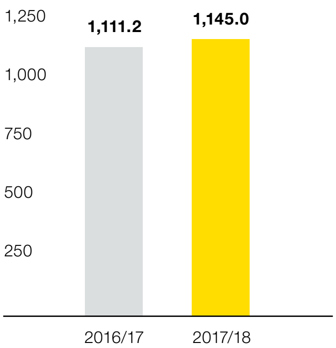
In the **segment Public Transport**, revenues continued to fall considerably short of expectations in the past reporting period, coming in at just EUR 13.6 million. In addition to a number of critical projects, for which corresponding accounting provisions had to be made alongside ongoing operating losses, the revaluation of assets, primarily the intangible assets from acquisitions relating to the customer base and the capitalized development costs of Kapsch PublicTransportCom Belgium NV, was responsible for this. The order backlog at the end of the fiscal year amounted to EUR 22.5 million.

Overall Kapsch Group.

in EUR million	2016/17	2017/18	Change	
Revenues	1,111.2	1,145.0	33.8	3%
EBITDA	68.1	56.3	-11.8	-17%
EBITDA margin in %	6.1	4.9		
EBIT	20.1	20.1	0.0	0%
EBIT margin in %	1.8	1.8		
Total assets	1,058.2	1,007.1	-51.0	-5%
Equity	264.0	255.8	-8.3	-3%
Cash and cash equivalents	246.6	209.3	-37.3	-15%
Net debt	-107.5	-116.2	-8.7	-8%
Capital employed	606.7	569.4	-37.3	-6%
Free cash flow	25.6	13.3	-12.4	-48%
Investments	29.1	20.5	-8.6	-30%
R&D expenses	125.0	138.8	13.8	11%
Employees, as of March 31	6,868	7,236	368	5%

2.2 Earnings situation.

Renewed revenue growth in fiscal year 2017/18.
(in EUR million)



In the 2017/18 fiscal year, Kapsch Group generated consolidated revenues of EUR 1,145.0 million, reaching a new record high for the third consecutive year. The year-on-year increase from EUR 1,111.2 million amounted to EUR 33.8 million (3%) and is attributable to the success enjoyed in the Traffic segment. Revenue growth in the past fiscal year was achieved without any significant acquisition effects, underscoring the sustainability and stability of the core business. This underpins Management's strategy of enabling international growth through further acquisitions, on the one hand, and through organic growth and expanding current business activities, on the other. 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 along its defined path.

From a regional perspective, revenues indicate that Kapsch Group was again able, in the 2017/18 fiscal year, to forge ahead with international diversity. In addition to the increase in revenues in the Austrian market, where revenues increased by EUR 25.7 million or 9% to EUR 322.4 million, revenues generated abroad also increased to EUR 822.7 million and it was possible to keep its share of consolidated revenues stable at 72%. In Central and Eastern Europe, revenues remained at exactly the same level as in the previous year, EUR 270.6 million, even though the Group divested three subsidiaries in this region as of July 1, 2017, and revenues in Belarus were significantly lower than in the previous year, which included additional business associated with system expansions. The overall stable revenue situation is primarily attributable to the rise in revenues in Poland, as well as to a new large-scale toll collection project in Bulgaria. In Western Europe, revenues improved impressively by EUR 9.3 million or 5 % to EUR 213.5 million. This is due in particular to the increase in revenues in Germany, as well as in France, Spain, and Ireland, while revenues declined in the Netherlands and in Norway. In the Americas, revenues increased by EUR 12.8 million or 6%, to over EUR 210.4 million, for the first time in the company's history reaching over EUR 200 million. The growth mainly resulted from the USA and, due to acquisitions, also from Mexico. Only the Rest of the World region saw a decrease of EUR 14.0 million or 10% to EUR 128.2 million in the past fiscal year, following several years of growth, a fact which was primarily a result of the decline in Australia, where several large-scale projects were implemented in the prior year, in South Africa, and in Algeria. On the other hand, higher revenues were generated in Singapore and Thailand in a year-on-year comparison. Overall, the Rest of the World region contributes over 11% to consolidated revenues.

Revenues by region (share in revenues).

in EUR million	2016/17		2017/18		Change	
Austria	296.7	27%	322.4	28%	25.7	9%
Central and Eastern Europe	270.6	24%	270.6	24%	0.0	0%
Western Europe	204.2	18%	213.5	19%	9.3	5%
Americas	197.6	18%	210.4	18%	12.8	6%
Rest of the World	142.1	13%	128.2	11%	-14.0	-10%
Group	**1,111.2**	**100%**	**1,145.0**	**100%**	**33.8**	**3%**

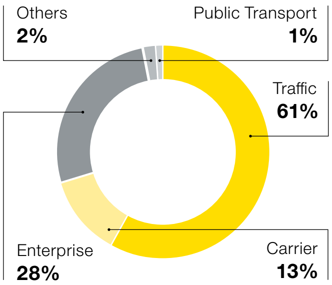
The segment Traffic posted an increase in revenues of EUR 44.8 million or 7%, reaching a new record of EUR 693.3 million and thus now contributing 61% to consolidated revenues. This is all the more remarkable as the increase in the past fiscal year was essentially not due to acquisitions but instead to organic growth.

In the segment Carrier, revenues fell to EUR 150.7 million (prior year: EUR 163.2 million), despite marginal growth in the rail customer business as a whole, which is attributable to the overall decline in business with carriers.

Revenues in the Public Transport division are presented in a dedicated segment from the past reporting period onwards and amounted to EUR 13.6 million in the period under review (prior year: EUR 17.4 million).

In the segment Enterprise, revenues remained largely unchanged at EUR 317.7 million (EUR +0.7 million or +0%); if the decline as a result of the sale of the subsidiaries in Hungary, Slovakia, and the Czech Republic is taken into account, then revenues in this segment actually increased substantially.

Revenues by segment.



Revenues by segment (share in revenues).

in EUR million	2016/17		2017/18		Change	
Traffic	648.5	58%	693.3	61%	44.8	7%
Carrier	163.2	15%	150.7	13%	-12.6	-8%
Enterprise	317.0	29%	317.7	28%	0.7	0%
Public Transport	17.4	2%	13.6	1%	-3.8	-22%
Others	21.3	2%	19.3	2%	-2.0	-9%
Eliminations	-56.1	-5%	-49.5	-4%	6.6	-12%
Group	**1,111.2**	**100%**	**1,145.0**	**100%**	**33.8**	**3%**

Operating performance rose year-on-year by EUR 19.1 million or 2% to EUR 1,172.0 million, which is the result of positive revenue developments. Other operating income (EUR -5.3 million), changes in inventories (EUR -0.8 million) and own work capitalized (EUR -8.7 million) decreased compared to the prior year.

In line with revenue development, the cost of materials and other production services rose by EUR 22.0 million or 4% relative to the prior year to EUR 546.0 million.

Staff costs also rose by 2% (or EUR 8.2 million) to EUR 396.6 million, reflecting the increased business volume. The primary factor here was the further increase in headcount, which has risen by 368 persons or 5% to 7,236 employees, the first time the headcount has surpassed 7,000.

Expenses for depreciation, amortization, and impairment charges fell significantly in the past fiscal year to EUR 36.1 million (EUR -11.8 million or -25%). This decrease is mainly attributable to the fact that the impairment charges taken against intangible assets in the segment Public Transport in the past fiscal year were substantially reduced. Expenses for scheduled depreciation in the amount of EUR 28.7 million were EUR -2.5 million or 8% below the previous year.

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

in EUR million	2016/17	2017/18	Change	
Property, plant and equipment	15.9	13.8	-2.1	-13%
Intangible assets	15.1	14.6	-0.5	-3%
Investment property	0.2	0.2	0.0	0%
Impairment charge	16.7	7.4	-9.3	-56%
Total	**48.0**	**36.1**	**-11.8**	**-25%**

Other operating expenses increased only marginally by EUR 1.2 million or 1% year-on-year to EUR 173.7 million. This increase is also primarily attributable to the rise in revenues and the additional number of employees. Following the sharp increase in the prior year, expenses for legal and consulting fees were substantially reduced. There were also positive changes over the prior year in respect of rental expenses, office expenses, taxes and charges, as well as in terms of provisions for guarantees. On the other hand, IT and communication expenses, the costs of maintenance and other operating expenses rose. Exchange rate losses from operating activities, which increased significantly by EUR 10.0 million, had a particularly strong impact.

Foreign exchange effects negatively impact the result.

EBITDA fell in the past fiscal year by EUR 11.8 million or 17% to EUR 56.3 million. This is due to the fact that, in the past fiscal year, the results in the segment Traffic and the segment Enterprise fell below the prior-year levels. Foreign exchange effects had a significant impact in both segments. If the results were adjusted for operational foreign exchange effects, the EBITDA would actually have risen in a year-on-year comparison. The segment Carrier was able to significantly improve its operating result, but this was mainly due to the extremely negative impact on earnings in the prior year – attributable to project-related one-time effects in the Mission-Critical Networks division. The segment Public Transport further exacerbated the negative operating result. The EBITDA margin narrowed overall from 6.1% to 4.9%.

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

Adjusted results at a satisfactory level.

At EUR 20.1 million, the operating result (EBIT) remained on a par with the prior year's result, also being affected by the abovementioned operational foreign exchange effects. If all foreign exchange effects were eliminated from the operating result, the EBIT for the present fiscal year would be EUR 25.1 million, and EUR 12.3 million higher than in the prior year. Over 90% of these foreign exchange effects on the operating result in the 2017/18 fiscal year amounting to EUR -5.0 million were not realized and therefore did not affect cash flow. This development is related in particular to the relationship between EUR and USD as of the balance sheet date. In addition to the abovementioned one-time operational effects, non-cash impairment charges taken against intangible assets in the segment Public Transport amounting to EUR 7.4 million also contributed to this unsatisfactory result in the past fiscal year. Overall, the EBIT margin of Kapsch Group remained unchanged at 1.8% (prior year: 1.8%).

As mentioned above, Management has already taken strategic decisions or initiated measures to ensure that profitability is restored in all areas of the company. Furthermore, Kapsch Group intends to continue safeguarding long-term and sustainable growth. As such, Management's strategy is to focus on this medium and long-term aspect and thus correspondingly underpin future success.

Earnings figures of Kapsch Group.

in EUR million	2016/17	2017/18	Change	
EBITDA	68.1	56.3	-11.8	-17%
EBITDA margin in %	6.1	4.9		
EBIT	20.1	20.1	0.0	0%
EBIT margin in %	1.8	1.8		
Profit/loss before taxes	19.3	8.3	-11.1	-57%
Profit/loss for the period	4.4	6.3	2.0	45%

The financial result fell noticeably by EUR 10.0 million to EUR -11.2 million. This is due above all to lower interest income (EUR -1.4 million or -51%) as well as lower income from the sale of financial assets and investments (EUR -3.1 million or -81%) and much lower foreign exchange gains (EUR -4.7 million or -42%). The effects of the US dollar and the South African rand were particularly responsible for this. Financial expenses of EUR 21.7 million were slightly above the level of the prior year (EUR +0.4 million or +2%).

The result from other joint ventures and associated companies amounted to EUR -0.6 million (2016/17: EUR 0.4 million) and was attributable to the result and the devaluation of the investment in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico, following the purchase of the remaining shares.

Profit before taxes was also well below the prior year's level at EUR 8.3 million (EUR -11.1 million or -57%), while the profit for the period of EUR 6.3 million (EUR +2.0 million or +45%) rose significantly over the prior year. This is due to the fact that income tax expense was well below the prior year's level partly as a result of not capitalized loss carryforwards and tax adjustments of prior years.

Other comprehensive income fell by EUR 2.1 million or 36% in the past fiscal year to EUR -8.0 million. This was primarily due to currency translation differences from net investments in foreign business operations (EUR -6.1 million). Other currency translation differences actually improved in a year-on-year comparison to EUR -1.9 million.

Total comprehensive income remained stable at EUR -1.7 million (prior year: EUR -1.5 million).

2.3 Financial Situation.

Balance sheet figures of Kapsch Group.

in EUR million	2016/17	2017/18	Change	
Total assets	1,058.2	1,007.1	-51.0	-5%
Equity	264.0	255.8	-8.3	-3%
Equity ratio in %	25.0	25.4		
Cash and cash equivalents	246.6	209.3	-37.3	-15%
Net debt	-107.5	-116.2	-8.7	8%
Capital employed	606.7	569.4	-37.3	-6%
Net working capital	422.7	398.2	-24.5	-6%

The balance sheet total of Kapsch Group decreased by EUR 51.0 million or 5% to EUR 1,007.1 million in a year-on-year comparison. This was primarily due to the scheduled repayment of current financial liabilities, meaning that it was possible to successfully refinance the corporate bonds due over the long term at favorable interest rates. This will continue to provide the Group with sufficient liquidity to finance its ongoing growth, both organically and on an acquisition-related basis. Overall, the Group was able to maintain its stable balance sheet in the last fiscal year.

At EUR 285.2 million, "Non-current assets" remained on a par with the prior year (EUR -0.2 million or -0%). While "Property, plant and equipment" decreased by EUR 3.4 million or 6% and "Intangible assets" by EUR 15.3 million or 10% as a result of scheduled depreciation and amortization, as well as impairment charges, "Shares in associated companies and joint ventures" increased by EUR 5.0 million or 125% as a result of the acquisition of Intelligent Mobility Solutions Ltd., Zambia. By the same token, "Other non-current financial assets and investments" rose by EUR 4.9 million or 20%, primarily as a result of the acquisition of minority interests in Traffic Technology Services Inc., USA, and additional minority interests in ParkJockey Global Inc., USA. "Deferred tax assets" also increased sharply by EUR 9.1 million or 29% as a result of depreciation which is disallowed for tax purposes.

"Current assets" decreased by EUR 59.7 million or 8% to EUR 713.4 million. This was attributable, on the one hand, to the decline in "Inventories" of EUR 11.4 million or 10% to EUR 101.0 million and the slight decrease in "Trade receivables and other current assets" of EUR 12.0 million or 3% to EUR 388.7 million, as well as primarily to the reduction in "Cash and cash equivalents" of EUR 37.3 million or 15% to EUR 209.3 million, which is directly associated with the scheduled repayment or refinancing of the corporate bonds falling due in the past fiscal year.

Equity ratio remains stable.

The "Equity" of Kapsch Group remained stable in the past fiscal year, declining only marginally by EUR 8.2 million or 3% to EUR 255.8 million. In contrast and despite the unsatisfactory result, the equity ratio rose slightly to 25.4%. The Group aims to increase this again to over 30% in the medium term.

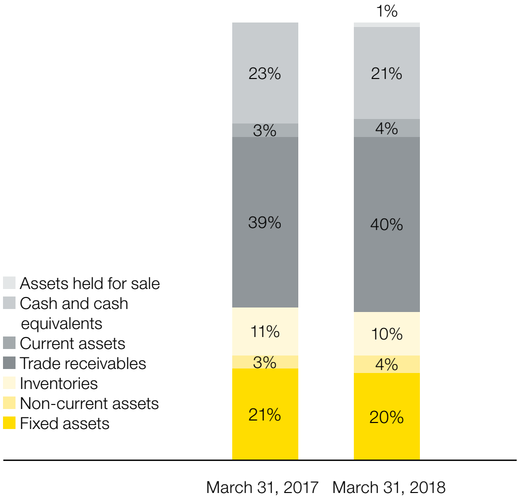
"Non-current liabilities" increased year-on-year to EUR 328.9 million (EUR +41.5 million or +14%). This is due to the fact that the Group was able to refinance its expired short-term financial liabilities with new, long-term loans at attractive conditions. "Non-current financial liabilities" thus saw a year-on-year increase to EUR 210.0 million (EUR +42.0 million or +25%).

In contrast, "Non-current provisions" were significantly cut by EUR 1.4 million or 7% to EUR 20.0 million and "Deferred tax liabilities" by EUR 1.9 million or 38% to EUR 3.1 million. "Other non-current" liabilities rose by EUR 2.7 million or 31% to EUR 11.3 million. "Liabilities from post-employment benefits to employees" remained virtually unchanged at EUR 70.0 million.

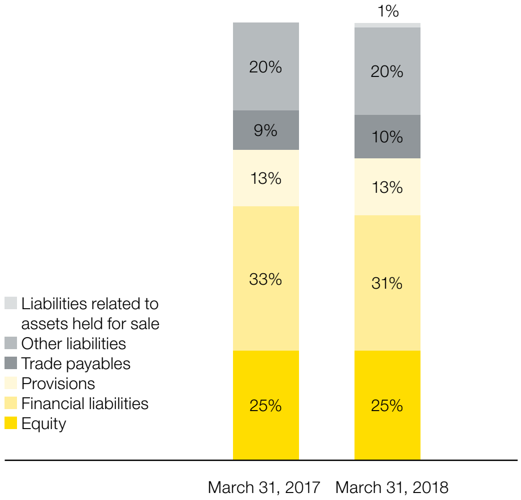
Scheduled repayment of the corporate bonds due in the past fiscal year.

“Current liabilities” fell sharply to EUR 413.0 million (EUR -93.7 million or -18%). This reduction was mainly due, as already mentioned, to the scheduled repayment of current financial liabilities, notably as a result of the two corporate bonds falling due in the past fiscal year. “Current financial liabilities” decreased by EUR 71.0 million or 41% to EUR 103.6 million. The increase in “Current tax liabilities” of EUR 6.7 million or 62% to EUR 17.6 million was offset by a substantial reduction in “Current provisions” of EUR 13.7 million or 27% to EUR 36.3 million. “Trade payables” also declined by EUR 3.7 million to EUR 85.1 million, while “Current liabilities from financial leases” remained virtually unchanged over the prior year at EUR 0.7 million.

Assets



Liabilities



Net debt rose somewhat year-on-year by EUR 8.7 million or 8% to EUR 116.2 million. Capital employed in the past fiscal year amounted to EUR 569.4 million, EUR 37.3 million or 6% down on the prior year’s level.

Net working capital fell in a year-on-year comparison by 6% or EUR 24.5 million to EUR 398.2 million.

2.4 Cash flow.

Clear improvement in the liquidity situation.

The Group was able to demonstrate a stable liquidity position over the past fiscal year. Maturing financial liabilities were repaid as scheduled and new long-term financing at favorable conditions was secured.

Cash flow of Kapsch Group.

in EUR million	2016/17	2017/18	Change	
Cash flow from operating activities	49.8	29.9	-19.8	-40%
Cash flow from investing activities	-51.9	-24.0	27.9	-54%
Cash flow from financing activities	77.5	-37.1	-114.6	–
Total	**75.3**	**-31.2**	**-106.5**	**–**

At EUR 29.9 million, cash flow from operating activities was EUR 19.8 million or 40% below the prior year’s level. This was due, on the one hand, to lower impairment charges and the decline in “Non-current provisions”. On the other hand, this was attributable to the fact that, in the prior year, there was a sharp decline in “Non-current trade receivables” (due to the toll collection project in Belarus). This was offset by the reduction in “Trade receivables and other assets” as well as the lower year-on-year decrease in “Trade payables” and “other liabilities”.

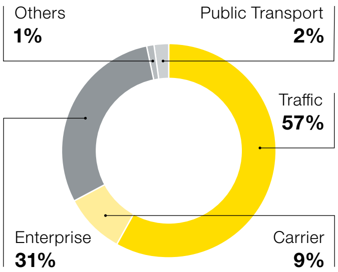
At EUR -24.0 million, cash flow from investing activities was up EUR 27.9 million or 54% on the prior year’s level. This is primarily due to the acquisitions made in the segment Traffic in the past fiscal year (minority interests in Kapsch Telematic Services Czech Republic, Kapsch Transportation, tolltickets, and Fluidtime). Investments in property, plant and equipment and, above all, in intangible assets also declined significantly. In addition, it was also possible to generate more income from the sale of shares. This means that free cash flow fell from EUR 25.6 million to EUR 13.3 million (EUR -12.4 million or -48%).

Cash flow from financing activities amounted to EUR -37.1 million, well below the prior year's level (decreasing by EUR 114.6 million). This is primarily attributable to the decline in financial liabilities. On the one hand, there was a very large positive effect in the prior year as a result of the promissory note bond issued and, on the other hand, current financial liabilities were repaid or only partially refinanced primarily from the corporate bonds maturing this year. There was naturally a positive effect from the fact that no dividend was paid to the shareholders of the company in the past fiscal year (prior year: EUR -9.0 million). The dividends paid out to holders of non-controlling shares remained unchanged at EUR -7.2 million.

Cash and cash equivalents at the end of the fiscal year amounted to EUR 209.3 million, representing a decrease of EUR 37.3 million or 15% compared to the prior year.

2.5 Investments.

Investments 2017/18 by segment.



Investments in the past fiscal year amounted to EUR 20.5 million, EUR 8.6 million or 30% below the prior year's level. In addition, fixed assets increased by EUR 5.1 million, relating to company acquisitions. However, fixed assets ultimately declined noticeably to EUR 202.1 million (EUR -18.9 million or -9%) due to scheduled depreciation and impairments, as well as disposals of fixed assets.

Investments of Kapsch Group.

in EUR million	Property, plant and equipment	Intangible assets	Investment property	2017/18
Carrying amount as of March 31 of prior year	**58.9**	**158.5**	**3.7**	**221.1**
Addition from business combinations	0.0	5.0	0.0	5.1
Investments (additions)	16.9	3.6	0.0	20.5
Divestments (disposals)	-4.6	-1.5	0.0	-6.1
Depreciation/amortization	-13.8	-14.6	-0.2	-28.7
Impairment charges	0.0	-7.4	0.0	-7.4
Currency translation differences	-1.4	-0.4	0.0	-1.9
Reclassifications	-0.4	0.0	0.0	-0.4
Carrying amount as of March 31 of fiscal year	**55.5**	**143.2**	**3.5**	**202.2**

When considering all segments, it becomes clear that the majority of investments was made in the segment Traffic (EUR 11.8 million or 57%). Investments in the segment Carrier amounted to EUR 1.9 million or 9% and EUR 0.5 million or 2% in the segment Public Transport. The remaining investments of EUR 6.3 million or 29% are attributable to the segment Enterprise.

3 Business Segments.

Kapsch Group operates in the following segments:
> Segment Traffic
> Segment Carrier
> Segment Enterprise
> Segment Public Transport (this business was previously included in the segment Carrier)
> Segment Others

3.1 Segment Traffic.

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

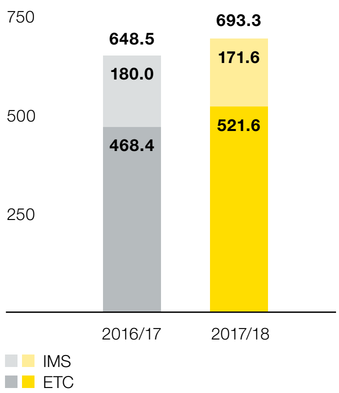
The segment Traffic is sub-divided into the two divisions ETC and IMS.

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

> **Electronic Toll Collection (ETC):** The ETC division reflects projects for the installation, maintenance, and operation of systems for the electronic collection of tolls without stopping at a toll station, as well as manual toll collection systems. These are generally projects resulting from invitations to tender or awards by public agencies or private concessionaires. The systems cover either individual road sections or nationwide road networks as well as solutions for urban road user charging. After installation, additional deliveries of components frequently take place for the expansion or adaptation of the systems. A distinction is made here between projects for installation (Design & Build), projects for technical and commercial operation of the systems, including maintenance (Operations), and deliveries of components (Components). Components comprise the two product families of vehicle components (on-board units and transponders) and road-side components (transceivers and readers as well as cameras and sensors).

> **Intelligent Mobility Solutions (IMS):** The IMS division covers a wide range of solutions, encompassing established offerings such as in the business segments of traffic safety and traffic management. With networked vehicles and solutions related to smart urban mobility, young business segments are included in the IMS division as well, and are seen as an investment in the future. In these areas, Kapsch aims to develop a visible market position early on and help shape the development of the industry. Projects in the IMS division are generally smaller in scope than those in the ETC division.

Revenue growth of 7%.
(in EUR million)



Revenues in the segment Traffic increased by 7% in the 2017/18 fiscal year to EUR 693.3 million (prior year: EUR 648.5 million). 64% of revenues were attributable to the EMEA region (Europe, Middle East, Africa). The Americas region (North and Latin America) saw an increase, generating 30% of segment revenues, primarily as a result of the business acquired from Kapsch TrafficCom Transportation (KTT) in the prior year. The APAC region (Asia-Pacific) contributed 6%, as in the prior year.

The operating result (EBIT) in the segment Traffic amounted to EUR 50.1 million, thus falling by 17% compared to the prior year (EUR 60.1 million). The EBIT margin narrowed to 7.2% (prior year: 9.3%). A one-off effect (badwill) of EUR 3.0 million (difference between the purchase price paid for KTT and the net assets acquired, according to purchase price allocation) had a positive effect in the prior year. The negative results of the smart parking subsidiary Streetline Inc., USA, also continued to weigh on the Group result.

Segment Traffic revenues by division.

in EUR million	2016/17	2017/18	Change	
ETC	468.4	521.6	53.2	11%
IMS	180.0	171.6	-8.4	-5%
Segment Traffic total	**648.5**	**693.3**	**44.8**	**7%**

In the ETC division, revenues increased by 11% from EUR 468.4 million to EUR 521.6 million. The largest contribution to revenues, totaling EUR 346.8 million (2016/17: EUR 307.1 million), again came from the EMEA region with nationwide toll collection projects in the Czech Republic, Poland, Belarus, and Austria. With regards to the construction projects, the further expansion of truck toll collection systems in Austria and Poland made a significant contribution to the increase in revenues. The project to set up a nationwide toll collection system in Bulgaria, which was won this year, already started making a positive contribution to revenues. Revenues from components in the EMEA region were roughly at the prior year's level.

Revenues in the Americas region increased to EUR 139.3 million in the past fiscal year (prior year: EUR 122.4 million). The projects acquired in the course of the takeover of the Mexican traffic telematics company Simex, among others, contributed to this positive development. Due to the high proportion of new construction projects in the previous year, revenues in the APAC region fell to EUR 35.5 million in 2017/18 (prior year: EUR 39.0 million). The fact that the Sydney Harbour Bridge and Tunnel construction project was largely completed in the prior year meant that less revenue was generated in the year under review.

The number of on-board units sold hit a new high of 12.7 million units in the 2017/18 fiscal year (2016/17: 11.7 million units). In particular, increases were recorded in the USA (over 7.4 million units, after 6.2 million units in the prior year), Denmark, and Morocco, while revenue figures in Norway, Chile, and Russia fell in a year-on-year comparison.

The operating result (EBIT) in the ETC division fell compared to the prior period by 18% to EUR 53.5 million (prior year: EUR 65.5 million). This decline was related to lower earnings contributions from operating projects – especially in the EMEA region – which could not be offset by higher earnings contributions from component sales and construction projects. Furthermore, the decline in revenues from construction projects in the APAC region had a negative impact on the result in this segment.

In the IMS division, revenues fell slightly from EUR 180.0 million to EUR 171.6 million in the 2017/18 fiscal year. This was mainly due to the expiration of non-core projects acquired from Schneider Electric's transportation business in 2016 and the decline in revenues from components in the EMEA region. Revenues of EUR 95.1 million were generated in the EMEA region, compared to EUR 100.6 million in the same period of the previous year. This development was mainly due to lower component sales in Austria and could not be compensated by the start of the project to establish a traffic management system in Zambia. There was also a slight decline in revenues in the Americas region, from EUR 72.9 million to EUR 69.8 million, resulting primarily from the decline in revenues from operation projects in Brazil. Revenues in the APAC region rose slightly, from EUR 6.5 million to EUR 6.8 million, due primarily to operation projects in New Zealand.

The operating result (EBIT) of the IMS division was EUR -3,4 million, representing an improvement over the prior year (prior year: EUR -5.4 million). This improvement was mainly driven by the positive development of operation projects in the Americas region. This development is all the more satisfactory as the absence of the positive one-time effect (badwill) of EUR 2.1 million from the acquisition of KTT was more than offset in this segment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in the segment Traffic decreased by EUR 13.0 million or 17% to EUR 64.9 million (prior year: EUR 77.8 million) despite the increase in revenues in the past fiscal year. This is due, on the one hand, to the rise in cost of material and other production services, which also increased noticeably in line with the development of revenues by EUR 37.7 million to EUR 279.8 million (prior year: EUR 242.1 million). The ratio of materials and other production services to revenues actually increased from 37% to 40%. On the other hand, the higher average headcount (+360 to 5,134 employees) also resulted in a 6% or EUR 13.7 million rise in personnel costs to EUR 237.9 million (prior year: EUR 224.2 million). The personnel ratio (personnel costs compared to revenues) was, at 34%, virtually unchanged over the 35% in the prior year. Other operating expenses were in line with those of the prior year (EUR 134.9 million compared to EUR 134.4 million in the prior year). The ratio of other operating expenses to revenues fell in a year-on-year comparison from 21% to 20%. There were noticeable increases in exchange rate losses from operating activities and IT expenses, while expenses for legal and consulting fees declined.

Expenses for scheduled depreciation and amortization decreased by EUR 2.9 million to EUR 14.8 million (prior year: EUR 17.7 million). There were no extraordinary depreciation or impairment losses in the fiscal year. As such, earnings before interest and taxes (EBIT) in the segment Traffic were, at EUR 50.1 million, EUR 10.0 million or 17% below the prior year's level of EUR 60.1 million. The EBIT margin was approximately 7.2% (prior year: 9.3%) and therefore in line with expectations.

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

The financial result worsened in the current fiscal year from EUR 0.4 million in the prior year to EUR -5.2 million. The main driver was a decline in foreign exchange gains of EUR 4.6 million, associated in particular with the US dollar and the South African rand (ZAR).

The result from other joint ventures and associated companies amounted to EUR -0.7 million (prior year: EUR 0.1 million) and was attributable to the result and the devaluation of the investment in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico, following the purchase of the remaining shares.

Profit before taxes fell as a result of these developments by 27 % to EUR 44.2 million (prior year: EUR 60.6 million).

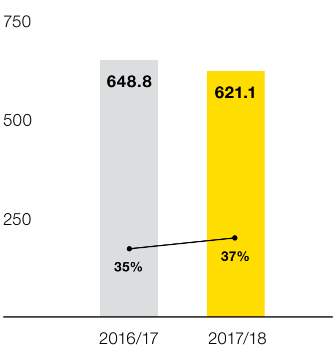
Decrease in
the profit for the period.

The profit for the period fell by 34% to EUR 28.0 million. The profit for the period attributable to the shareholders of the company amounted to EUR 28.7 million, which corresponds to earnings per share of EUR 2.21 (prior year: EUR 3.35).

Earning figures segment Traffic.

in EUR million	2016/17	2017/18	Change	
EBITDA	77.8	64.9	-13.0	-17%
EBITDA margin in %	12.0	9.4		
EBIT	60.1	50.1	-10.0	-17%
EBIT margin in %	9.3	7.2		
Profit/loss before tax	60.6	44.2	-16.4	-27%
Profit/loss for the period	42.7	28.0	-14.6	-34%

Total assets and equity ratio in the segment Traffic.
(in EUR million)



Total assets of Kapsch TrafficCom fell by EUR 27.6 million to EUR 621.1 million (prior year: EUR 648.8 million) as of March 31, 2018.

Under “Non-current assets”, “Property, plant and equipment” decreased slightly by EUR 1.7 million to EUR 21.4 million (prior year: EUR 23.1 million) as well as “Intangible assets” by EUR 1.2 million to EUR 70.8 million (prior year: EUR 72.0 million), largely as a result of scheduled depreciation and amortization. This was contrasted by a substantial increase in shares in associated companies and joint ventures of EUR 5.4 million to EUR 7.5 million, which is attributable to the acquisition of 50% of Intelligent Mobility Solutions Ltd., Zambia, and the acquisition of the remaining shares in Simex, Mexico, which was then reclassified as a fully consolidated company.

“Other non-current financial assets and investments” increased by EUR 4.8 million to EUR 23.3 million (prior year: EUR 18.4 million). This is primarily the result of the acquisition of minority interests in Traffic Technology Services Inc., USA, and other minority interests in ParkJockey Global Inc., USA. Overall, “Non-current assets” increased by EUR 7.5 million to EUR 135.7 million (prior year: EUR 128.2 million).

At EUR 38.9 million, “Inventories” remained virtually unchanged compared to the prior year (prior year: EUR 39.3 million).

“Trade receivables and other current assets” decreased by EUR 7.5 million to EUR 254.4 million (prior year: EUR 261.9 million) in the period since March 31, 2017.

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

On the liabilities side of the balance sheet, the most significant change related to financial liabilities. Due to the abovementioned scheduled repayment of the corporate bond, “Current financial liabilities” fell by EUR 71.2 million. “Non-current financial liabilities” increased by EUR 44.3 million to EUR 141.8 million, primarily due to a new loan of EUR 50.0 million with a term of six years. The favorable refinancing of the corporate bond was thus achieved.

“Non-current provisions” declined slightly, by EUR 1.1 million to EUR 8.9 million. “Other non-current liabilities” fell considerably, by EUR 6.2 million in a year-on-year comparison, to EUR 4.3 million. This was mainly attributable to the reclassification of a non-current receivable from the purchase of Kapsch Telematic Services GmbH, Vienna, amounting to EUR 3.5 million, to current liabilities, as well as the earn-out payment of EUR 3.0 million from the purchase of Kapsch Telematic Services spol. s r.o., Czech Republic.

“Trade payables” amounted to EUR 58.3 million (prior year: EUR 55.9 million), and thereby increased slightly by EUR 2.3 million. “Other liabilities and deferred income” rose by EUR 9.3 million to EUR 112.8 million (prior year: EUR 103.5 million). “Current provisions” fell sharply to EUR 9.6 million (prior year: EUR 17.6 million), which is mainly due to the reduction of provisions for legal disputes in the USA.

Increase in equity ratio.

As at March 31, 2018, equity amounted to EUR 229.9 million, EUR 2.6 million over the value at the end of the prior fiscal year. This increase was attributable to the overall result of EUR 22.0 million less the dividend payment of EUR 19.5 million. The equity ratio rose from 35.0% to 37.0%.

Despite the dividend payment, a net credit of EUR 16.2 million was reported on the balance sheet.

As at March 31, 2018, net working capital had decreased to EUR 239.2 million (March 31, 2017: EUR 247.9 million). In addition to the assets of the segment Traffic, there is 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.

in EUR million	2016/17	2017/18	Change	
Total assets	648.8	621.1	-27.6	-4%
Equity	227.3	229.9	2.6	1%
Equity ratio in %	35.0	37.0		
Cash and cash equivalents	211.3	181.8	-29.5	-14%
Net debt	19.6	16.1	-3.5	-18%
Capital employed	422.7	398.4	-24.3	-6%
Net working capital	247.9	239.2	-8.7	-4%
Free cash flow	42.6	33.1	-9.6	-22%
Investments	15.1	11.8	-3.3	-22%
R&D expenses	85.4	103.0	17.7	21%
Employees, as of March 31	4,823	5,259	436	9%

Free cash flow of EUR 33.1 million.

Net cash flow from operating activities amounted to EUR 41.8 million in the reporting period (prior year: EUR 55.0 million). At EUR 56.1 million (prior year: EUR 94.9 million), the value before changes in net working capital fell sharply due to the decline in "Non-current liabilities and provisions" and the increase in non-current receivables. However, changes in net working capital led to a significantly higher receipt of payments than in the same period of the prior year. On the one hand, "Trade receivables and other current assets" were reduced by EUR 12.0 million (prior year: increase of EUR 6.2 million). On the other, "Trade payables and other current liabilities" rose by a total of EUR 5.1 million (prior year: a decrease of EUR 14.0 million). The decline of EUR 8.1 million in current provisions was only able to marginally offset the distinctly positive cash effects of net working capital. While interest income and interest payments each remained at the prior-year levels, income tax payments increased to EUR 22.0 million (prior year: EUR 16.5 million), with a substantial portion being paid to the parent company KAPSCH-Group Beteiligungs GmbH due to Austrian group taxation.

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

Free cash flow (net cash flow from operating activities less net investments) was again positive at EUR 33.1 million, but still slightly below the prior year's figure of EUR 42.6 million, primarily as a result of the development of the result before changes in net working capital. In turn, the slightly lower level of investments had a positive effect on free cash flow.

Net cash flow from financing activities amounted to EUR -46.9 million (prior year: EUR 49.6 million). The scheduled repayment of the corporate bond in November 2017 in particular reduced current financial liabilities by EUR -79.9 million. In addition, dividends of EUR -19.5 million were paid out. This was offset by the position "Increase in non-current financial liabilities" amounting to EUR 50.0 million, attributable to the taking out of a new long-term loan. Together with the promissory note bond issued in the prior year, the corporate bond was refinanced on a long-term basis and, above all, on much more favorable terms.

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

Cash flow of the segment Traffic.

in EUR million	2016/17	2017/18	Change	
Cash flow from operating activities	55.0	41.8	-13.1	-24%
Cash flow from investing activities	-37.9	-20.0	17.9	-47%
Cash flow from financing activities	49.6	-46.9	-96.5	–
Total	**66.7**	**-25.1**	**-91.8**	**–**

At EUR 11.8 million, investments in the segment Traffic were around 22% below the prior year's figure of EUR 15.1 million.

EUR 103.0 million was expended for research and development. This corresponds to an increase of EUR 17.7 million or 21%, demonstrating that considerable investment continues to be made in this segment that is so important to the company's future. As such, the share of revenue invested in research and development rose to over 15% (prior year: 13%).

The number of people employed in the segment Traffic saw a substantial increase of 436 or 9% to 5,259 employees, due primarily to an acquisition in Mexico and another increase in South Africa.

3.2 Segment Carrier.

This segment is represented by Kapsch CarrierCom AG, Vienna, as well as its respective direct and indirect subsidiaries. KAPSCH-Group Beteiligungs GmbH owns a 100% stake in this company. The Public Transport division is presented in a separate segment from the 2017/18 fiscal year onwards, which means that the prior year's figures have also been adjusted in the segment Carrier for better comparability.

In the segment Carrier, Kapsch is a global provider of end-to-end telecommunications solutions for Mission-Critical Networks. The broad portfolio of technologies, products, and services covers the entire value chain from planning and development to deployment and technical operations management, and includes state-of-the-art GSM-R and PMR networks based on TETRA and DMR standards. Amongst its international customers are rail operators, carrier networks, public authorities, public emergency services, public transport operators, and airports. Kapsch strongly invests in research and development and is significantly involved in the development of the next generation of broadband solutions for Mission-Critical Networks, for example through the membership in the program Shift2Rail of the European Union.

The segment Carrier is active in the Carriers and Mission-Critical Networks divisions.

The segment Carrier is divided into the following two areas:

> **Carriers (CRS):** In the CRS 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, by means of the continuous optimization and further development of their systems and networks. Solutions such as "SDN/NFV", "Voice & Data", "Connectivity", "Security", and "Performance" help to generate added value for customers in the course of implementation and maintenance projects. 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, Allianz, 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):** In the MCN division, Kapsch CarrierCom manages the railways portfolio of solutions, which has recently been expanded to include the TETRA and Digital Mobile Radio (DMR) technology issues, as well as the new, specific solutions of "Cybersecurity", "Next Generation", and "Digitalization".

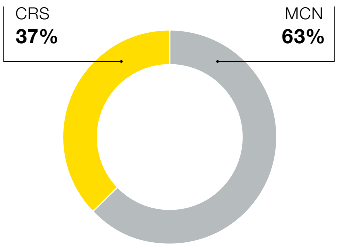
In order to ensure efficient operation and the safety of passengers and staff, rail operators require a reliable and secure network infrastructure which needs to be equipped to handle future developments. The further development of the ERTMS agenda is also intended to ensure the complete interoperability of rail communication across international borders. Kapsch CarrierCom's end-to-end solutions in the area of railway dedicated networks (RDN) are not just based on the GSM-R standard, but in fact go well beyond this, supporting the entire range of requirements for voice and data communication in railway operations. The solution has been tested at speeds of more than 500km/h without any communication breakdowns. This makes a major contribution to ensuring the safety of passengers and employees. Kapsch CarrierCom has been developing, building, installing, and supporting end-to-end railway dedicated network solutions based on the GSM-R standard for over 20 years. As a leading company in the industry, Kapsch CarrierCom supports communication over 80,000 railway kilometers today in Europe, Africa, and Asia.

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 a strategic partner to large national railway companies, as well as other public and private companies operating proprietary communications networks.

As an associated member of the European rail technology initiative Shift2Rail, Kapsch CarrierCom has also secured a very sound position in respect of the pending technological shift after 2020.

Segment revenues fell to EUR 150.7 million (prior year: EUR 163.2 million), despite modest growth in the rail customer business as a whole, which is attributable to the overall decline in business with carriers. Revenues in the Public Transport division are presented in a dedicated segment since the past reporting period.

Revenue breakdown Carrier by division.



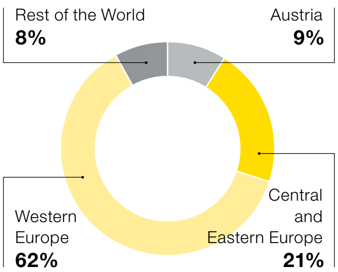
Segment Carrier revenues by division.

in EUR million	2016/17	2017/18	Change	
CRS	67.0	56.3	-10.7	-16%
MCN	96.2	94.3	-1.9	-2%
Segment Carrier total	**163.2**	**150.7**	**-12.6**	**-8%**

In the Carriers (CRS) division, revenues in the past fiscal year were unable to sustain the level of the prior year (prior year: EUR 67.0 million), declining by EUR 10.7 million (16%) to EUR 56.3 million. This is mainly due to declines in business with carriers in CEE, while the differentiation of the customer and solution base in this area continues to bear fruit in other countries. New customers continue to be 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 worth highlighting is the consistently robust business development of Kapsch Carrier Solutions GmbH, Germany. The main markets in the Carriers division comprise Austria, France, Germany, Central and Eastern Europe, Algeria, Taiwan, and Belgium.

In the Mission-Critical Networks (MCN) division, revenues declined compared to the prior year, falling to EUR 94.3 million (prior year: EUR 96.2 million; a decrease of EUR 2.0 million). In the past fiscal year, the focus continued to be 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, 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 negatively impacted by a decline in the general level of business in this segment and the associated general inability to cover fixed and one-off costs. The focus in 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. Digitalization and increasing security requirements will generate more investment in this area than in the past.

Revenue breakdown Carrier by region.



From a regional perspective, segment revenues can be broken down as follows: EUR 13.5 million in Austria, EUR 31.7 million in Central and Eastern Europe, EUR 92.8 million in Western Europe, and EUR 12.6 million in Rest of the World. The countries with most revenues are Germany, France, Austria, the Czech Republic, Luxembourg, Algeria, and the United Kingdom.

EBITDA in the past fiscal year was still negative, amounting to EUR -0.7 million, but was considerably higher than in the prior year (EUR +12.9 million or +95%). At -0.4% (prior year: -8.3%), the EBITDA margin improved significantly as well, but remained negative. This essentially positive change compared to the prior year's result is mainly due to the fact that, in the prior year, a project in the MCN division in Hungary caused major losses, brought on by associated additional costs, penalty obligations, and provisions for losses. Nevertheless, it was also evident in the past fiscal year that business in the Carriers division is declining. In addition to the decline in revenues, the changes in inventories and therefore also the operating performance were significantly below the previous year, confirming the expected trend. As a result, measures were taken to adjust resources (both in terms of personnel and other operating expenses such as rental expenses) to the declining business in the Carriers division, which had a negative impact on earnings.

In April 2018, an agreement was reached with S&T AG on the sale of significant parts of the Carriers division. This includes the carrier business in Central and South-Eastern Europe and is an important step that underscores the focus on the MCN division. This means further optimizing corporate structures and processes for this future core business and enabling it to be ideally aligned with this customer segment.

The operating result (EBIT) improved significantly to EUR -5.6 million (prior year: EUR -17.0 million). Despite the reorganization costs included, this operating result is still unsatisfactory and, as mentioned above, Management is working on further optimization measures in this segment.

Profit before taxes of EUR 2.9 million (prior year: EUR -2.5 million) and the profit for the period of EUR 4.3 million (prior year: EUR -1.0 million) were also clearly above that of the prior year and even positive. This is mainly due to the fact that the parent company waived debt in the amount of EUR 10.0 million.

Earning figures segment Carrier.

in EUR million	2016/17	2017/18	Change	
EBITDA	-13.6	-0.7	12.9	95%
EBITDA margin in %	-8.3	-0.4		
EBIT	-17.0	-5.6	11.4	67%
EBIT margin in %	-10.4	-3.7		
Profit/loss before taxes	-2.5	2.9	5.4	219%
Profit/loss for the period	-1.0	4.3	5.3	>500 %

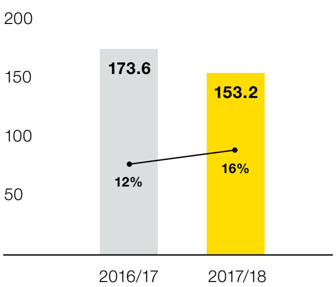
The balance sheet total for the segment Carrier declined overall to EUR 153.2 million (prior year: EUR -20.4 million or -12%). “Property, plant and equipment” decreased to EUR 8.7 million and “Intangible assets” to EUR 12.5 million, primarily as a result of scheduled depreciation and amortization. Overall, “Non-current assets” decreased by EUR 4.0 million or 11% to EUR 30.9 million.

“Inventories” declined substantially by EUR 14.0 million or 31% to EUR 30.5 million and, at the same time, “Receivables and other current assets” fell by EUR 9.1 million or 10% to EUR 78.0 million. At EUR 13.8 million, “Cash and cash equivalents” rose by EUR 6.7 million or 94%, and thus nearly doubled.

“Financial liabilities” in the segment Carrier fell by EUR 6.1 million or 15% to EUR 35.4 million. This is attributable to the debt waiver by the parent company KAPSCH-Group Beteiligungs GmbH and the improved operating cash flow. “Non-current provisions” also declined significantly, by EUR 7.4 million to EUR 4.7 million.

At EUR 24.7 million, “Other current liabilities” were EUR 15.0 million or 38% below the level of the prior year, and “Current provisions” also fell by EUR 3.1 million to EUR 24.1 million. “Trade payables” increased by EUR 2.1 million or 10% above the prior year’s level to EUR 22.5 million.

Equity ratio rose due to the positive result for the period.
(in EUR million)



“Equity” saw a year-on-year increase from EUR 20.2 million to EUR 23.9 million (EUR +3.8 million or +19%) as a result of the positive result for the period. The equity ratio rose markedly from 11.6% to 15.6%.

Other key figures for the segment Carrier.

in EUR million	2016/17	2017/18	Change	
Total assets	173.6	153.2	-20.4	-12%
Equity	20.2	23.9	3.8	19%
Equity ratio in %	11.6	15.6		
Cash and cash equivalents	7.1	12.2	5.1	72%
Net debt	-34.4	-21.6	12.8	-37%
Capital employed	61.6	59.3	-2.3	-4%
Net working capital	109.8	83.7	-26.1	-24%
Free cash flow	-40.7	2.9	43.6	–
Investments	4.8	1.9	-3.0	-61%
R&D expenses	34.3	27.7	-6.6	-19%
Employees, as of March 31	653	600	-53	-8%

Net debt decreased by EUR 12.8 million or 37% to EUR -21.6 million while, at the same time, net working capital fell by EUR 26.1 million or 24% to EUR 83.7 million.

At the level of KAPSCH-Group Beteiligungs GmbH, there is a goodwill of EUR 9.4 million relating to the MCN division, which was confirmed as recoverable in the course of the impairment test carried out.

Net cash flow from operating activities in the segment Carrier amounted to EUR 4.8 million (prior year: EUR -36.3 million), demonstrating a clear improvement due to the positive result for the period and the one-off effects described in the prior year. At EUR -1.8 million, net cash flow from investing activities was negative (prior year: EUR 20.6 million). A comparison with the prior year's figure is only of limited significance since, in the prior year, the proceeds from the sale of the shares in Kapsch Public TransportCom GmbH were included.

At EUR 3.9 million (prior year: EUR 13.2 million), cash flow from financing activities in the past fiscal year was also significantly below the prior year's level, which is due to the repayment of bank loans.

Cash flow of the segment Carrier.

in EUR million	2016/17	2017/18	Change	
Cash flow from operating activities	-36.3	4.8	41.0	–
Cash flow from investing activities	20.6	-1.8	-22.4	–
Cash flow from financing activities	13.2	3.9	-9.3	-71%
Total	**-2.5**	**6.8**	**9.3**	**–**

At EUR 1.9 million, investments in the segment Carrier were well below the prior year's level (EUR 4.8 million).

Share of segment revenues used for research and development in the segment Carrier at over 18%.

EUR 27.7 million was expended for research and development. This corresponds to a year-on-year change of EUR -6.6 million or -19%. Thus, invest in research in development now exceeds 18% of revenues. This demonstrates that, despite the difficult earnings situation, research and development continues to be considered key to the medium and long-term success of the company also in this segment.

The headcount in the segment Carrier totaled 600 as at the balance sheet date, and was therefore 53 employees or 8% below the prior year's figure.

3.3 Segment Enterprise.

This segment is represented by Kapsch BusinessCom AG as well as all direct and indirect subsidiaries (subgroup Enterprise). KAPSCH-Group Beteiligungs GmbH owns a 94.9% stake in this company.

As a leading digitalization partner, Kapsch BusinessCom, with its 1,200 employees, supports its customers in improving business performance and developing new business models. Kapsch acts here as a consultant, system supplier, and service provider. With its extensive expertise in handling large amounts of data and security, as well as a wide range of successful use cases in numerous industries, Kapsch is the ideal companion during the digital transformation. The comprehensive portfolio comprises technology solutions for intelligent and, above all, secure ICT infrastructure, smart buildings, media and safety technologies, as well as outsourcing services. 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. As an outsourcing partner, Kapsch has already been able to position itself as an innovative and flexible partner in the past. In addition to this, the company offers 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 proofs of concept in the field of digitalization were implemented with various renowned companies in the 2017/18 fiscal year.

Kapsch relies here on being independent from manufacturers and on partnerships with leading global providers as well as a digital business ecosystem made up of partners from the field of research and industry-specific solution providers – from start-ups to large players.

Kapsch BusinessCom generated revenues of around EUR 318 million in the 2017/18 fiscal year, with seven branches in Austria as well as subsidiaries in Romania, Switzerland, and the USA. The subsidiaries in the Czech Republic, Slovakia, and Hungary were sold in the past fiscal year (with effect from July 1, 2017). The new regional positioning is aimed primarily at the “DACH” region, where further acquisitions are planned.

Together with the ORF subsidiary ORS comm and Microtronics, Kapsch BusinessCom founded the joint venture SENS (Sensor Network Services), which was created to plan and implement IoT solutions. SENS solutions and services are based on the LoRaWAN™ radio standard and enable the rapid and efficient digitalization of processes through the efficient and cost-effective integration of devices and sensors via a standardized interface, thereby boosting the competitiveness of Austrian companies.

Kapsch BusinessCom has had its own Cyber Defense Center (CDC) to identify, analyze and mitigate cyber attacks since 2017. In addition to prevention, the CDC focuses on detecting and isolating cyber attacks, thereby guaranteeing customers fast response times in cases of emergency as well as the establishment of a close-knit safety net.

In collaboration with KSV 1870, Kapsch BusinessCom developed the “digital application line” Kapsch Identity and Signature Service, a one-stop solution for financial products with front-end video authentication and a real-time credit check in the background as a continuous digital process. The necessary data security is ensured by Kapsch EarthDATAsafe from which the service is operated.

Together with the St. Pölten University of Applied Sciences, a new office was set up, the Austria IT Security Hub in St. Pölten. This center of excellence enables new forms of intensive collaboration between companies and universities and is dedicated to research and development as well as talent and start-up support in the area of IT security.

In the segment Enterprise, Kapsch provides its customers with the following portfolio:
Technology Solutions:
> Connected Platforms & Applications
> Unified Workplace
> Intelligent Networks & Security
> Converged Infrastructure
> Digital Facility Solutions

Business Services:
> IT Outsourcing
> Discovery Workshops
> Industry-specific Solutions
> Digitalization of Business Processes

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

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

Digitalization 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 digitalization 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 digitalization, providing the infrastructure required to implement new business models and ideas.

Growth strategy 2018. Since 2016, Kapsch BusinessCom has positioned itself as a digitalization partner with the aim of occupying a strong market position in this field as well. The strength of Kapsch BusinessCom is primarily in the breadth of end-to-end solutions for customers of all sizes. Numerous pilot projects and proofs of concept in the field of digitalization have already been implemented with various renowned companies in the 2017/18 fiscal year.

Reliable ICT partner. Alongside the new business segments arising out of the digital transformation, Kapsch BusinessCom continues to act as an ICT service partner to its customers. In addition to solution development, system integration, and performing optimization measures, Kapsch BusinessCom also operates classic ICT solutions.

Through various acquisitions and collaborations with a combination of well-established companies and some start-ups, Kapsch BusinessCom AG is also able to gain a foothold in new business segments and secure the required know-how – an important prerequisite for being able to act sustainably in this very dynamic and competitive market environment.

Segment revenues increased slightly by EUR 0.7 million to EUR 317.7 million (prior year: EUR 317.0 million), although the three divested subsidiaries in Hungary, the Czech Republic, and Slovakia contributed to segment revenues for only one quarter of the fiscal year. This is mainly due to the fact that revenues in Austria reached a new high of EUR 274.0 million, an increase of 5%. Together with the significant increase in other regions of EUR 7.2 million to EUR 22.8 million, which is mainly due to the intensified business activities in Germany and Switzerland as well as intra-group services in the USA and South Africa, the sales-related decline in Central and Eastern Europe of EUR -19.1 million to EUR 20.9 million was even fully compensated.

Segment Enterprise revenues by region.

in EUR million	2016/17	2017/18	Change	
Austria	261.4	274.0	12.6	5%
Central and Eastern Europe	40.0	20.9	-19.1	-48%
Others	15.6	22.8	7.2	46%
Segment Enterprise total	**317.0**	**317.7**	**0.7**	**0%**

The detailed analysis by business area shows that revenues in the project business declined, mainly due to the divestment of the companies in the countries mentioned above, and that revenues in the area of service, maintenance, and operation increased significantly; a satisfactory development in line with the strategy.

Segment Enterprise revenues by area.

in EUR million	2016/17	2017/18	Change	
Project business	199.3	192.9	-6.5	-3%
Service, maintenance and operation	117.8	124.9	7.1	6%
Segment Enterprise total	**317.0**	**317.7**	**0.7**	**0%**

In terms of portfolios, the increase in revenues is mainly attributable to the Business Services division (EUR +4.5 million or +8%). The Technology Solutions division remained stable at EUR 252.4 million (EUR +0.8 million), while Others fell to EUR 3.2 million (EUR -4.7 million or -59%). The largest projects in the Technology Solutions division (Wiener Krankenanstaltenverbund, Bundesrechenzentrum GmbH, Allianz Group, EVN AG, AVL List) as well as in the Business Services division (ORF, Allianz Gruppe, FinanzGruppe Volksbanken, OMV AG, and Gas Connect Austria) are responsible, among others, for the positive development of revenues.

Results in the segment Enterprise in the past fiscal year declined significantly due to an extraordinary currency-related effect attributable to the development of the EUR against the USD on the balance sheet date. As such, EBITDA fell to EUR 4.9 million (EUR -6.7 million or -58%) and EBIT to EUR 0.4 million (EUR -6.5 million or -94%). This decline in results is almost exclusively attributable to the abovementioned one-off effect of EUR -6.5 million, which consists of unrealized, and therefore also non-cash, exchange rate losses. Without this one-time effect, the results would have remained at the positive level of the prior year in the past fiscal year.

Since the exchange rate of EUR towards USD has clearly declined again since the balance sheet date (from 1.233 on March 31, 2018 to 1.167 on June 30, 2018), this negative effect on results had already been largely offset at the end of the first quarter of the current fiscal year 2018/19. Thus a corresponding positive earnings impulse can be expected in the course of the current fiscal year.

Profit before taxes of EUR -1.1 million (EUR -6.5 million in a year-on-year comparison) and the profit for the period of EUR -0.9 million (EUR -5.2 million) were also well below the prior-year levels due to the above mentioned circumstances.

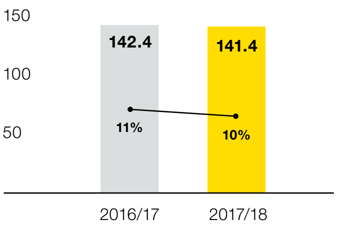
Earning figures segment Enterprise.

in EUR million	2016/17	2017/18	Change	
EBITDA	11.6	4.9	-6.7	-58%
EBITDA margin in %	3.7	1.6		
EBIT	6.9	0.4	-6.5	-94%
EBIT margin in %	2.2	0.1		
Profit/loss before taxes	5.4	-1.1	-6.5	–
Profit/loss for the period	4.2	-0.9	-5.2	–

The balance sheet total in the segment Enterprise remained stable over the past fiscal year at EUR 141.4 million, EUR 1.0 million or 1% below the prior year's level.

“Non-current assets” decreased by EUR 1.4 million or 3% to EUR 40.4 million, while “Current assets” remained stable at EUR 101.1 million (EUR +0.4 million). While “Receivables and other current assets” (EUR +2.9 million) and “Inventories” (EUR +3.9 million) rose in a year-on-year comparison, “Cash and cash equivalents” fell by EUR 6.4 million to EUR 3.6 million.

Stable balance sheet total. Declining equity ratio as a result of FX effects.
(in EUR million)



"Non-current liabilities" climbed to EUR 47.4 million (EUR +1.5 million or +3%). While "Non-current financial liabilities" fell sharply by EUR 3.6 million to EUR 1.4 million, "Liabilities from post-employment benefits to employees" for pensions and severance payments increased by EUR 1.2 million as well as, in particular, "Other non-current liabilities" by EUR 5.5 million, which is mainly due to the recognition of the one-off non-cash currency effect. "Current liabilities" fell slightly by EUR 0.7 million or 1% to EUR 80.4 million.

"Equity" decreased primarily as a result of the abovementioned FX effects in the income statement by EUR 1.8 million or 11% to EUR 13.6 million. The equity ratio correspondingly declined from 10.8% to 9.6%.

Other key figures for the segment Enterprise.

in EUR million	2016/17	2017/18	Change	
Total assets	142.4	141.4	-1.0	-1%
Equity	15.4	13.6	-1.8	-11%
Equity ratio in %	10.8	9.6		
Cash and cash equivalents	9.9	3.6	-6.4	-64%
Net debt	-27.2	-28.8	-1.7	-6%
Capital employed	36.9	31.0	-5.9	-16%
Net working capital	72.9	80.2	7.2	10%
Free cash flow	12.6	-3.1	-15.7	–
Investments	6.1	6.3	0.3	4%
R&D expenses	0.2	1.1	1.0	>500%
Employees, as of March 31	1,210	1,200	-10	-1%

Net debt remained on the level of the prior year at EUR 28.8 million (EUR -1.7 million or -6%). Net working capital increased by EUR 7.2 million or 10% to EUR 80.2 million. This increase is mainly due to the increase in receivables and inventories on the balance sheet date. Capital employed fell substantially by EUR 5.9 million or 16% to EUR 31.0 million.

In addition to the assets in the segment Enterprise, there is further goodwill of EUR 12.1 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 carried out.

At EUR 1.8 million, net cash flow from operating activities was well below the prior year's level of EUR 16.8 million. This development is mainly attributable to the increase in "Inventories" and "Current receivables" – in the prior year these positions decreased over the year. Cash flow from investing activities fell considerably by EUR 1.1 million or 25% to EUR -3.4 million (prior year: EUR -4.5 million) as a result of income from the divestment of three subsidiaries. Cash flow from financing activities was also negative in the past fiscal year at EUR -4.7 million (prior year: EUR -8.8 million) as a result of the further reduction in financial liabilities in the amount of EUR 4.2 million. At EUR -6.3 million (prior year: EUR 3.4 million), total cash flow and, at EUR -3.1 million (prior year: EUR 12.6 million), free cash flow were also well below the prior-year figures.

Decrease in cash flow from operating activities in the segment Enterprise as a result of higher inventories.

Cash flow of the segment Enterprise.

in EUR million	2016/17	2017/18	Change	
Cash flow from operating activities	16.8	1.8	-15.0	-89%
Cash flow from investing activities	-4.5	-3.4	1.1	-25%
Cash flow from financing activities	-8.8	-4.7	4.1	-47%
Total	**3.4**	**-6.3**	**-9.8**	**–**

Investments in the segment Enterprise, at EUR 6.3 million, remained virtually unchanged compared to the prior year's level of EUR 6.1 million.

Despite the divestment of the subsidiaries in Hungary, the Czech Republic, and Slovakia, the number of employees in the segment Enterprise remained virtually unchanged at 1,200 as at the balance sheet date (prior year: 1,210 employees). This is due to the fact that the headcount in Austria increased significantly, by 50 employees.

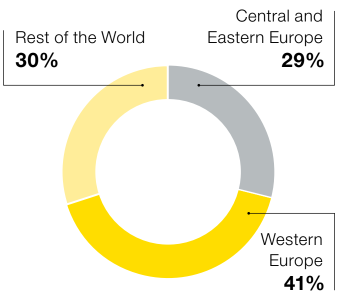
3.4 Segment Public Transport.

This segment is represented by Kapsch PublicTransportCom GmbH, Vienna, as well as its respective direct and indirect subsidiaries. KAPSCH-Group Beteiligungs GmbH owns a 100% stake in this company.

In the segment Public Transport, Kapsch is a global manufacturer and supplier of intelligent infrastructure solutions for public transport operators. Aggregated under the “mobi.guider” brand, Kapsch PublicTransportCom has a broad portfolio of technologies focusing on the areas of intermodal transport control systems (ITCS, “mobi.operations”), automatic fare collection (AFC, “mobi.ticketing”), electronic and mobile ticketing systems as well as real-time passenger information. Customers in this segment include De Lijn in Belgium, as well as large public transport companies in the Netherlands, in South Africa, and in the USA. The most important company in this division is Kapsch CarrierCom Belgium NV, which is owned by Kapsch PublicTransport GmbH.

At EUR 13.6 million, revenues in the 2017/18 fiscal year were well below expectations and also below the prior year’s level of EUR 23.6 million. This decline is mainly due to the fact that, in the past fiscal year, the focus was on solving problems with existing customer projects. For example, one project had to be reversed while, for another project, deferred revenues had to be reversed due to changes in project reporting, and invoices for current service contracts could not be issued to the planned extent – the negative impact of these effects amounted to more than EUR 2.0 million. In addition, due to the continued emphasis placed on critical projects in this segment, it was not possible to handle more billable end-customer business. Revenues in a material amount were invoiced in the Netherlands (EUR 3.9 million), Romania (EUR 3.8 million), and the USA (EUR 4.0 million). The remaining revenues were attributable to markets in South Africa, Belgium, and Sweden.

Revenue breakdown Public Transport by region.



Segment Public Transport revenues.

in EUR million	2016/17	2017/18	Change	
PTR	17.4	13.6	-3.8	-22%
Segment Public Transport total	**17.4**	**13.6**	**-3.8**	**-22%**

Due to the decline in revenues in the segment Public Transport in the past fiscal year, earnings before interest, taxes, depreciation and amortization (EBITDA) also fell substantially, to EUR -16.6 million (prior year: EUR -12.2 million). In addition to these revenue-side effects, work to resolve problems with existing projects also resulted in increased costs on the expenditure side, either due to additional expenses for performing the additional work, which in some cases led to massive changes in project planning, or associated with the setting up of loss provisions and, naturally, also for reverting one project back to its original state. By the same token, further additional technical costs to remedy certain bugs and to provide updates weighed significantly on the result. Overall, the additional costs of all these measures amounted to EUR 9.8 million.

The operating result (EBIT) improved slightly, by EUR 3.9 million to EUR -27.9 million (prior year: EUR -31.9 million). This is only due, however, to the fact that, in the prior year, even higher impairment charges had to be recognized. In the past fiscal year, scheduled depreciation and amortization as well as impairments amounted to EUR 11.4 million (prior year: EUR 19.7 million). The impairments consisted of impairments to intangible assets from the acquisition of customer stock (EUR 4.0 million) and capitalized development costs (EUR 3.5 million).

At EUR 23.5 million, the financial result was clearly positive, but again only due to the fact that the parent company KAPSCH-Group Beteiligungs GmbH waived debt amounting to EUR 24.6 million.

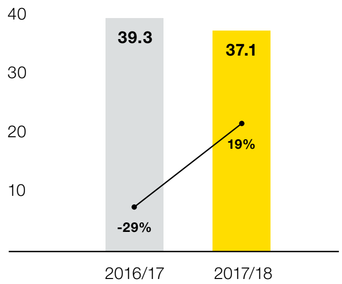
Profit before taxes of EUR -4.5 million was also well above the prior year’s level of EUR -32.6 million (EUR +28.2 million or +86%). The result for the period amounted to EUR 8.6 million, exceeding the prior year’s value of EUR -24.1 million even more clearly (EUR +32.7 million).

Earning figures segment Public Transport.

in EUR million	2016/17	2017/18	Change	
EBITDA	-12.2	-16.6	-4.4	-36%
EBITDA margin in %	-70.1	-121.5		
EBIT	-31.9	-27.9	3.9	12%
EBIT margin in %	-183.2	-205.0		
Profit/loss before tax	-32.6	-4.5	28.2	86%
Profit/loss for the period	-24.1	8.6	32.7	136%

The balance sheet total in the segment Public Transport declined slightly in the past fiscal year by EUR 2.2 million or 6% to EUR 37.1 million.

Total assets and equity ratio in the segment Public Transport.
(in EUR million)



"Non-current assets" decreased overall by EUR 2.8 million to EUR 17.7 million, and while intangible assets fell considerably to EUR 3.6 million (prior year: EUR 14.8 million) as a result of amortization and impairment charges, deferred tax assets climbed to EUR 13.7 million (prior year: EUR 5.5 million).

"Current assets" remained virtually on a par with the prior year's level at EUR 19.4 million (prior year: EUR 18.8 million). While inventories declined somewhat to EUR 3.7 million, "Receivables and other current assets" rose slightly to EUR 13.2 million. "Cash and cash equivalents" amounted to EUR 2.5 million on the balance sheet date, EUR 0.8 million or 48% above the prior year's level (EUR 1.7 million).

The reduction in "Non-current liabilities" to EUR 15.6 million (prior year: EUR -5.4 million or -26%) was due to the scheduled repayment of "Non-current financial liabilities" by EUR 6.4 million or 34% to EUR 12.4 million. The debt waiver by the parent company also meant that "Current liabilities" were cut by EUR 15.4 million or 52% to EUR 14.3 million.

"Equity" increased substantially from EUR -11.4 million to EUR +7.2 million, primarily as a result of the positive result for the period due to the parent company's debt waiver. The equity ratio also rose correspondingly to 19.4%.

Other key figures for the segment Public Transport.

in EUR million	2016/17	2017/18	Change	
Total assets	39.3	37.1	-2.2	-6%
Equity	-11.4	7.2	18.6	–
Equity ratio in %	-29.1	19.4		
Cash and cash equivalents	1.7	2.5	0.8	48%
Net debt	-38.5	-16.7	21.8	-57%
Capital employed	28.8	26.4	-2.4	-8%
Net working capital	12.4	12.9	0.5	4%
Free cash flow	-5.5	-12.8	-7.3	-131%
Investments	3.0	0.5	-2.5	-85%
R&D expenses	4.7	6.9	2.2	48%
Employees, as of March 31	82	77	-5	-6%

Net debt fell considerably by EUR 21.8 million or 57% to EUR 16.7 million. At EUR 12.9 million, net working capital remained consistent with the prior year's value of EUR 12.4 million. Capital employed declined slightly by EUR 2.4 million to EUR 26.4 million.

Net cash flow from operating activities amounted to EUR -12.4 million, which was primarily attributable to the negative operating result. Cash flow from investing activities improved noticeably to EUR -0.4 million (prior year: EUR -3.0 million) as a result of lower levels of investment. Similarly, cash flow from financing activities was clearly positive in the past fiscal year at EUR 13.6 million. Total cash flow increased by EUR 0.6 million to EUR 0.8 million (prior year: EUR 0.3 million). At EUR -12.8 million, free cash flow was well below the prior year's level (EUR -5.5 million).

Cash flow of the segment Public Transport.

in EUR million	2016/17	2017/18	Change	
Cash flow from operating activities	-2.6	-12.4	-9.8	-382%
Cash flow from investing activities	-3.0	-0.4	2.6	-87%
Cash flow from financing activities	5.8	13.6	7.8	135%
Total	**0.3**	**0.8**	**0.6**	**230%**

At EUR 0.5 million, investments in the segment Public Transport were well below the prior year's level (EUR 3.0 million).

EUR 6.9 million was expended for research and development in line with the extensive portfolio. This corresponds to a year-on-year change of EUR 2.2 million or 48%, demonstrating that research and development continue to be considered key to the medium and long-term success of the company in this segment.

The headcount in the segment Public Transport totaled 77 as at the balance sheet date, and was therefore 5 employees or 6% below the prior year's figure.

3.5 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.

Key figures for the segment Others.

in EUR million	2016/17	2017/18		Change
Revenues	21.3	19.3	-2.0	-9%
EBIT	2.0	3.2	1.2	59%
EBIT margin in %	9.6	16.8		
R&D expenses	0.7	0.5	-0.2	-31%
Employees, as of March 31	100	100	0	0%

Centralized functions of Kapsch Group.

The head office 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 activities, insurance matters, as well as internal audit activities. They also provide all personnel-related services such as human resource administration, recruiting and personnel development, as well as travel management services for the entire Group. Payroll services are 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.

4 Miscellaneous company disclosures.

4.1 Research and development.

Research and development activities are a high priority for the Group in terms of pursuing its strategic goals. Successful research is a key prerequisite 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 availability of entirely new technologies, based on national and international standards, form the basis for successful business development and also enable the Group to enter new markets.

Development departments in all strategic business areas help safeguard innovation.

To ensure the continued innovative strength of the company, all of 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 been meeting these challenges for many years and continued to invest consistently in the past 2017/18 fiscal year at a level of EUR 138.8 million (prior year: EUR 125.0 million). This represents a new record level of 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, Carrier, and Public Transport:

In the **segment Traffic**, Kapsch has key development locations in Austria, Sweden, Argentina, the USA, Canada, and Spain. Other development resources are located in Italy, South Africa, and Chile. As of March 31, 2018, Kapsch TrafficCom had 761 engineers (prior year: 714) working in research and development. The development expenses of Kapsch TrafficCom in the 2017/18 fiscal year amounted to approximately EUR 103.0 million (prior year: around EUR 85.4 million), which corresponds to around 14.9% (prior year: 13.0%) of consolidated revenues. Expenditure for development is broken down as follows: Expenses for customer-specific developments amounted to EUR 59.8 million (prior year: EUR 44.2 million), while expenses for product management, IPR management (Intellectual Property Rights), development support, and generic developments totaled EUR 43.3 million (prior year: EUR 41.1 million).

The established structure, with solution centers and a corporate technology function, ensures the streamlined alignment of innovation processes. Solution centers encompass a special market/solution segment. Their task is to define and develop products and solutions for their area of responsibility, and also to market these in close cooperation with the sales regions. In addition, the sales regions should be given support in the smooth implementation of customer-specific solutions. Corporate Technology is a cross-functional organization that supports the solution centers. The most important objective is to identify and evaluate promising new technologies. A key factor in remaining competitive. In addition, Corporate Technology develops and integrates solutions built from the products and solutions of multiple solution centers, providing them with tools, processes, common services and modules, as well as IPR support.

Kapsch pursues a focused patent strategy in this area. In the 2017/18 fiscal year, Kapsch further optimized its patent portfolio by focusing on areas of high strategic importance. The current patent portfolio comprises 197 patent families with more than 1,443 individual patents. In the past fiscal year, registrations for four new patent families were filed in the toll collection area. In order to counteract the risk of patent infringement in the future by expanding business activities into new regions as well as into new business areas, a mandatory patent analysis was included in the development process. This action will ensure that the relevant patent landscape and any existing intellectual property rights are examined before the start of development work. In addition, the global patent monitoring system was further expanded. Patent applications by competitors are analyzed as well as relevant technology segments in order to gain a better overview of the strategies of competitors.

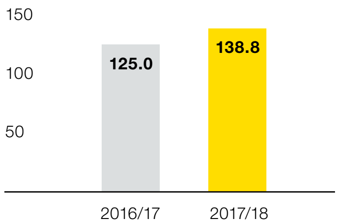
In the **segment Carrier**, Kapsch Group has a network of research and development centers in Vienna (Austria), Paris (France), Zagreb (Croatia), and Aveiro (Portugal). Moreover, there has also been collaboration with outsourcing partners in Bangalore (India), and Nizhny Novgorod (Russia). Thus, it is possible to offer customers a broader product portfolio and maintain the customer base in the long term. In the Carrier segment, 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, but 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 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 **segment Public Transport**, Kapsch Group has had a research and development center in Zaventum (Belgium) since July 2014 which forms the core of its internal development resources in this segment together with the development center in Vienna (Austria). Furthermore, there is also collaborative work taking place here with outsourcing partners in Bangalore (India). 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 segments, 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.

2nd and 3rd-level support services are provided for customers in the segments Carrier as well as Public Transport 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 and development costs continue to rise significantly to EUR 138.8 million.



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 cost of materials and purchased services, staff costs, and other operating expenses.

In the 2017/18 fiscal year, expenditure for research and development increased by EUR 13.8 million (or 11%) to EUR 138.8 million (2016/17: EUR 125.0 million). It was therefore possible to raise the traditionally high share of consolidated revenues expended for research and development to 12% (prior year: 11%), 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 society and to improving environmental and climate protection by means of innovative products and services. In addition, Kapsch also works consistently in its own sphere of activity to minimize the consumption of resources and any environmental impact. Correspondingly high is the value placed on research and development activities that are intended to ensure future company 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. For the first time, a consolidated non-financial report was prepared for the subsidiary Kapsch TrafficCom Group due to the new legal provisions, a report which is based on the guidelines of the "Global Reporting Initiative" – GRI guideline G4 for sustainability reports.

Environmental issues.

The various subsidiaries of Kapsch Group have certified environmental management systems according to ISO 14001, the aim of which, among others, is to minimize environmental impacts and resource use on a continual basis. In addition, these companies comply with legal obligations relating to waste disposal alongside 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 release 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 manufacturing, as well as from the vehicle fleet of the entire Group.

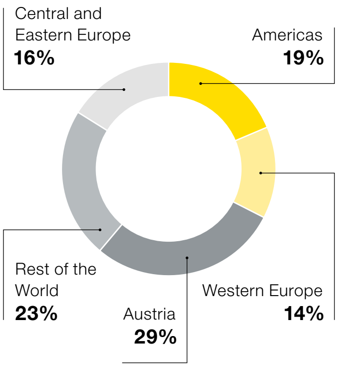
Quality management.
Ensuring high standards of quality, safety and robust processes is a top priority in every business unit of Kapsch Group. Kapsch defines its processes in an integrated HSSEQ management system (Health, Safety, Security, Environment, Quality). The basis for this is certifications according to ISO 9001 (quality management, since 2002), to OHSAS 18001 (occupational safety management) and to ISO 14001 (environmental management, since 2005).

Kapsch has established and constantly monitors the necessary measures to safeguard the associated standards in its internal processes. The ISO 27001 certificate defines the necessary information security management. With ISO 20000 for IT service management, a high quality of service is ensured in the area of technical operation. The established HSSEQ Circle meets once a quarter to discuss the status of health and safety, quality, environment and information security goals and measures and to implement measures for further improvement.

Labor issues – Kapsch as an attractive and responsible employer.
It is particularly important to Kapsch Group that it is an attractive and responsible employer for its employees. As at the reporting date of March 31, 2018, the number of people employed at Kapsch Group reached a new high of 7,236. This represents a sharp increase of 368 employees or around 5% over the previous record high achieved in the prior year. This results from the segment Traffic and is mainly attributable to an acquisition in Mexico and to growth in South Africa. In the segment Traffic, Kapsch Group now has 5,259 employees (+436 employees or +9%). The headcount in the segment Enterprise remained stable at 1,200, as the divestment of three subsidiaries in Central and Eastern Europe was compensated by additional human resources in Austria as a result of growth. In the segment Carrier, the headcount decreased to 600 employees (-53 employees or -8%). In the segment Public Transport, the headcount also fell slightly to 77 employees (-5 employees or -6%). In the segment Others, the headcount remained largely unchanged at 100 employees.

Employees by segment	**2016/17**		**2017/18**		**Change**	
Traffic	4,823	70%	5,259	73%	436	9%
Carrier	653	10%	600	8%	-53	-8%
Public Transport	82	1%	77	1%	-5	-6%
Enterprise	1,210	18%	1,200	17%	-10	-1%
Others	100	1%	100	1%	0	0%
Group	**6,868**	**100%**	**7,236**	**100%**	**368**	**5%**

Employees by region.



From a regional perspective, the headcounts in countries such as Austria (+54 or +3%), Spain (+25 or +5%), the USA (+19 or +3%), Argentina (+34 or +15%), South Africa (+147 or 10%), and in Mexico as a result of acquisitions (+210) all rose. There was a decrease especially due to the divestment of one subsidiary each in the Czech Republic (-23 or -11%), Hungary (-43 or -75%), and Slovakia (-12 or -100%) as well as in France (-12 or 7%). Austria continues to have by far the highest number of employees, namely 2,063. Other countries with higher-than-average headcounts are South Africa (1,588), Poland (623), the USA (595), and Spain (493).

The success of a company depends on the loyalty, motivation, and performance of its employees as well as on the possibility of being able to recruit sufficiently qualified employees if necessary. Companies are differentiated by the demands placed on their employees and the way an employer handles them. Kapsch regards employees not simply as human resources, but as a team that – motivated by different personal interests and needs – drives the company forward. Remuneration in line with global market standards is a matter of course at Kapsch.

Kapsch Group combines international orientation with the roots of a modern family business. Entrepreneurship, market-oriented and quick decisions as well as an above-average level of commitment and dedication characterize the corporate culture. The company works with an understanding that is characterized in particular by mutual respect and a strong sense of “us”. A focus on performance and mutual appreciation leads to a close connection between the company and its employees.

Kapsch Group believes that the qualifications, above-average dedication and the ability of its employees to find solutions are key factors for success. This means that the company places particularly high value on the measures in place to ensure continuous professional development for employees as well as organizational development. By way of 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 internal trainee program is also offered, during which the trainees can familiarize themselves with various companies and departments within Kapsch Group. When filling vacant positions, both the professional as well as the social skills of the applicants are naturally taken into account. Lifelong learning is expected of employees and promoted by the company, with the goal of continuous development being the preservation and expansion of professional and social skills. Managers have an outstanding role in Kapsch Group. For this reason, the preparing and selection of executives is based on the personality of the candidates. In the course of leadership training, modular training courses must be taken every year.

In addition, the personnel management of Kapsch Group addresses, among other things, the promotion of performance orientation through performance-based remuneration systems, the ongoing improvement of occupational safety and health and ensuring equal opportunities.

In order to underpin its reputation as an attractive and responsible employer, Kapsch Group has been allowing employees to participate in the company's success for many years in recognition of their performance. In addition, employees in group companies in Austria are rewarded by means of an external pension fund according to a defined contribution scheme. In general, employee satisfaction is a major concern for the company. Therefore, extensive measures are taken to ensure this. Mutual respect, a sense of community, and loyalty are very important to Kapsch. The company is convinced that this will make it possible to work better, more enjoyably and more successfully. In order to evaluate employees' opinions about the company, surveys are conducted on an anonymous basis regularly. It is important for Management to know what employees think about their company, their activities, their executives and their colleagues, their expectations for the future, how they assess the working atmosphere and how satisfied they are with their work. In order to underline the importance of employee satisfaction for the Executive Board, a financial performance incentive was created for all members of the Board based on the results of the employee survey. The annual appraisal interview is a central instrument of personnel and organizational development throughout the Group. It promotes cooperation through the structured exchange between manager and employee about the performance achieved in the last twelve months. The appraisal interview also provides a framework for discussing career development perspectives and defining training opportunities.

Ensuring equal opportunities and promoting women is an active goal within Kapsch Group.

Kapsch attaches particular importance to promoting women, who are supported at Kapsch in particular by means of flexible working hours so they can combine professional and family life. The persistently small number of female executives at Kapsch at the moment is due to the fact that the share of women working in technical fields remains comparatively low. From the point of view of a technology company, a broader base of female technicians needs to be available. Talented female colleagues are valued and are able to advance to leadership positions within the organization. Achieving this to an even greater extent than today requires long-term initiatives. A group of dedicated employees launched the initiative “women@kapsch”, offering support in terms of individual further development by means of events and networking opportunities. An initiative in the context of women@kapsch with the specific aim of increasing the share of women in management at Kapsch TrafficCom. The company would also like to promote the cooperation of men and women with the aim of harnessing the talents of both. The focus here is not on the classic separation of roles, but rather on reinforcing strengths. The company is also involved in special programs to promote women in the workplace, such as “Frauen in die Technik (FIT)” or “FemTech”. Kapsch also cooperates with schools, universities of applied sciences and universities to increase the proportion of women employed in all areas of the company. Other measures include the “Women in sales” trainee program and a separate body for equal treatment issues.

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 to all business units – and therefore to all Kapsch employees. Fighting human rights abuses and corruption of all kinds is a major concern for 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 control are audited with regard to their risk of corruption and the employees of the first and second management levels are trained in anti-corruption policy and anti-corruption processes. A system of internal guidelines provides a framework for action designed to mitigate the risk of corruption.

Cultural and social responsibility.
Kapsch Group actively acknowledges its social responsibility, supporting selected local, regional, and global cultural and social projects and institutions. 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, appealing to new audiences on an ongoing basis with unconventional programs, albeit without losing support from long-standing friends of the establishment. The "Wien Modern" festival – one of the world's most renowned festivals of contemporary music – has been a recipient of support since 1989. In 2016, another initiative was launched to promote young artists, enabling up-and-coming talent to present work for the first time to an international audience, with the awarding of the Kapsch Contemporary Art Prize in cooperation with mumok Vienna.

However, Kapsch Group also has an acute 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, and CONCORDIA social projects.

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

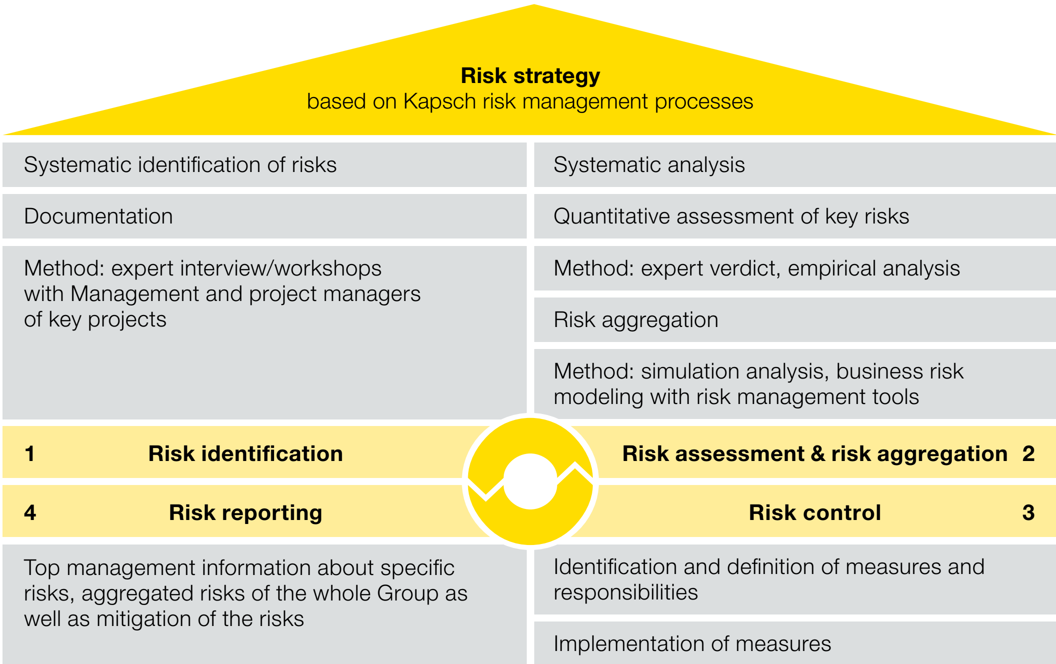
Risk management.
As a technology corporation, Kapsch Group operates in a very dynamic environment. Risks are therefore an integral part of everyday business. Under risk, the company understands the possibility of a deviation from corporate objectives. The risk concept thus encompasses both positive (opportunities) and negative (risks) deviations from planned objectives. 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 to establish best practice standards. The position of risk manager has been established in the finance divisions of the main companies 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, the set of rules laid down by the Austrian Standards Institute.

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

Project risk management covers both external customer projects as well as internal development projects, beginning in the bid or initiation phase. Using institutionalized processes allows 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 ERM approach is aimed at the early identification, assessment, and management of the risks that may materially influence the achievement of the strategic and operational goals of the company. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the management of the company.



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 revenues.

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 levels of volatility. In connection with large projects in the segment Traffic in particular, Kapsch Group regularly participates in tenders for the installation of nationwide, regional or route-dependent toll collection systems as well as the technical and commercial operation of toll collection systems. The ultimate awarding of the contract to Kapsch is thus subject to a series of uncertainties within and beyond its own sphere of influence. 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 has resulted time and again in revenue peaks.

The strategy of Kapsch Group aims at adequately counteracting volatility in terms of incoming orders and therefore also in 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, by increasing geographical diversification, broadening the customer base and product portfolio, and by constantly increasing the share of revenue from technical operation, including the maintenance of systems as well as the general increase of the share of service revenues. In past fiscal years, it has been possible to increase revenues on an ongoing basis with smaller-scale construction projects, which also counteracts volatility risk. Furthermore, the commercial operation of toll collection systems and the components business in the segment Traffic have also contributed to increasing the share of calculable, 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 very often entail solutions for 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 problems and performance problems with suppliers or consortium partners may have a negative effect on the adherence to delivery dates. If the contractual services are not fulfilled or if deadlines are missed, penalties usually have to be paid, often also damages, in some cases even damages to customers for loss of earnings. Missed deadlines may be covered by contractual 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 supply 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.

Additionally, given the variety of projects undertaken in the segment Enterprise, the following measures must be taken 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 (International Project Management Association).
- The creditworthiness of the customer must be checked as part of the contract acquisition process. In cases in which there is a credit rating risk, the customer is asked to provide additional collateral.

Long-term contracts with public authorities. In many cases, projects are awarded by public agencies or quasi-government 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 target 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 the contract. On the other hand, 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 those relating to customers' loss of earnings, 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.

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 it is not successful in developing innovative systems, components, and products, this can be detrimental 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 to adequately protect these technologies may have a negative impact on the competitive position of Kapsch Group. Kapsch Group places great emphasis on protecting technologies and the company's internal know-how, such as by means of patents and non-disclosure agreements with contractual parties. On the other hand, it is possible that its systems, components, products, or services may also infringe on the intellectual property rights of third parties.

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

Country risk. Following the strong expansion of business activities in states outside Europe, Kapsch Group is exposed to heightened political risks. 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. Interference with the 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 in connection with exchange rate and interest rate fluctuations as well as loans. Sufficient liquidity increases flexibility and the ability to take action rapidly.

Financial risks.

Financial risks arise primarily in connection with exchange rate and interest rate fluctuations as well as credit ratings and loans. Sufficient liquidity increases flexibility and the ability to take action rapidly. The main instruments used to monitor and minimize risks are standardized planning and controlling processes, company-wide guidelines, and regular reports.

Foreign exchange risk. As a global company, 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 in connection with 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 is possible, to avoid these transaction risks in the amount of the net currency positions associated with the respective projects or to hedge them, if necessary. However, because the net currency position at the respective payment flow date is often difficult to predict, hedging is only possible to a limited extent. The remaining exchange rate risk is accepted and included in business planning. In addition, risks also arise from the translation of separate financial statements of international companies into the group currency, the euro (translation risk). In addition, long-term disadvantageous exchange rate changes in particular 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 or rates outside the euro zone. In principle, only operational risks are hedged, speculative transactions are not permitted within the Group.

Interest rate risk. Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (for example Euribor). This exposes Kapsch Group to interest rate risks. Kapsch Group utilizes 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) and to acquire other companies. Additionally, implementing large-scale projects often requires the provision of significant bank guarantees to back bid obligations (bid bonds) or cover possible warranty claims (performance bonds).

In financing agreements, Kapsch Group is subject to the usual limitations on 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 is subject to market conditions as well as, in particular, the net asset, financial, and earnings positions of Kapsch Group. 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 asset, financial, and earnings positions of Kapsch Group.

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

Credit risk. Kapsch Group is exposed to the risk of non-payment by customers. Since the main customers of Kapsch Group are often large public or formerly public network operators, the bad debt risk is considered to be very low. However, Kapsch also acts as a subcontractor to third parties (for example concessionaires, or general contractors) in public sector projects. The extent of a potential default varies depending on the size of the project and may have a noticeable impact on the results of operations in the case of individual large-scale projects. The creditworthiness of new and existing customers is continuously reviewed as required and hedged in accordance with the assessment of the existing payment default risk. 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 these fall due. A payment default or the need to impair receivables can have an extremely adverse impact on the net asset, financial, and earnings positions of Kapsch Group.

Kapsch addresses personnel risk by means of attractive offers for employees.

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 Group has implemented a number of attractive measures, such as incentive schemes, training and further education opportunities, etc. in order to mitigate this risk. A periodic employee survey helps Management identify current issues, concerns, and wishes, as well as to assess the general mood.

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 complied with. Recording, monitoring, and implementing legal regulations and requirements can result in considerable administrative, technical, and commercial 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.

The various markets in which Kapsch Group operates are impacted by numerous legal provisions on an international and national level. In this context, Kapsch Group is exposed to the risk that certain regulations, such as data protection laws or environmental and safety requirements, might have negative impacts on business activities.

The further expansion of business activities into new regions and selected new business areas (such as IMS in the segment Traffic) tends to increase the risk of patent violations or the violation of intellectual property rights (IPR) which could result in financial damages as a result of 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. Kapsch has introduced an IT risk management system based on the Corporate Risk Application Method CRISAM® and is certified in accordance with ISO 27001 (Information Security Management). In the area of toll collection systems, Kapsch is certified under ISO 20000 ("IT Service Management") and is pushing ahead with the roll-out of CRISAM® as an IT risk management tool within the Group.

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

The early identification of opportunities opens up new potential.

Opportunities.
The enterprise risk management (ERM) approach of Kapsch Group not only deals with risks but also with the regular identification, measurement, and exploitation 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 of opportunities and to develop corresponding potential.

Particularly in the segment Traffic, market opportunities exist in geographic diversification as well as in increasing the 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 federal budgets, there exists an opportunity to develop new markets, especially in emerging and developing countries, as well as to expand activities into already developed markets.

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of traffic management because measures such as toll collection, road pricing, and the establishment of environmental zones or access restrictions are increasingly being employed as controlling instruments of environmental and traffic policy. This is creating opportunities in both the ETC and ITS divisions to further develop and market the portfolio based on these 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 or to offer new concepts to public authorities as well as to end customers. Of particular note are the opportunities in the areas of tolling as a service, parking management, and intermodal mobility.

In addition, numerous market opportunities arise in the other segments as a result of the geographic diversification, the increasing broadening of the customer and product portfolio, and through strategic partnerships. Constant innovation, technical advancements, and the acquisition of new technologies through company takeovers 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 diversification and the constant broadening of the portfolio of products and solutions are planned to further reduce the concentration of risks in individual regions and dependencies in the future. By the same token, constantly striving to maintain its strong technology position and offering high-quality products and innovative solutions in all segments are intended to ensure that our customers continue to feel they have a partner in Kapsch that will continue to provide reliable long-term support and optimal solutions in the future.

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

Internal control system (ICS).
Kapsch Group has established an internal control system which analyzes and documents the existing accounting-related internal control processes. The uniform group-wide documentation of all controls to achieve the main monitoring objectives is constantly being adapted and optimized, allowing the improved control of measures and serving as the basis for auditing the performance of local ICS. The results to date were presented to the Supervisory Board for evaluation and discussion in the quarterly meetings of the Audit Committee. During the regular on-site 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 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, and compliance with relevant legal regulations. The ICS guidelines follow the basic structures of the internationally recognized standards for internal control systems, COSO – Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission.

The processes for Group accounting and reporting are based on an IFRS accounting manual that is issued and regularly updated by Kapsch Group. This manual sets out the main accounting and reporting requirements for the Group based on International Financial Reporting Standards (IFRS). Group guidelines, working instructions, and defined procedures constitute another important cornerstone of ICS.

The accounting of all group transactions 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 relevant subsidiaries. The individual companies submit reporting packages to Head Office on a monthly basis containing all relevant accounting data pertaining to the income statement, the balance sheet and the cash flow statement, as well as contribution margin accounting. These data are then entered into the central consolidation system (Hyperion Financial Management) on an ongoing basis. The financial information is verified on a group-wide basis by the subsidiary and participation controlling department and subsequently forms the basis for the group reports issued in accordance with IFRS.

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

In keeping with the decentralized structure of Kapsch Group, local management is responsible for complying with 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 support to the management teams of the individual group companies, an ICS officer position was established at the parent companies of the three key segments. This individual is responsible for standardizing and constantly developing ICS throughout the individual segment, monitoring compliance with and the effectiveness of controls, as well as taking action to address the weaknesses identified, and reporting periodically to the Audit Committee of the Supervisory Board. To exploit synergies here throughout the entire Group and share experience, regular meetings are held by the Group Governance Committee, in which the ICS officers of the individual segments and Internal Audit regularly coordinate and forge ahead with relevant topics and developments.

5 Outlook.

Outlook remains optimistic.

In the coming 2018/19 fiscal year, Kapsch Group remains optimistic regarding trends and developments in its markets and expects to continue along 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. The Group 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 the segment Traffic, Kapsch intends to continue growing during the 2018/19 fiscal year. The target is to increase revenues by around 10%. Positive factors include, for example, the development of the nationwide toll collection system in Bulgaria, the dynamic business in the USA, and revenues in connection with the new joint venture in Zambia. In terms of profitability, the company also expects EBIT to increase by about 10% in the 2018/19 fiscal year.

Kapsch plans to grow in both divisions in the segment Traffic over the medium term. At the same time, the aim is to increase the segment's EBIT margin to a level of over 10% on a sustained basis. For this purpose, EBIT in the ETC business is to be kept well above 10% and continuously improved in the IMS business. An IMS EBIT of up to 8% appears feasible from today's perspective if the business environment is favorable.

The segment Carrier was reorganized in the past fiscal year and thus prepared for the challenges of the future. On this basis, increasing revenues are expected for the financial year 2018/19 as well as for the following periods in the now more focused MCN segment. The main drivers behind this projected increase will be focus on the existing customer base, a consistent end-to-end approach, tracking and implementing new solution issues, a strengthened local presence, if necessary through partners, and expansion into new regional markets. To achieve its growth targets, Kapsch has launched a comprehensive strategy project in this segment, which will address new customer segments and innovations for rail and MCN customers in the coming months. 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 segment Public Transport in the 2018/19 fiscal year and subsequent periods. Key factors driving this growth include investments in the sales structure. The roadmap in the segment Public Transport will move towards the focal areas of automated fare collection (AFC) and hardware on the basis of the core portfolio of the subsidiary in Belgium. ITCS (Intermodal Transport Control Systems) solution components are increasingly being procured through partners. 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, the scope of business with existing customers is expected to widen. In Austria, the company's strong position in the field of ICT infrastructure has been further expanded. Kapsch has positioned itself as an attractive service partner for ICT solutions using a honed IT strategy. Management expects the revenue potential of the IT segment to increase further. Kapsch will also be an important partner in the process of digitalization in the future. Given that the fundamental principles of digitalization 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. In this context, Kapsch often acts as an incubator supplementing new innovative ideas with its big data or security know-how and providing the necessary personnel resources so as to be able to implement large projects. Management sees this new business segment as the growth driver of the future. The solutions cover all areas of voice and data transmission as well as parts of the infrastructure in companies. This starts with "simple" telephony, continues with wireless and mobile business solutions and Voice-over IP, and includes IT solutions, network security, network management, internet integration, call center solutions, communications consulting, IPTV, video solutions, managed services, and much more. With its extensive expertise in handling large volumes of data and security, as well as a wide range of successful use cases in numerous industries, Kapsch is the ideal companion during the digital transformation. Target customers are small and medium-sized enterprises with 50 to 500 users, some of which already form part of the existing customer base in the segment Enterprise. The digitalization and growth course was pursued further by means of a 2022 strategy program launched by Kapsch in 2017.

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, such as through internal digitalization projects, will also be implemented throughout the entire Kapsch Group.

Vienna, on July 18, 2018

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

Consolidated Financial Statements
as of March 31, 2018.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2016/17	2017/18
Revenues	(4)	1,111,222,893	1,145,043,116
Other operating income	(5)	38,292,287	33,022,397
Changes in finished and unfinished goods and work in progress	(6)	-5,652,890	-6,434,467
Other own work capitalized		9,089,448	404,489
Cost of materials and other production services	(7)	-524,021,220	-546,019,288
Staff costs	(8)	-388,365,375	-396,566,282
Amortization and depreciation	(9)	-31,213,332	-28,692,374
Impairment charges	(9)	-16,749,934	-7,441,031
Other operating expenses	(10)	-172,460,786	-173,683,259
Proportional operating result of joint ventures	(18)	0	492,120
Operating result		**20,141,091**	**20,125,421**
Finance income	(11)	20,077,275	10,446,710
Finance costs	(11)	-21,306,852	-21,676,440
Financial result		**-1,229,577**	**-11,229,730**
Results from associates and joint ventures	(18)	426,261	-46,050
Losses from the revaluation of associates	(18)	0	-562,194
Result before income taxes		**19,337,775**	**8,287,447**
Income taxes	(12)	-14,958,414	-1,945,209
Result for the period		**4,379,361**	**6,342,239**
Result attributable to:			
Equity holders of the company		-10,922,896	-3,452,984
Non-controlling interests		15,302,257	9,795,222
		4,379,361	**6,342,239**
Other comprehensive income for the period:			
Items subsequently to be reclassified to the result for the period:			
Currency translation differences		-5,500,549	-1,943,899
Currency translation differences from net investments in foreign operations		2,673,308	-6,094,232
Available-for-sale financial assets:			
Fair value gains/losses recognized in other comprehensive income		-2,946,156	-14,941
Reclassification of cumulated net losses to the result for the period (impairment)		2,276,893	136,006
Reclassification of cumulated net gains to the result for the period (sale of available-for-sale financial assets)		-2,695	0
Cash flow hedges		424,038	37,259
Income tax relating to items subsequently to be reclassified to the result for the period		-716,463	1,493,263
Total items subsequently to be reclassified to the result for the period		**-3,791,623**	**-6,386,543**
Items subsequently not to be reclassified to the result for the period:			
Remeasurements of liabilities from post-employment benefits		-2,706,323	-2,066,582
Income tax relating to items subsequently not to be reclassified to the result for the period		636,275	459,536
Total items subsequently not to be reclassified to the result for the period		**-2,070,047**	**-1,607,047**
Other comprehensive income for the period net of tax	(13)	**-5,861,671**	**-7,993,590**
Total comprehensive income for the period		**-1,482,310**	**-1,651,351**
Total comprehensive income attributable to:			
Equity holders of the company		-14,949,334	-9,150,271
Non-controlling interests		13,467,024	7,498,919
		-1,482,310	**-1,651,351**

Consolidated balance sheet.

All amounts in EUR	Note	March 31, 2017	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	(15)	58,860,081	55,460,514
Intangible assets	(16)	158,475,964	143,156,864
Investment properties	(17)	3,723,194	3,507,356
Interests in associates and joint ventures	(18)	4,018,162	9,057,886
Other non-current financial assets and investments	(19)	24,405,242	29,343,020
Other non-current assets	(20)	4,283,435	4,384,818
Deferred tax assets	(27)	31,205,222	40,274,031
		284,971,300	**285,184,488**
Current assets			
Inventories	(21)	112,456,488	101,092,450
Trade receivables and other current assets	(22)	400,753,352	388,714,504
Current tax receivables		9,218,928	11,067,758
Other current financial assets	(19)	4,110,104	3,276,305
Cash and cash equivalents	(23)	246,618,111	209,296,161
		773,156,984	**713,447,178**
Assets classified as held for sale	(32)	**–**	**8,483,963**
Total assets		**1,058,128,284**	**1,007,115,629**
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		106,175,418	97,075,488
		173,124,736	**164,024,806**
Non-controlling interests	(36)	**90,884,541**	**91,748,848**
Total equity		**264,009,277**	**255,773,654**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(25)	167,968,253	209,966,981
Non-current liabilities from finance lease	(26)	15,026,735	14,478,645
Liabilities from post-employment benefits to employees	(28)	69,357,418	70,018,320
Non-current provisions	(31)	21,477,159	20,027,395
Other non-current liabilities	(29)	8,627,238	11,310,646
Deferred tax liabilities	(27)	4,967,663	3,092,612
		287,424,465	**328,894,599**
Current liabilities			
Current financial liabilities	(25)	174,682,909	103,645,271
Current liabilities from finance lease	(26)	544,713	681,498
Trade payables		88,816,214	85,068,845
Current tax payables		10,873,954	17,599,127
Current provisions	(31)	50,009,258	36,313,893
Other liabilities and deferred income	(30)	181,767,491	169,675,562
		506,694,540	**412,984,197**
Total liabilities		**794,119,005**	**741,878,796**
Liabilities related to assets held for sale	(32)	**–**	**9,463,179**
Total equity and liabilities		**1,058,128,284**	**1,007,115,629**

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, 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**
Effects from acquisition of subsidiaries			0		-27,798	-27,798
Effects from increase in shares of subsidiaries			-10,877		11,068	191
Effects from deconsolidation of subsidiaries			61,218		409,121	470,339
Effects from capital contribution in a subsidiary			0		131,250	131,250
Dividend				0	-7,158,253	-7,158,253
Result for the period				-3,452,984	9,795,222	6,342,239
Other comprehensive income for the period:						
Currency translation differences			-4,284,256		-2,230,317	-6,514,573
Fair value gains/losses on available-for-sale financial assets			92,343		-1,573	90,770
Remeasurements of liabilities from post-employment benefits			-1,529,201		-77,846	-1,607,047
Cash flow hedges			23,826		13,433	37,259
Carrying amount as of March 31, 2018	**726,728**	**66,222,590**	**-11,481,485**	**108,556,973**	**91,748,849**	**255,773,654**

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 shares held in subsidiaries, effects from the acquisition and disposal of non-controlling-interests as well as reserves from other comprehensive income, for example reserves for 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 2017/18 resulted from the acquisition of shares in Simex, Mexico. In the fiscal year 2016/17, these resulted from the acquisition of shares in tolltickets GmbH, Germany, as well as from the acquisition of Fluidtime Data Services GmbH, Vienna.

The effects from increase in shares of subsidiaries in the fiscal year 2017/18 resulted from shifts of shares between subgroups of Kapsch Group and thus led to shifts in shareholdings. The effects from the increase in shares in subsidiaries in the fiscal year 2016/17 resulted both from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s r.o, Czech Republic, of which an amount of TEUR 14,000 was paid in the fiscal year 2016/17 and an amount of TEUR 3,000 was paid in the fiscal year 2017/18, as well as from the acquisition of additional shares in Streetline International, Inc., USA.

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

The effects from deconsolidation of subsidiaries in the fiscal year 2017/18 resulted from the liquidation of various subsidiaries (see note 35).

Consolidated cash flow statement.

All amounts in EUR	Note	2016/17	2017/18
Cash flow from operating activities			
Operating result		20,141,091	20,125,421
Adjustments for non-cash items and other reconciliations:			
Scheduled depreciation and amortization	(9)	31,213,332	28,692,374
Impairment charge	(9)	16,749,934	7,441,031
Increase/decrease in obligations for post-employment benefits		-1,790,278	-1,428,207
Increase/decrease in other non-current liabilities and provisions		11,679,818	602,675
Increase/decrease in trade receivables (non-current)		11,094,251	237,188
Increase/decrease in other non-current receivables and assets		4,716,350	-1,661,409
Increase/decrease in trade payables (non-current)		-400,701	367,074
Other (net)		-1,602,172	323,778
		91,801,625	**54,699,925**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets		-4,167,304	7,942,450
Increase/decrease in inventories		6,991,342	12,579,328
Increase/decrease in trade payables and other current payables		-30,958,448	-11,196,971
Increase/decrease in current provisions		454,861	-12,015,701
		-27,679,550	**-2,690,895**
Cash flow from operations		**64,122,076**	**52,009,031**
Interest received		2,799,016	1,433,629
Interest payments		-9,001,424	-9,894,819
Net payments of income taxes		-8,164,124	-13,617,063
Net cash flow from operating activities		**49,755,544**	**29,930,778**
Cash flow from investment activities			
Purchase of property, plant and equipment	(15)	-18,321,032	-16,854,547
Purchase of intangible assets	(16)	-10,810,949	-3,635,562
Purchase of securities, investments and other non-current financial assets	(19)	-4,793,194	-4,456,006
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(34)	-22,806,654	-1,017,137
Payments for the acquisition of shares in at-equity-consolidated entities	(18)	-556,003	-4,095,151
Proceeds from the disposal of property, plant and equipment and intangible assets		4,994,555	3,814,297
Proceeds from the disposal of securities		245,354	45,177
Payments from the disposal of subsidiaries		-107,952	1,456,052
Dividends received from associates, joint ventures and other investments		240,182	722,547
Net cash flow from investment activities		**-51,915,693**	**-24,020,329**
Cash flow from financing activities			
Contributions from shareholders at a subsidiary		0	131,250
Dividend paid to parent company's shareholders		-9,000,000	0
Dividend paid to non-controlling interests		-7,160,206	-7,158,254
Payments for the acquisition of shares in non-controlling interests		-14,154,933	-3,027,798
Increase in non-current financial liabilities	(25)	139,366,473	86,835,584
Increase in current financial liabilities	(25)	49,750,719	16,831,932
Decrease in current financial liabilities	(25)	-80,766,537	-130,296,558
Changes in liabilities from finance lease	(26)	-541,360	-404,375
Net cash flow from financing activities		**77,494,155**	**-37,088,217**
Net increase/decrease in cash and cash equivalents		**75,334,006**	**-31,177,769**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(23)	167,257,769	246,618,111
Net increase/decrease in cash and cash equivalents		75,334,006	-31,177,769
Exchange gains/losses on cash and cash equivalents		4,026,335	-4,515,710
Reclassification as held for sale	(32)	–	-1,628,471
Cash and cash equivalents at end of year	(23)	**246,618,111**	**209,296,161**

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 the rest of 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 five 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)
- Public Transport (intelligent infrastructure solutions for public transport operators and transportation agencies)
- 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*, a global provider of end-to-end telecommunications services for Mission Critical Networks, covers the entire value chain from planning and development to deployment and technical operations management. The portfolio includes state-of-the-art, GSM-R and PMR networks based on the TETRA and DMR standards.

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

The segment *Public Transport* relates to intelligent infrastructure solutions for public transport operators and transportation agencies.

The segment *Others* essentially relates to all tasks associated with managing the Group.

1.1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of March 31, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of March 31, 2018 are prepared under the historical cost 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 performed 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.

As of March 31, 2018 the Group holds a share of 63.3% in Kapsch TrafficCom AG, Vienna (March 31, 2017: 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.

The parent company, KAPSCH-Group Beteiligungs GmbH, 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, 2018 the consolidated group (including the parent company KAPSCH-Group Beteiligungs GmbH, Vienna) consists of 96 entities (March 31, 2017: 101 entities). The consolidated group changed as follows:

Consolidated group	2016/17	2017/18
Number of entities at the beginning of the fiscal year	95	101
Initial consolidation	12	6
Mergers	-2	-2
Deconsolidations	-4	-9
Number of entities in the consolidated group	**101**	**96**

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

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

Kapsch TrafficCom S.A.S, Colombia, as well as Kapsch BusinessCom IoT Solutions s.r.o., Czech Republic, were newly founded.

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

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

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

Kapsch s.r.o., Slovakia, Kapsch BusinessCom s.r.o., Czech Republic, as well as Kapsch BusinessCom Kft., Hungary, were sold.

In the fiscal year 2017/18, Kapsch TrafficCom (M) Sdn Bhd, Malaysia, Kapsch Telematic Services Solutions A/S, Denmark, Kapsch TrafficCom d.o.o., Slovenia, Streetline International Inc., USA, SPS funding Co. LLC, USA, Transvision NV, Belgium, as well as Kapsch BusinessCom Turkey, Turkey (which had already been in liquidation in the fiscal year 2016/17), were liquidated and therefore deconsolidated.

The regional distribution of the subsidiaries is as follows:

Consolidated group	2016/17	2017/18
Austria	20	20
Central and Eastern Europe (excl. Austria)	24	21
Western Europe	21	20
Rest of the World	36	35
Total	**101**	**96**

For further information on interests in subsidiaries see note 35.

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 return 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, expense and income as well as unrealized gains and losses from transactions between group companies are completely eliminated in the course of group consolidation.

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

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

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

1.3.3 Joint arrangements.
The Group applies IFRS 11 to all joint arrangements.

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

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

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

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

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

1.3.4 Associates.

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

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

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

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

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

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

1.4 Business combinations.

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

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

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

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

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

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

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

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

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

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

1.5 Foreign currency translation.

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

1.5.1 Translation of foreign financial statements.

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

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

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

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

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

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

1.5.2 Foreign currency transactions.

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

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

2 Accounting principles.

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

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

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

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

	New/amended IFRS	Published by the IASB (adopted by the EU)	Applicable to fiscal years beginning on or after	Material impact on Group's consolidated financial statements
IFRS 15	Revenue from Contracts with Customers	May 2016	January 1, 2018	Described below
IFRS 15	Clarification of Revenues from Contracts with Customers	May 2016	January 1, 2018	Described below
IFRS 9	Financial Instruments	July 2016	January 1, 2018	Described below
IFRS 16	Leases	January 2016	January 1, 2019	Described below
IFRS 4	Disclosure of IFRS 9 in combination with IFRS 4	September 2016	January 1, 2018	Described below
AIP 2014–2016 (IFRS 1, IAS 28)	Amendment of IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	December 2016	January 1, 2018	Described below
IFRS 2	Classification and Measurement of Share-based Payment Transactions	June 2016	January 1, 2018	None
IAS 40	Transfer of Investment Property	December 2016	January 1, 2018	None
IFRIC 22	Foreign Currency Transactions and Advance Consideration	December 2016	January 1, 2018	None
IFRS 9	Prepayment Features with Negative Compensation	October 2017	January 1, 2019	None

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

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

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

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

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

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

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

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

As a result of the pricing and/or application of IAS 11 for construction contracts and thus the use of the percentage-of-completion method, there is no material change in the segment Traffic due to IFRS 15. The percentage-of-completion method has already been in use in the Public Transport segment as well, therefore there is no material impact due to IFRS 15 in this segment either. In the other segments a change in accounting due to IFRS 15 generally occurs (in particular as a result of the future use of the percentage-of-completion method in the Mission-Critical Network division in the Carrier segment). However, no material equity effect arises from this, because revenue-effective partial billings according to the project progress have been in place for the major part. In the Enterprise segment there is no material effect either, particularly due to the small-scale project structure. Overall, the equity effect from the first-time application of IFRS 15 as of April 1, 2018 is insignificant and amounts to less than 1% of total revenues of the Kapsch Group.

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

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

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

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

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

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

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

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

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

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

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

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

The remaining financial assets include:

- Equity instruments currently presented as AFS securities and AFS investments, which under IFRS 9 may be classified as at FVOCI, however without a recycling option;
- Equity instruments currently presented as at “fair value through profit or loss” (FVPL), whose presentation will remain unchanged under IFRS 9;
- Debt instruments currently classified as “held-to-maturity assets” and carried at amortized cost, which also fulfill the criteria for recognition at amortized cost under IFRS 9.

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

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

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

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

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

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

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

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

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

The Group has begun an initial analysis of the contracts and a process for selecting a software solution. The most significant effect is expected to result from the capitalization of assets and liabilities arising from operating leases for motor vehicles and buildings as well as IT equipment. As of the balance sheet date, the Group has non-cancellable operating leases in the amount of TEUR 102,238 (see note 33). However, the Group has not yet assessed which further adjustments may be necessary, for example due to the change in the definition of the term of the lease, the different treatment of variable lease payments, and extension and termination options. It is therefore not yet possible to estimate the amount of the rights of use and the corresponding lease liabilities to be recognized when the new standard is first applied and how this affects the consolidated profit and the classification of cash flows. In any case, a significant balance sheet extension is to be expected, which in turn will have an effect on many balance sheet ratios (for example a reduction in the equity ratio).

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

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

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

2.3 Accounting and valuation principles.

The accounting and valuation principles, which form the basis for these consolidated financial statements, were applied unchanged to the previous period and supplemented by new mandatory provisions applicable from the fiscal year (see note 2.1). A detailed description of all accounting and valuation principles is provided in note 42.

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

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

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

3.1 Percentage-of-completion method for contract work.

The Group uses the percentage-of-completion method in accounting for its construction contracts. At the balance sheet date of March 31, 2018, the amounts due from customers for contract work amounted to TEUR 79,688 (March 31, 2017: TEUR 80,445) and the amounts due to customers for contract work amounted to TEUR 31,571 (March 31, 2017: TEUR 29,097). The use of the percentage-of-completion method requires the Group to estimate the expected profit mark-up for a construction contract. Sensitivity analyses on assumptions made by the Executive Board of KAPSCH-Group Beteiligungs GmbH indicate that the operating result would fluctuate by TEUR 6,240 (March 31, 2017: TEUR 7,217) and the total comprehensive income for the period would fluctuate by TEUR 4,621 (March 31, 2017: TEUR 5,167) if the actual margin of the significant projects deviated by 10% from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been largely reliable up to now.

3.2 Estimated impairment of goodwill.

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

3.3 Further assumptions and estimates.

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

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

4 Segment information.

A business segment is an entity that conducts business activities that generate revenues and incur expenses. The operating results of the segments are regularly reported to the Executive Board (chief operating decision maker). Resource allocation decisions are reviewed based on these segments. The Executive Board has identified five reportable 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)
- Public Transport (intelligent infrastructure solutions for public transport operators)
- 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, 2018 are as follows:

	Traffic	Carrier	Enterprise	Public Transport	Others	Group
Revenues	693,257	150,658	317,716	13,630	19,286	1,194,546
Inter-segment revenues	-5,214	-1,508	-21,947	-5,050	-15,786	-49,505
Revenues from external customers	688,042	149,149	295,769	8,581	3,500	1,145,043
Operating result (EBIT)	50,059	-5,640	418	-27,945	3,233	20,125
EBIT margin in %	7.2	-3.7	0.1	-205.0	16.8	1.7

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

	Traffic	Carrier	Enterprise	Public Transport	Others	Group
Revenues	648,479	163,159	317,019	17,455	21,253	1,167,365
Inter-segment revenues	-8,426	-2,477	-27,398	-2,189	-15,652	-56,143
Revenues from external customers	640,053	160,682	289,621	15,266	5,601	1,111,223
Operating result (EBIT)	60,102	-17,009	6,902	-31,892	2,039	20,141
EBIT margin in %	9.3	-10.4	2.2	-182.7	9.6	1.7

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

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

	Traffic	Carrier	Enterprise	Public Transport	Others	Eliminations	Group
Segment assets	652,679	153,143	151,995	37,132	291,344	-296,718	989,574
Interests in associates and joint ventures	7,502	60	1,495	0	0	0	9,058
Assets of disposal group classified as held for sale		8,484					8,484
Total segment assets	**660,181**	**161,687**	**153,490**	**37,132**	**291,344**	**-296,718**	**1,007,116**
Segment liabilities	391,218	129,254	127,833	29,921	127,673	-64,019	741,879
Liabilities related to assets held for sale		9,463					9,463
Total segment liabilities	**391,218**	**138,717**	**127,833**	**29,921**	**127,673**	**-64,019**	**751,342**
Capital expenditure	11,757	1,874	6,308	451	101	-1	20,490
Depreciation, amortization, and impairment	14,808	4,989	4,519	11,381	436	0	36,133
Other non-cash-effective positions	1,314	582	127	6	0	0	2,029

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 tax liabilities, trade payables, other liabilities and deferred income, as well as current tax payables.

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	Public Transport	Others	Eliminations	Group
Segment assets	685,716	173,506	152,599	39,297	301,521	-298,529	1,054,110
Interests in associates and joint ventures	2,131	60	1,827	0	0	0	4,018
Total segment assets	**687,847**	**173,566**	**154,426**	**39,297**	**301,521**	**-298,529**	**1,058,128**
Total segment liabilities	**421,479**	**153,397**	**127,083**	**50,723**	**115,323**	**-73,886**	**794,119**
Capital expenditure	15,099	4,844	6,063	2,973	231	-78	29,132
Depreciation, amortization, and impairment	17,716	5,351	4,744	19,692	462	-1	47,963
Other non-cash-effective positions	1,620	458	223	19	2,043	0	4,363

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

In the fiscal year 2017/18 as well as in the fiscal year 2016/17, no customer contributed more than 10% of the group revenue.

Information by region.
The Executive Board has decided to present revenues and non-current non-financial assets not only by business segment but, in addition, by geographical segment. Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

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

	Austria	Central and Eastern Europe (excluding Austria)	Western Europe	Rest of the World	Group
Revenues	322,355	270,637	213,524	338,527	1,145,043
Non-current non-financial assets	83,821	29,090	26,021	68,743	207,675

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

	Austria	Central and Eastern Europe (excluding Austria)	Western Europe	Rest of the 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

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

	2016/17	2017/18
Sales of goods	411,256	380,362
Sales of services	579,343	614,078
Sales of maintenance	127,057	133,704
Accrued/deferred sales, license sales, and discounts on invoiced sales	-6,434	16,897
	1,111,223	**1,145,043**

5 Other operating income.

	2016/17	2017/18
Exchange rate gains from operating activities	13,056	10,650
Income from research tax credits	7,580	6,601
Income from insurance refunds	230	5,851
Income from sale of non-current assets	92	55
Badwill	2,982	0
Sundry operating income	14,353	9,866
	38,292	**33,022**

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

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

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

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

	2016/17	2017/18
Change in unfinished goods and work in progress	-9,597	-8,423
Change in finished goods	3,944	1,988
	-5,653	**-6,434**

7 Costs of materials and other production services.

	2016/17	2017/18
Cost of materials	304,921	308,376
Cost of purchased services	219,100	237,643
	524,021	**546,019**

8 Staff costs.

	2016/17	2017/18
Wages, salaries, and other remunerations	310,188	316,254
Expenses for social security and payroll-related taxes and contributions	63,454	64,398
Expenses for termination benefits (see note 28)	885	1,348
Expenses for pensions (see note 28)	260	769
Contributions to pension funds and other external funds	2,957	3,098
Fringe benefits	10,621	10,700
	388,365	**396,566**

As of March 31, 2018, the number of staff amounted to 7,236 persons (March 31, 2017: 6,868 persons) and averaged 7,114 persons in the fiscal year 2017/18 (2016/17: 6,872 persons).

9 Expenses for amortization, depreciation and impairment.

	2016/17	2017/18
Depreciation of property, plant and equipment	15,896	13,838
Amortization of intangible assets	15,102	14,639
Depreciation of investment properties	216	216
Impairment charge	16,750	7,441
	47,963	**36,133**

10 Other operating expenses.

	2016/17	2017/18
Rental expenses	27,425	25,559
Legal and consulting fees	36,633	18,781
Communication and IT expenses	13,949	17,421
Travel expenses	15,822	15,828
Exchange rate losses from operating activities	5,672	15,625
Automobile expenses	13,134	14,010
Marketing and advertising expenses	10,834	11,595
Maintenance	7,096	10,078
Insurance costs	5,542	5,319
Office expenses	6,334	5,007
Taxes and charges	6,774	3,832
Bank charges	2,291	2,742
License and patent expenses	3,378	2,533
Transport costs	2,512	2,515
Training costs	2,207	2,393
Damages	125	2,242
Warranty costs and project financing	860	1,069
Membership fees	829	794
Commissions and other fees	798	722
Allowance and write-off of receivables	1,954	1,787
Losses on disposal of non-current assets	238	242
Adjustment of provision for warranties	1,811	233
Director's fees in the Group	186	220
Reorganization costs	2,225	4
Operating losses from changes in the fair value of derivative financial instruments	10	6,610
Other	3,820	6,523
	172,461	**173,683**

The increase in communication and IT expenses is due to higher IT costs associated with projects in the USA. Exchange rate losses from operating activities increased from TEUR 5,672 in the 2016/17 fiscal year to TEUR 15,625 in the 2017/18 fiscal year, primarily due to exchange rate fluctuations of the currencies USD, ZAR, PLN and SEK. Damages mainly related to a fire at the business premises of the Swedish subsidiary of Kapsch TrafficCom in April 2017. Higher maintenance costs and automobile expenses in connection with projects also contributed to an increase in other operating expenses. Operating losses from the change in the fair value of derivative financial instruments have increased (see note 14). On the other hand, legal and consulting expenses declined due to lower expenses related to litigation, particularly in the USA.

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

11 Financial result.

	2016/17	2017/18
Finance income:		
Interest and similar income	2,669	1,303
Income from securities	130	131
Income from interest accretion of non-current receivables	2,040	921
Gains from the disposal of financial assets and investments and other financial income	3,830	746
Gains from changes of fair value of derivative financial instruments	224	827
Exchange rate gains from financing activities	11,184	6,519
	20,077	**10,447**
Finance costs:		
Interest and similar expense	-8,994	-9,869
Expense from interest accretion of non-current payables	-346	-291
Losses from changes of fair value of derivative financial instruments	-895	-208
Impairment of other investments	-2,426	-1,026
Expenses from the disposal of financial assets and investments and other finance costs	-530	-2,015
Exchange rate losses from financing activities	-6,721	-7,000
Interest expense from liabilities from post-employment benefits to employees (see note 28)	-1,301	-1,209
Interest expense from the jubilee bonus obligations	-92	-59
	-21,307	**-21,676**
	-1,230	**-11,230**

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

12 Income taxes.

	2016/17	2017/18
Current income taxes	-14,142	-12,261
Deferred tax assets/liabilities (see note 27)	-816	10,316
	-14,958	**-1,945**

For the fiscal year 2017/18, the Austrian corporate income tax rate is at 25% (2016/17: 25%).

In March 2005, the parent company 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 income of the group members is generally taxed at the level of the tax group leader. Therefore, tax losses incurred by a member of the tax group can be set off by taxable earnings of other group members.

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

	2016/17	**2017/18**
Result before income taxes	19,338	8,287
Arithmetic tax income/expense based on a tax rate of 25% (2016/17: 25%)	-4,834	-2,072
Unrecognized deferred tax assets on current losses	-22,505	-4,345
Utilization of previously unrecognized tax losses	100	106
Effects of different tax rates in the Group	8,311	4,423
Change in tax rates	0	45
Tax allowances claimed and other permanent tax differences	-2,299	-150
Income and expenses not subject to tax and other differences	6,632	3,751
Adjustment in respect to prior years	-361	-3,703
Recognized tax income/expense	**-14,958**	**-1,945**

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

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

13 Other comprehensive income.

2017/18	**Before taxes**	**Tax expense/ income**	**After taxes**
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-15	4	-11
Gains/losses recognized in the result for the period	136	-34	102
Remeasurements of liabilities from post-employment benefits	-2,067	460	-1,607
Currency translation differences	-1,944	0	-1,944
Currency translation differences from net investments in foreign operations	-6,094	1,524	-4,571
Cash flow hedges	37	0	37
Fair value changes recognized in equity	**-9,946**	**1,953**	**-7,994**

The unrealized gains/losses on available-for-sale financial assets recognized in the fiscal year 2017/18 amounting to TEUR -15 relate to fluctuations in the fair value of available-for-sale securities. For fair value fluctuations of the investment in Q-Free ASA, Norway, TEUR 1,026 were recognized in profit or loss in the financial result due to the ongoing negative development of the share price in the fiscal year 2017/18. Losses from a security were also recognized in profit or loss in the financial result (TEUR 136).

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

2016/17	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-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
Currency translation differences	-5,501	0	-5,501
Currency translation differences from net investments in foreign operations	2,673	-668	2,005
Cash flow hedges	424	0	424
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 in the amount of TEUR -3,141 relate to fair value changes on the investment in Q-Free ASA, Norway, and are tax-neutral. Due to the ongoing unfavorable development of the share price up to the third quarter of the fiscal year 2016/17 the contained net losses amounting to TEUR 865 were recognized as impairment in the result for the period (TEUR -2,277; reclassification from other comprehensive income to the result for the period).

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

14 Additional disclosures on financial instruments by category.

	Note	2016/17			2017/18		
		Carrying amount	Fair value	Level of FV-hierarchy	Carrying amount	Fair value	Level of FV-hierarchy
Trade receivables and other non-current assets							
Trade receivables	(22)	230,311	230,311	n/a	230,723	230,723	n/a
Amounts due from customers for contract work	(22)	80,445	80,445	n/a	79,688	79,688	n/a
Amounts due from customers for service and maintenance contracts	(22)	8,097	8,097	n/a	7,281	7,281	n/a
Loans and receivables		**318,854**			**317,692**		
Derivative financial instruments		198	198	2	12	12	2
At fair value through profit and loss		**198**			**12**		
Derivative financial instruments – Cash flow hedges		5	5	2	0	0	
Hedging instruments		**5**			**0**		
Other receivables and prepaid expenses		81,696			71,010		
Other non-financial assets [1]		**81,696**			**71,010**		
Total trade receivables and other current assets		**400,753**			**388,715**		
Other financial assets and investments (non-current and current)							
Available-for-sale securities	(19)	8,484	8,484	1	8,506	8,506	1
Available-for-sale securities	(19)	663	663	2	599	599	2
Available-for-sale investments	(19)	11,683	11,683	1	10,657	10,657	1
Available-for-sale financial assets (AFS)		**20,830**			**19,763**		
Derivative financial instruments	(19)	0	0		154	154	2
At fair value through profit and loss		**0**			**154**		
Other financial assets and loans	(19)	1,920	1,920	n/a	3,048	3,048	n/a
Fixed income securities	(19)	2,633	2,633	n/a	2,686	2,686	n/a
Loans and receivables		**4,553**			**5,734**		
Other investments	(19)	3,132	3,132	n/a	6,969	6,969	n/a
Other investments		**3,132**			**6,969**		
Total non-current and current financial assets and investments		**28,515**			**32,619**		
Investment property							
Investment property	(17)	3,723	6,653	3	3,507	6,604	3
Total investment property		**3,723**			**3,507**		
Cash and cash equivalents							
Cash and cash equivalents	(23)	246,618	246,618	n/a	209,296	209,296	n/a
Total cash and cash equivalents		**246,618**			**209,296**		

	Note	2016/17			2017/18		
		Carrying amount	Fair value	Level of FV-hierarchy	Carrying amount	Fair value	Level of FV-hierarchy
Financial liabilities (non-current and current)							
Corporate bond	(25)	70,702	72,943	1	0	0	
Corporate bond	(25)	10,220	10,198	2	0	0	
Promissory note bond	(25)	75,376	72,442	2	73,622	71,497	2
Other financial liabilities	(25)	186,352	185,377	2	239,990	231,568	2
Financial liabilities		**342,651**			**313,612**		
Liabilities from finance lease (non-current and current)	(26)	15,571	15,571	n/a	15,160	15,160	n/a
Financial liabilities		**15,571**			**15,160**		
Trade payables							
Trade payables		88,816	88,816	n/a	85,069	85,069	n/a
Financial liabilities		**88,816**			**85,069**		
Other liabilities and deferred income (non-current and current)							
Amounts due to customers for contract work	(30)	29,097	29,097	n/a	31,571	31,571	n/a
Variable purchase price components (earn-out)	(29, 30)	8,386	8,386	3	9,250	9,250	3
Other financial liabilities	(29)	1,988	1,988	n/a	2,332	2,332	n/a
Financial liabilities		**39,472**			**43,154**		
Derivative financial instruments	(29, 30)	1,259	1,259	2	7,524	7,524	2
At fair value through profit and loss		**1,259**			**7,524**		
Derivative financial instruments – Cash flow hedges		72	72	2	6	6	2
Hedging instruments		**72**			**6**		
Other liabilities and deferred income		149,593			130,303		
Other non-financial liabilities [1]		**149,593**			**130,303**		
Total non-current and current financial liabilities		**190,395**			**180,986**		

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

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

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

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

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

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

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

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

	2016/17	2017/18
Earn-out liabilities		
Carrying amount as of March 31 of prior year	272	8,386
Addition	8,331	3,794
Disposal	-272	-3,000
Interests	55	70
Carrying amount as of March 31 of fiscal year	**8,386**	**9,250**

Details to the earn-out liabilities can be found in notes 29 and 30.

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

	2016/17	2017/18
Available-for-sale financial assets	1,409	-912
Loans and receivables	7,218	911
Financial liabilities recognized at (amortized) cost	-9,341	-10,160
At fair value through profit or loss	-671	619
	-1,384	**-9,542**

Derivative financial instruments.

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

To hedge the foreign currency risk, certain derivative financial instruments are designated as cash flow hedges to an insignificant extent. These are forward exchange contracts with different maturities and currencies. Changes of cash flow hedges are shown in other comprehensive income.

The table in this note shows the balance sheet values. The operating income/losses from the change in the fair value of derivative financial instruments in the fiscal year 2017/18 amounted to TEUR +108 and TEUR -6,610 respectively (2016/17: TEUR +198 and TEUR -10). The gains and losses included in the financial result are shown in note 11.

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

15 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Prepayments	Total
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 business combinations	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**
Carrying amount as of March 31, 2017	**27,823**	**10,315**	**18,083**	**2,640**	**0**	**58,860**
Currency translation differences	-135	-509	-661	-137	0	-1,442
Reclassification	0	-79	892	-813	0	0
Additions from business combinations	1	0	47	0	0	47
Additions	3,023	2,496	5,611	5,724	0	16,855
Disposals	-38	-761	-297	-3,507	0	-4,602
Reclassification as held for sale	0	0	-419	0	0	-419
Scheduled depreciation	-3,188	-3,222	-7,428	0	0	-13,838
Impairment charge	0	0	0	0	0	0
Carrying amount as of March 31, 2018	**27,486**	**8,241**	**15,827**	**3,907**	**0**	**55,461**
Acquisition/production costs	52,835	53,649	74,906	3,907	0	185,297
Accumulated depreciation	-25,349	-45,408	-59,079	0	0	-129,837
Carrying amount as of March 31, 2018	**27,486**	**8,241**	**15,827**	**3,907**	**0**	**55,461**

The carrying amount of capitalized leases (land and buildings) as of March 31, 2018 amounts to TEUR 14,864 (March 31, 2017: TEUR 15,324). With regard to the additions resulting from company acquisition, see note 34.

16 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayments	Total
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
Additions from business combinations	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**
Carrying amount as of March 31, 2017	**12,787**	**31,344**	**111,411**	**2,917**	**17**	**158,476**
Currency translation differences	-155	-61	-8	-187	0	-412
Reclassification	0	1,500	0	-1,500	0	0
Reclassification of prepayments	0	17	0	0	-17	0
Additions from business combinations	0	5,000	48	0	0	5,049
Additions	294	2,637	0	705	0	3,636
Disposals	0	-113	-1,384	0	0	-1,497
Reclassification as held for sale	0	-15	0	0	0	-15
Scheduled amortization	-3,051	-11,587	0	0	0	-14,639
Impairment	-3,485	-3,956	0	0	0	-7,441
Carrying amount as of March 31, 2018	**6,391**	**24,765**	**110,067**	**1,934**	**0**	**143,157**
Acquisition/production costs	53,176	163,035	130,377	1,934	0	348,522
Accumulated amortization	-46,785	-138,270	-20,310	0	0	-205,365
Carrying amount as of March 31, 2018	**6,391**	**24,765**	**110,067**	**1,934**	**0**	**143,157**

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. They relate mainly to large projects for software solutions from Kapsch CarrierCom Belgium NV, Belgium.

In the fiscal year 2017/18 additional research and development costs of the Group amounted to TEUR 138,830 (2016/17: TEUR 125,034). In the fiscal year 2017/18, TEUR 73,247 thereof (2016/17: TEUR 58,175) related to project-specific development costs charged to the customer. The remaining amount of TEUR 65,583 (2016/17: TEUR 66,858) was recognized as an expense.

In the fiscal year 2017/18, an impairment of capitalized development costs in the amount of TEUR 3,485 and of licenses and rights in the amount of TEUR 3,956 in the Public Transport segment was made, as the impairment test based on the cash flows for these parts led to the abovementioned write-down requirement. The impairment of capitalized development costs in the amount of TEUR 16,653 in fiscal year 2016/17 also relates to the public transport division and was mainly due to the fact that during the course of the financial year it emerged that parts of the capitalized development costs are predominantly geared towards the requirements of a specific customer contract were and only to a lesser extent represented 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.

Goodwill.

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

	2016/17	2017/18
CGU ETC-Americas: Electronic Toll Collection, Americas	21,347	21,386
CGU ETC-EMEA: Electronic Toll Collection, Europe, Middle East and Africa	37,184	37,184
CGU ETC-APAC: Electronic Toll Collection, Asia and Pacific	13,436	13,436
Electronic Toll Collection (ETC)	**71,968**	**72,006**
CGU IMS-Americas: Intelligent Mobility Solutions, Americas	6,330	6,340
CGU IMS-EMEA: Intelligent Mobility Solutions, Europe, Middle East and Africa	5,657	5,657
CGU IMS-APAC: Intelligent Mobility Solutions, Asia and Pacific	434	434
Intelligent Mobility Solutions (IMS)	**12,421**	**12,431**
Traffic	**84,389**	**84,437**
CGU CRS: Carriers	0	0
CGU MCN: Mission Critical Networks	9,392	9,383
Carrier	**9,392**	**9,383**
Enterprise (CGU EN)	**17,631**	**16,247**
Public Transport (CGU PTR)	**0**	**0**
Total	**111,411**	**110,067**

As part of the impairment test in accordance with IAS 36, the following general assumptions were made for all cash-generating units:

	2016/17	2017/18
Determination of recoverable amount	Value in use	Value in use
Detailed planning years	4 years	4 years
Terminal value 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, Chile and Mexico, demand for toll systems will remain stable. The planning for the CGU ETC-Americas is based on implemented construction projects and current operation projects and their expansion as well as on the fact, that in various countries invitations to tender are in preparation or already in progress. Furthermore, the delivery of components constitutes a substantial contribution to revenue.

Parameters CGU ETC-Americas.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	21,347	21,386
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	205,574	107,809
Carrying amount of the CGU	59,070	59,383
Discount rate	7.1%	7.0%
Discount rate before tax	8.8%	9.6%
Break-even discount rate before tax	31.8%	15.1%

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

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

16.2 Cash-generating unit CGU ETC-EMEA.

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

Parameters CGU ETC-EMEA.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	37,184	37,184
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	530
Value in use of the CGU	381,530	533,245
Carrying amount of the CGU	128,874	108,989
Discount rate	7.1%	9.7%
Discount rate before tax	9.0%	12.6%
Break-even discount rate before tax	20.8%	59.9%

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

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

16.3 Cash-generating unit CGU ETC-APAC.

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

Parameters CGU ETC-APAC.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	13,436	13,436
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	152,924	181,849
Carrying amount of the CGU	22,574	25,635
Discount rate	7.1%	6.6%
Discount rate before tax	8.7%	8.7%
Break-even discount rate before tax	73.4%	88.7%

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

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

16.4 Cash-generating unit CGU IMS-Americas.

Key assumptions for determining expected cash flows of the CGU IMS-Americas.

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

Parameters CGU IMS-Americas.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	6,330	6,340
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	1,417	1,230
Value in use of the CGU	57,994	89,000
Carrying amount of the CGU	24,128	21,617
Discount rate	7.1%	7.6%
Discount rate before tax	9.0%	10.3%
Break-even discount rate before tax	22.2%	32.5%

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

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

16.5 Cash-generating unit CGU IMS-EMEA.

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

Parameters CGU IMS-EMEA.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	5,657	5,657
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	1,500	174
Value in use of the CGU	135,830	46,418
Carrying amount of the CGU	32,245	24,276
Discount rate	7.1%	9.7%
Discount rate before tax	8.7%	12.6%
Break-even discount rate before tax	39.6%	19.5%

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

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

16.6 Cash-generating unit CGU IMS-APAC.

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

Parameters CGU IMS-APAC.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	434	434
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	32,446	44,156
Carrying amount of the CGU	1,743	1,606
Discount rate	7.1%	6.7%
Discount rate before tax	8.7%	9.2%
Break-even discount rate before tax	301.0%	144.3%

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Discount rate	± 10%	7,198	-5,415
Revenue growth	± 10%	-1,435	1,559
EBITDA margin	± 10%	-1,241	1,241
Terminal value growth rate	± 0.5%	-3,514	4,343

16.7 Cash-generating unit CRS.

Key assumptions for determining expected cash flows of the CGU CRS.
In the area of CRS, Kapsch wants to concentrate on the well-defined market in Taiwan in the future and on the FTTX (fiber optics) business, while the highly competitive market for public network operators is no longer in focus.

Management believes that there is enough potential for Kapsch, as an established player, to maintain revenues in Taiwan and thus remain in the market. This assumption is supported by a number of projects that show good starting points for expanding the turnover base of existing as well as new customers. For example, projects are regularly asked for deliveries of network equipment that Kapsch can implement well with its existing partner landscape. In addition, significant sales in the area of the FTTX business are expected in the coming fiscal years.

In addition to general priorities in cost management, Kapsch continues to focus on structural and cost optimization in this CGU

Parameters CGU CRS.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	0	0
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	24,512	7,012
Carrying amount of the CGU	24,227	5,928
Discount rate	7.5%	8.7%
Discount rate before tax	9.8%	11.0%
Break-even discount rate before tax	9.9%	16.9%

Sensitivity analysis 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%	381	-298
Revenue growth	± 10%	-113	116
EBITDA margin	± 10%	-54	54
Terminal value growth rate	± 05%	-144	167

16.8 Cash-generating unit MCN.

Key assumptions for determining expected cash flows of the CGU MCN.

The investments in the railway environment adapted to the general growth trend for public transport continue to generate demand for state-of-the-art technology, such as ERTMS (European Rail Traffic Management System), to provide efficient infrastructure. European Union funding programs focusing on ERTMS, which defines GSM-R as the EU-wide standard, have been confirmed for the period 2016-2020. The ability to support and evolve this technology, which is now totally unrelated to GSM less and less used in public networks, is an additional source of business opportunity in this market. It is also becoming apparent that GSM-R networks will be operational in 2035 and beyond, and that there will be a change along long technology cycles. This in turn will have a positive impact on the after-sales and maintenance business in this area.

GSM-R is now also being used beyond the borders of Europe, where 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.

Outside of the established, highly standardized telecommunications environment, railways and companies operating their own mission critical networks continue to deploy solutions based on TETRA and Digital Mobile Radio (DMR) technologies, which Kapsch can service well thanks to its many years of experience in this field. In addition, 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 dominant player in this market segment.

Kapsch is also well positioned to help shape the technological transformation of telecom in rail companies through its membership of Shift2Rail, a European rail technology initiative focused on driving research and innovation into new railroad technologies.

Management expects that revenues in this CGU will continue to develop, based on the aforementioned pillars and in line with the character of a niche market, along a slight growth path.

The margins in this CGU should remain constant, with margin reductions resulting from the ongoing price pressure on new tenders being compensated by a shift towards the sustainable supply and maintenance business. In addition to general priorities in cost management, Kapsch continues to focus on structural and cost optimization in this CGU.

The regional and customer focus of the business remains unchanged in Europe. Nevertheless, business in the Middle East, South America, China and Africa is expected to contribute significantly to growth in this CGU.

Parameters CGU MCN.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	9,392	9,383
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	84,019	65,109
Carrying amount of the CGU	83,840	62,672
Discount rate	7.5%	7.7%
Discount rate before tax	9.5%	9.7%
Break-even discount rate before tax	9.5%	10.0%

Sensitivity analysis 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%	9,802	-7,469
Revenue growth	± 10%	-2,177	2,211
EBITDA margin	± 10%	0	1,562
Terminal value growth rate	± 0.5%	-4,530	5,403

16.9 Cash-generating unit EN.

Key assumptions for determining expected cash flows of the CGU EN.
This cash-generating unit expects to broaden the scope of business with existing customers. In Austria, the strong position in the field of ICT infrastructure was further expanded. Management expects to further strengthen this. Based on a sharper IT strategy, Kapsch positions itself as an attractive service partner for ICT solutions. Management assumes that the sales potential in the IT area will continue to grow. In addition, Kapsch will be an important partner in digitalization in the future. With the strategy program 2022 that Kapsch started in 2017, Kapsch continues its digitalization and growth course. As a leading digitalization partner with 1,200 employees, Kapsch supports companies in increasing their business performance and developing new business models.

Management sees this new business area as the growth driver of the future. Target customers are small and medium-sized enterprises with 50 to 500 users, of which some are already part of the existing customer base in the cash-generating unit Enterprise. Kapsch acts as a consultant, system supplier and service provider for these customers. With its extensive know-how in handling large amounts of data and security as well as a large number of successful use cases in numerous industries, Kapsch is the ideal companion for digital transformation.

Kapsch relies on manufacturer independence and partnerships with leading global providers as well as on a digital ecosystem of partners from research and industry-specific solution providers – from start-ups to large corporations.

As an outsourcing partner, Kapsch has already been able to position itself as an innovative and flexible partner in the past. In addition, the company offers industry-specific solutions to clients in a variety of sectors, including industry, finance, healthcare and the public sector. As a result, numerous pilot projects and proof of concepts in the field of digitalization with various well-known companies were carried out in the 2017/18 fiscal year.

The extensive portfolio includes technology solutions for intelligent and above all secure ICT infrastructure, smart building, media and security technology as well as outsourcing services. The portfolio is rounded off by numerous services such as consulting, project management, installation, training, service and operating as well as security solutions. The solutions cover all areas of voice and data transmission as well as parts of the infrastructure in companies. This starts with “simple” telephony, continues with wireless and mobile business solutions and Voice over IP, and includes IT solutions, network security, network management, internet integration, call center solutions, communications consulting, IPTV, video solutions, managed services and much more. New technologies are used not only to improve existing processes, but also to open up new business opportunities. Since the basic principles of digitalization are always the same, very different industries can learn from each other. For example, innovations in the health sector can be converted to trade or the automotive sector, for example in the form of a digital “health record” for cars. In this context, Kapsch often acts as an incubator to supplement new, innovative ideas with the know-how in the area of big data or security and also to provide the necessary human resources to implement large projects.

Through ongoing cost optimization and internal digitalization projects, on the one hand efficiency gains are achieved, on the other hand these optimizations lead to a disproportionately low increase in costs (above all personnel costs) in relation to the increase in revenues.

Parameters CGU EN.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	17,631	16,247
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	165,335	87,166
Carrying amount of the CGU	85,115	83,821
Discount rate	6.1%	6.7%
Discount rate before tax	7.5%	8.9%
Break-even discount rate before tax	12.1%	9.2%

Sensitivity analysis 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%	15,828	-11,860
Revenue growth	± 10%	-502	507
EBITDA margin	± 10%	-2,946	2,946
Terminal value growth rate	± 0.5%	-7,853	9,719

16.10 Cash-generating unit PTR.

Key assumptions for determining expected cash flows of the CGU PTR.
Market surveys assume that the public transport sector is in a growth phase that will last for several years. The total global market volume is expected to continue to grow in the double-digit percentage range over the next few years. The main drivers of this growth are urbanization, changing customer behavior in favor of public transport, an increasing demand for Public Transport solutions in emerging markets and the desire for sustainability. Nevertheless, individual markets may be affected by temporary declines, in particular due to the political situation and local developments.

Combined under the “mobi.guider” brand, Kapsch has a broad technology portfolio in this area, with a focus on computerized operations control systems (ITCS – mobi operations), automated payment systems (AFC – mobi ticketing) and electronic and mobile ticketing systems. Customers in this segment include De Lijn in Belgium, large public transport organizations in the Netherlands and customers in South Africa and the USA.

Management takes a conservative stance on this business and expects near-constant revenues based on well-known customer projects and opportunities and established performance capacity. This is underpinned by orders received from sales generated by the established product portfolio, as recently in the Netherlands or in Romania. The budget for the coming year builds on the good order backlog in defined core markets such as Belgium, the Netherlands, Romania and South Africa. Projects in the USA will be completed next year and new ones will be acquired. The strategy in this CGU is to be further developed on this basis towards partnerships in central solution areas such as ITCS. Reinforcements in the sales teams are scheduled. In addition, the search for synergies on public transport within the Kapsch Group has been continued and is already being implemented in projects in South Africa and North America. Collaboration within Kapsch Group should also be stepped up in the future.

Parameters CGU PTR.

	2016/17	2017/18
Carrying amount of goodwill allocated to the CGU	0	0
Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill)	0	0
Value in use of the CGU	52,972	7,167
Carrying amount of the CGU	29,579	6,879
Discount rate	7.6%	8.4%
Discount rate before tax	8.4%	10.3%
Break-even discount rate before tax	12.8%	11.1%

In the fiscal year 2017/18, a value adjustment on the basis of cash flows was made in the public transport sector in the amount of TEUR 3,556 for concessions and rights and in the amount of TEUR 3,485 for capitalized development costs.

Sensitivity analysis 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%	436	-338
Revenue growth	± 10%	-29	29
EBITDA margin	± 10%	-202	202
Terminal value growth rate	± 0.5%	-177	208

17 Investment properties.

	2016/17	2017/18
Carrying amount as of March 31 of prior year	**3,939**	**3,723**
Addition	0	0
Scheduled depreciation	-216	-216
Carrying amount as of March 31 of fiscal year	**3,723**	**3,507**
Acquisition/production cost	4,316	4,316
Accumulated depreciation	-593	-809
Carrying amount as of March 31 of fiscal year	**3,723**	**3,507**

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 fair value-hierarchy under IFRS 13. The fair value of the investment property as of March 31, 2018 amounts to TEUR 6,604 (March 31, 2017: TEUR 6,653).

Parameters of the capitalized earnings method

	2016/17	2017/18
Interest rate for property	6.00%	6.00%
Remaining useful life in years	38	37
Multiplying factor	14.85	14.74

The gross income from the rental of investment property as of March 31, 2018 amounts to TEUR 553 (March 31, 2017: TEUR 551).

The operating expenses from investment properties are as follows:

	2016/17	2017/18
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	-336	-327
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 98 (2016/17: TEUR 94).

18 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2016/17	2017/18
Carrying amount as of March 31 of prior year	**3,588**	**4,018**
Addition from foundation and acquisition	587	7,889
Disposal through sale of shares and dividend payments	-648	-257
Share in result	0	492
Adjustments for elimination of intercompany transactions	0	-825
Loss from revaluation of shares due to business combination	0	-562
Disposal due to business combination	0	-1,370
Share in result from financial investments	426	-46
Impairment	0	-198
Currency translation differences	65	-84
Carrying amount as of March 31 of fiscal year	**4,018**	**9,058**
thereof interests in associates	3,956	1,495
thereof interests in joint ventures	62	7,563

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, 2018 amounts to TEUR 1,308 (March 31, 2017: TEUR 1,498). Proportional results from this associate are reported in the result before income taxes after the financial result.

The financial data of the entity as of the latest balance sheet date (September 30) are as follows:

	September 30, 2016	September 30, 2017
Non-current assets	32,585	34,842
Current assets	2,146	1,657
Non-current liabilities	-381	-429
Current liabilities	-31,820	-33,414
Net assets	**2,530**	**2,656**
Revenue	33,811	33,333
Result for the period	1,237	1,050
Other comprehensive income	0	-63
Total comprehensive income	**1,237**	**988**

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 and in the fiscal year 2016/17 the Group increased its stake to 45%. This investment is accounted for using the equity method. The carrying amount as of March 31, 2018 amounts to TEUR 81 (March 31, 2017: TEUR 279). Proportional results from this associate are reported in the result before income taxes after the financial result.

The financial data of the entity as of the latest balance sheet date (December 31) are as follows:

	December 31, 2016	December 31, 2017
Non-current assets	59	43
Current assets	1,175	993
Non-current liabilities	-189	-121
Current liabilities	-222	-674
Net assets	**823**	**241**
Revenue	1,961	1,346
Result for the period	175	-583
Other comprehensive income	0	0
Total comprehensive income	**175**	**-583**

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 a 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, 2018, the carrying amount of the interest amounts to TEUR 50 (March 31, 2017: TEUR 50). Proportional results from this associate are reported in the result before income taxes after the financial result.

The financial data of the entity as of the latest balance sheet date (December 31) are as follows:

	December 31, 2016	December 31, 2017
Non-current assets	134	25
Current assets	47	257
Non-current liabilities	-114	-28
Current liabilities	-18	-248
Net assets	**49**	**7**
Revenue	219	311
Result for the period	22	-75
Other comprehensive income	0	0
Total comprehensive income	**22**	**-75**

Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.
On July 31, 2012, the Group acquired 33% of the shares in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico (hereinafter referred to as Simex). The investment was accounted for using the equity method.

On July 18, 2017, a capital reduction was approved at Simex, in which Kapsch TrafficCom did not participate and thus held 39.97% of Simex as of July 18, 2017, before acquiring the remaining shares. The shares were measured at fair value as of July 18, 2017, based on a business valuation of TEUR 1,370 and were disposed of as associate with this value. As of March 31, 2017, the book value amounted to TEUR 2,130. The revaluation of the shares due to the business combination on July 18, 2017, resulted in a loss amounting to TEUR -562.

On July 18, 2017, the remaining shares were acquired, so that Kapsch TrafficCom now holds 100% of the shares and the company is fully consolidated starting from July 18, 2017 (see note 34).

Proportional results from this associate were reported in the result before income taxes after the financial result until the transition to full consolidation.

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, 2018, the carrying amount of the interest amounts to TEUR 0 (March 31, 2017: TEUR 0). Proportional results from this associate were reported in the result before income taxes after the financial result.

The financial data of the entity as of the latest balance sheet date (March 31) are as follows:

	March 31, 2017	March 31, 2018
Non-current assets	67	1
Current assets	8	21
Non-current liabilities	0	0
Current liabilities	-384	-399
Net assets	**-310**	**-377**
Revenue	0	0
Result for the period	-218	-101
Other comprehensive income	0	0
Total comprehensive income	**-218**	**-101**

Sensor Network Services GmbH, Vienna.
On January 23, 2018, the Group founded the company Sensor Network Services GmbH, together with two partners, and holds a stake of 37.5%. It is classified as an associated company. Therefore, the investment is accounted for using the equity method. As of March 31, 2018, the carrying amount of the interest amounts to TEUR 56 (March 31, 2017: n/a). Proportional results from this associate were reported in the result before income taxes after the financial result.

At present, no financial information of the company is available.

18.2 Shares 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 a 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 of the interest as of March 31, 2018 amounts to TEUR 60 (March 31, 2017: TEUR 60). Proportional results from this associate were reported in the result before income taxes after the financial result.

The financial data of the entity as of the latest balance sheet date (December 31) are as follows:

	December 31, 2016	December 31, 2017
Non-current assets	0	1
Current assets	173	138
Non-current liabilities	0	0
Current liabilities	-145	-77
Net assets	**29**	**63**
Revenue	0	0
Result for the period	-62	-40
Other comprehensive income	0	0
Total comprehensive income	**-62**	**-40**

Intelligent Mobility Solutions Limited, Zambia.
The addition to the interests in joint ventures relates to the acquisition of 50% of Intelligent Mobility Solutions Limited in Zambia on August 30, 2017. A part of the purchase price of TEUR 3,794 is variable due to the signing of another project at the company. The company is responsible for the planning, construction and operation of traffic monitoring, speed and vehicle control systems and solutions as well as the registration of vehicles in Zambia. Since Kapsch TrafficCom has control over the company together with a partner, the company is accounted for as a joint venture using the equity method. As the activities and strategy of this company are part of the core business of Kapsch TrafficCom, the proportional results from this joint venture are reported separately in the result from operating activities. Since the acquisition, pro rata earnings in the amount of TEUR 492 have been generated. As of March 31, 2018, the book value amounted to TEUR 7,501.

The financial data of the entity as of the latest balance sheet date (March 31) are as follows.

	March 31, 2017	March 31, 2018
Non-current assets	n/a	9,821
Current assets	n/a	671
Non-current liabilities	n/a	-1,540
Current liabilities	n/a	-5,474
Net assets	**n/a**	**3,479**
Revenues	n/a	6,883
Result for the period	n/a	983
Other comprehensive income	n/a	0
Total comprehensive income	**n/a**	**983**
Cash and cash equivalents	n/a	86
Financial liabilities (non-current and current)	n/a	1,580
Reconciliation		
Net assets at beginning of fiscal year	n/a	1
Increase of nominal capital and capital reserve	n/a	2,496
Total comprehensive income	n/a	983
Currency translation differences	n/a	0
Dividend payments	n/a	0
Net assets as of March 31 of fiscal year	**n/a**	**3,479**
Share of Kapsch TrafficCom (50%)	n/a	1,740
Goodwill	n/a	6,586
Adjustments of intercompany profit elimination	n/a	-825
Carrying amount as of March 31 of fiscal year	**n/a**	**7,501**

Consortia.
In the course of the acquisition of the shares in tolltickets GmbH, Germany, on July 1, 2016, the two Italian consortia “Consorzio 4trucks” and “MyConsorzio” were acquired. Both investments are accounted for using the equity method. Proportional results from these joint ventures are reported in the result before income taxes after the financial result.

The acquired joint ventures Consorzio 4trucks and MyConsorzio are jointly managed with one partner each, with an equal distribution of the shares of 50% in both consortia. The consortia serve as purchasing cooperatives with the aim of passing discounts on to freight forwarders. The assets are attributable to the two consortia. The consortium members are generally excluded from liability.

As of March 31, 2018, the book value of the shares in the consortia amounts to TEUR 1 (March 31, 2017: TEUR 1).

The financial data of the entities as of the latest balance sheet date (March 31) are as follows:

	March 31, 2017	March 31, 2018
Non-current assets	221	12
Current assets	46	485
Non-current liabilities	-40	-6
Current liabilities	-227	-477
Net assets	**0**	**15**
Revenue	385	969
Result for the period	-1	12
Other comprehensive income	0	1
Total comprehensive income	**-1**	**13**

18.3 Joint operations.

The Group has several joint arrangements in the fiscal year, mainly for maintenance projects, which are designated as joint operations, none of which is material to the Group individually. In the fiscal year 2017/18, pro rata revenues in the amount of TEUR 15,345 (2016/17: TEUR 8,518) and pro rata results in the amount of TEUR 954 (2016/17: TEUR -10) were included in the respective items in the consolidated financial statements.

19 Other current and non-current financial assets.

	2016/17	2017/18
Other non-current financial assets and investments	24,405	29,343
Other current financial assets	4,110	3,276
	28,515	**32,619**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other investments	Other non-current financial assets	Total
Carrying amount as of March 31, 2016	**8,912**	**14,825**	**351**	**99**	**24,187**
Currency translation differences	0	0	83	7	90
Additions from business combinations	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**
Currency translation differences	0	0	-428	-31	-459
Additions	85	0	4,266	2,199	6,550
Disposals	-111	0	-1	0	-112
Change in fair value	121	0	0	0	121
Impairment	-136	-1,026	0	0	-1,162
Carrying amount as of March 31, 2018	**9,106**	**10,657**	**6,969**	**2,611**	**29,343**

According to the prior year, as of March 31, 2018, the available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of March 31, 2018, an impairment of shares in investment funds in the amount of TEUR 136 was recognized in profit and loss.

As of March 31, 2018, the available-for-sale investments essentially relate to a 15.4% interest in the listed Q-Free ASA, Norway (March 31, 2017: 15.4%). In the fiscal year 2017/18, an impairment of TEUR 1,026 to the lower market value was required. This was recognized in profit or loss.

Unrealized changes in fair value are recognized in other comprehensive income of the period (see note 13).

Additions in other investments in the fiscal year 2017/18 mainly include the acquisition of a minority interest in Traffic Technology Services Inc., USA, in the amount of TEUR 2,550 and the acquisition of further minority interests in ParkJockey Global Inc., USA, in the amount of TEUR 1,710. The addition in other investments in the fiscal year 2016/17 mainly relates to the acquisition of non-controlling interests in ParkJockey Global, Inc., USA.

Additions to other non-current financial assets in the fiscal year 2017/18 include a long-term derivative in the amount of TEUR 154. The remaining additions relate mainly to loans of Kapsch TrafficCom AG, Vienna, to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540.

Other current financial assets	Available-for-sale securities	Current loans	Other current financial assets	Total
Carrying amount as of March 31, 2016	**0**	**97**	**472**	**569**
Currency translation differences	0	29	171	201
Additions from business combinations	0	282	0	282
Additions	0	1,068	1,990	3,058
Carrying amount as of March 31, 2017	**0**	**1,477**	**2,633**	**4,110**
Currency translation differences	0	-17	-53	-69
Additions	0	0	106	106
Disposals	0	-870	0	-870
Carrying amount as of March 31, 2018	**0**	**590**	**2,686**	**3,276**

Additions to other current financial assets in the 2016/17 and 2017/18 fiscal years relate to a short-term fixed income security.

Disposals of current loans for the 2017/18 fiscal year relate to repayments of current loans in the amount of TEUR 730 in Spain as well as the fiscal of a loan in the amount of TEUR 139 in Russia.

Additions to current loans in the fiscal year 2016/17 mainly relate to the acquisition of the entities of Kapsch TrafficCom Transportation.

Unrealized changes in fair value are recognized in other comprehensive income of the period (see note 13).

The classification of current and non-current financial assets is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2017/18
Non-current financial assets				
Available-for-sale securities	8,506	599	0	9,106
Available-for-sale investments	10,657	0	0	10,657
Other non-current financial assets	0	154	0	154
	19,164	**753**	**0**	**19,917**
Current financial assets				
Available-for-sale securities	0	0	0	0
	0	**0**	**0**	**0**
Total	**19,164**	**753**	**0**	**19,917**

In the fiscal year 2017/18, other non-current financial assets amounting to TEUR 2,457, other investments amounting to TEUR 6,969 as well as other current financial assets amounting to TEUR 3,276 were recognized at cost less impairment.

	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**	**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.

20 Other non-current assets.

	2016/17	2017/18
Truck toll collection system in the Czech Republic	212	0
Other long term receivables	4,072	4,385
	4,283	**4,385**

Other non-current receivables mainly comprise tax refunds in France in the amount of TEUR 2,897 (2016/17: TEUR 2,444).

Furthermore, these include rental guarantees for buildings of the Spanish companies. As in the previous year, the remaining term is more than one year, but less than five years from the balance sheet date.

Non-current receivables were discounted on the basis of cash flows using an interest rate of 2.31% to 7.00%. The fair values approximate to the book values.

Gross cash flows of other non-current assets are as follows:

	2016/17	2017/18
Up to 2 years	1,251	1,102
Between 2 and 3 years	1,325	935
More than 3 years	1,860	2,488
	4,437	**4,525**

21 Inventories.

	2016/17	2017/18
Purchased parts and merchandise, at acquisition cost	40,661	36,562
Unfinished goods and work in progress, at production cost	58,010	49,587
Finished goods, at production cost	10,316	12,304
Prepayments on inventories	3,469	2,639
	112,456	**101,092**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 27,323 (2016/17: TEU 27,201). In the reporting period, TEUR 122 were recognized in the statement of comprehensive income (2016/17: TEUR 1,039).

22 Trade receivables and other current assets.

	2016/17	2017/18
Trade receivables	239,045	240,419
Allowance for bad debts	-8,734	-9,697
Trade receivables – net	**230,311**	**230,723**
Amounts due from customers for contract work	80,445	79,688
Amounts due from customers for service and maintenance contracts	8,097	7,281
Receivables from tax authorities (other than income tax)	28,357	26,922
Other receivables and prepaid expenses	53,543	44,101
	400,753	**388,715**

As of March 31, 2018, trade receivables with a net value of TEUR 10,330 (2016/17: TEUR 9,005) have been impaired. The corresponding impairment amounts to TEUR -9,697 (2016/17: TEUR -8,734).

Allowance for bad debts developed as follows:

	2016/17	2017/18
Balance as of March 31 of prior year	**-7,506**	**-8,734**
Additions from business combinations	-2,661	-288
Additions	-4,018	-6,385
Utilization	69	2,001
Disposals	5,486	3,108
Currency translation differences	-105	453
Allowance on assets held for sale	0	149
Balance as of March 31 of fiscal year	**-8,734**	**-9,697**

Maturity structure of trade receivables:

	2016/17	2017/18
Not yet due	158,996	159,164
Overdue:		
Less than 60 days (not impaired)	46,267	40,640
Less than 60 days (impaired)	653	407
More than 60 days (not impaired)	24,776	30,285
More than 60 days (impaired)	8,353	9,923
	239,045	**240,419**

Given the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts. There is no concentration of credit risk with respect to trade receivables, except for the toll collection projects in Austria, America, the Czech Republic, South Africa and Poland, as the Group generally has a large number of customers worldwide. Trade receivables relating to the installation of the truck toll collection system in the Czech Republic amounting to TEUR 1,328 (2016/17: TEUR 1,356) and to the operation and maintenance of the system amounting to TEUR 14,174 (2016/17: TEUR 12,616) are due from Ředitelství silnic a dálnic ĈR (RSD), a company of the Czech Republic. Trade receivables relating to the toll collection project and the maintenance or operation in Austria amount to TEUR 12,291 (2016/17: TEUR 3,936). Trade receivables relating to the installation of the truck toll collection system in the Republic of Belarus amounting to TEUR 2,960 (2016/17: TEUR 23,400) and to the operation of the system amounting to TEUR 770 (2016/17: TEUR 3,602) are due from BelToll.

Current amounts due from customers for contract work relate to the Traffic, Public Transport and Carrier segments and are as follows:

	2016/17	2017/18
Construction costs incurred plus recognized gains	589,148	985,435
Less amounts invoiced and advance payments received	-508,703	-905,747
	80,445	**79,688**

As of March 31, 2018, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 38,732 (2016/17: TEUR 44,731), Latin America amounting to TEUR 2,271 (2016/17: TEUR 6,364), Austria amounting to TEUR 9,220 (2016/17: liability TEUR 845), Spain amounting to TEUR 9,128 (2016/17: TEUR 6,954), Sweden amounting to TEUR 4,794 (2016/17: TEUR 7,448), Bulgaria amounting to TEUR 4,278 (2016/17: TEUR 0), and Australia amounting to TEUR 3,740 (2016/17: TEUR 696) as well as public transport projects in Belgium in the amount of TEUR 2,176 (2016/17: TEUR 3,240).

Revenues from construction contracts amount to TEUR 299,664 (2016/17: TEUR 303,467).

23 Cash and cash equivalents.

	2016/17	2017/18
Cash on hand	228	230
Deposits held with banks	246,390	209,066
	246,618	**209,296**

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.

	2016/17	2017/18
Carrying amount as of March 31 of 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.

	2016/17	2017/18
Non-current		
Loans for acquisitions	40,274	30,292
Loans for project financing	0	50,000
Capital expenditure loans	5,140	3,517
Promissory note bond	75,376	73,622
Other non-current loans	47,177	52,536
	167,968	**209,967**
Current		
Corporate bonds	80,923	0
Loans for acquisitions	10,618	9,982
Loans for project financing	6,660	7,583
Other current loans	76,483	86,080
	174,683	**103,645**
Total	**342,651**	**313,612**

Movements are as follows:

	March 31, 2017	Additions from business combinations	Reclassification	Additions	Repayment	Currency translation differences	March 31, 2018
Non-current financial liabilities	167,968	152	-43,184	86,836	0	-1,804	209,967
Current financial liabilities	174,683	1,832	43,184	16,832	-130,297	-2,590	103,645
Total	**342,651**	**1,984**	**0**	**103,668**	**-130,297**	**-4,394**	**313,612**

	March 31, 2016	Additions from business combinations	Reclassification	Additions	Repayment	Currency translation differences	March 31, 2017
Non-current financial liabilities	172,783	893	-145,658	139,366	0	584	167,968
Current financial liabilities	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**

Additions and repayments are cash-effective.

The corporate bond of Kapsch TrafficCom AG was placed in November 2010 with a volume of TEUR 75,000, a maturity of seven years and an interest rate of 4.25%. The effective interest rate amounts to 4.54%. In May 2015 debts with a nominal value of TEUR 4,182 of the corporate bond were reacquired prematurely. The corporate bond with a nominal value of TEUR 70,818 was redeemed at the beginning of November 2017 as scheduled.

In May 2014, KAPSCH-Group Beteiligungs GmbH, Vienna, issued a corporate bond with a nominal value of TEUR 10,000 with a term of three years and an interest rate of 2.7%. The bond was repaid on schedule during the fiscal year.

In January 2018, a new long-term project financing in the amount of TEUR 50,000 with a term of six years and a fixed interest rate of 0.8% was concluded.

The non-current financial liabilities mainly relate to a promissory note bond ("Schuldscheindarlehen") amounting to TEUR 73,622. Details to tranches, maturity periods and interest rates are shown in the table below:

Tranche	Interest rate	Interest fixing and interest payment	Repayment
EUR 26 mn	1.22%	yearly	June 16, 2021
EUR 4.5 mn	6M EURIBOR + 120 Bp	semi-annual	June 16, 2021
USD 14.5 mn	3M LIBOR + 170 Bp	quarterly	June 16, 2021
EUR 23 mn	6M EURIBOR + 150 Bp	semi-annual	June 16, 2023
EUR 8.5 mn	2.26%	yearly	June 16, 2026

The fair values and the gross cash flows (including interest) of current and non-current financial liabilities are as follows:

	2016/17	2017/18
Carrying amount	**342,651**	**313,612**
Fair value	**340,960**	**303,065**
Gross cash flows:		
In the 1st half year of the next fiscal year	41,591	28,576
In the 2nd half year of the next fiscal year	138,465	78,723
Total up to 1 year	**180,056**	**107,298**
Between 1 and 2 years	40,409	12,013
Between 2 and 3 years	13,511	42,666
Between 3 and 4 years	28,624	66,041
Between 4 and 5 years	52,215	19,379
More than 5 years	42,865	80,842
	357,681	**328,240**

The classification of financial liabilities is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	March 31, 2018
Promissory note bond	0	71,497	71,497
Other financial liabilities	0	231,568	231,568
Total	**0**	**303,065**	**303,065**

	Level 1 Quoted prices	Level 2 Observable market data	March 31, 2017
Corporate bonds	72,943	10,198	83,140
Promissory note bond	0	72,442	72,442
Other financial liabilities	0	185,377	185,377
Total	**72,943**	**268,017**	**340,960**

The fair value of the other financial liabilities classified as level 2 was derived through discounting the gross cash flows over the contracted term at a risk-adjusted interest rate.

Interest rates on current and non-current financial liabilities are as follows:

	2016/17	2017/18
Total financial liabilities:		
Carrying fixed interest rates	224,200	221,590
Carrying variable interest rates	118,451	92,022
	342,651	**313,612**
Average interest rates:		
Loans for acquisitions	0.54 - 1.98%	0.80 - 2.10%
Loans for project financing	0.66%	0.66 - 0.80%
Capital expenditure loan	0.75 - 2.13%	0.75 - 2.00%
Corporate bonds	2.97 - 4.54%	–
Promissory note bond	1.20 - 2.57%	1.20 - 2.57%
Other loans	0.50 - 3.80%	0.49 - 3.80%

Financial liabilities of Kapsch ConnexPlus GmbH, Vienna, are collateralized with a maximum amount of TEUR 4,500. As at March 31, 2018 an amount of TEUR 3,238 was outstanding (2016/17: TEUR 3,723).

Liabilities to banks in the amount of TEUR 17,027 (2016/17: TEUR 20,000) are pledged with shares in Kapsch Financial Services GmbH, Vienna.

A bill of exchange amounting to TEUR 22,853 (2016/17: TEUR 22,853) was issued for an export promotion loan and loans for the acquisitions.

26 Liabilities from finance lease.

Finance lease mainly relates to two lease contracts for buildings entered into by Kapsch BusinessCom AG, Vienna. The contracts have a duration of 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.

	2016/17	2017/18
Up to 1 year	636	722
Between 1 and 5 years	2,179	2,239
More than 5 years	13,081	12,432
Minimum lease payments (purchase option included)	**15,896**	**15,394**
Accrued interest	-325	-233
Present value of the lease liabilities	**15,571**	**15,160**
thereof disclosure as non-current liabilities	15,027	14,479
thereof disclosure as current liabilities	545	681
	15,571	**15,160**

The fair values approximate the carrying amounts.

Of the change in liabilities from finance leases, TEUR 404 are cash-effective.

The maturity of finance lease liabilities is as follows:

	2016/17	2017/18
Up to 1 year	545	681
Between 1 and 5 years	2,179	2,192
More than 5 years	12,848	12,286
	15,571	**15,160**

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.

	2016/17	2017/18
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	25,277	32,350
Deferred tax assets to be recovered within 12 months	5,928	7,924
	31,205	**40,274**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	3,244	1,584
Deferred tax liabilities to be recovered within 12 months	1,724	1,509
	4,968	**3,093**
Deferred tax assets net (+)/deferred tax liabilities net (-)	**26,238**	**37,181**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to TEUR 289,131 (2016/17 adjusted: TEUR 265,843) are not recognized due to the unsecure potential for future taxable income. These loss carry-forwards relate to foreign subsidiaries, primarily in the USA and Spain, and are, for the predominant part, not due to expire before 2030. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

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

Deferred tax assets/liabilities are attributable to the following positions (before netting):

	March 31, 2017	Additions from business combinations	Taken through the profit or loss of the period	Taken through other comprehensive income	Currency translation differences	Reclassification and reclassification to held for sale assets	March 31, 2018
Deferred tax assets							
Tax loss carry-forwards	12,434	0	-3,787	0	-229	-427	7,991
Provisions disallowed for tax purposes	11,752	0	238	460	87	0	12,537
Depreciation disallowed for tax purposes	6,911	0	8,612	0	-4	177	15,695
Other (active deferred income)	5,387	0	-1,854	1,534	-177	2,150	7,039
	36,483	**0**	**3,210**	**1,993**	**-324**	**1,899**	**43,262**
Deferred tax liabilities							
Special depreciation/amortization of non-current assets	799	0	-243	0	-67	0	489
Construction contracts	364	0	-2,102	0	0	1,737	0
Gains from recognition at fair value	5,959	1,040	-3,167	41	0	-3	3,869
Other (passive deferred income)	3,124	0	-1,594	0	16	177	1,722
	10,246	**1,040**	**-7,106**	**41**	**-51**	**1,911**	**6,081**
Total change	**26,237**	**-1,040**	**10,316**	**1,953**	**-273**	**-12**	**37,181**

	March 31, 2016	Additions from business combinations	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 (active deferred income)	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	5,959
Other (passive deferred income)	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**

28 Liabilities from post-employment benefits to employees.

Amounts taken into account in the balance sheet:

	2016/17	2017/18
Termination benefits	41,289	41,506
Pension benefits	28,068	28,512
	69,357	**70,018**

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, these are paid into an external employee benefit fund on a monthly basis so that the Group does not normally incur any severance payments.

Pension benefits.

Liabilities for retirement benefits recognized at the balance sheet date relate mainly to retirees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are 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 1.30-1.85% (2016/17: 1.20-1.85%), pension benefit obligations for active employees were valued based on an interest rate of 1.55-2.25% (2016/17: 1.60-2.35%) for the euro area, and 3.70% (2016/17: 4.00%) for Canada as well as an interest rate of 2.00% (2016/17: 2.00%) for pensioners and compensation increases based on a rate of 2.00-3.00% (2016/17: 2.50%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2016/17: AVÖ 2008-P) by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada, INSEE 2012 – 2014 for France and Richttafeln 2005 G Dr. Heubeck for Germany. Pension increases were estimated at 1.93% (2016/17: 1.41%).

The following amounts are recognized in the statement of comprehensive income as expenses for **termination benefits**:

	2016/17	2017/18
Change in liabilities recognized in the balance sheet:		
Carrying amount as of March 31 of prior year	**39,542**	**41,289**
Additions from business combinations	85	599
Current service cost	885	1,348
Interest expense	637	599
Remeasurements (actuarial gains/losses)	2,189	1,234
Payments	-2,089	-2,158
Currency translation differences	40	-101
Reclassification of liabilities related to assets held for sale	0	-1,304
Carrying amount as of March 31 of fiscal year	**41,289**	**41,506**
Total, included in staff costs (note 8)	885	1,348
Total, included in financial result (note 11)	637	599

Remeasurements are attributable to the following positions:

	2016/17	2017/18
Remeasurements from changes in demographic assumptions	1,558	920
Remeasurements from changes in financial assumptions	630	-218
Remeasurements from other changes (experience adjustments)	0	533
Total	**2,189**	**1,234**

The expected allocation for termination benefits for the next fiscal year 2018/19 amounts to TEUR 1,361. The weighted average duration amounts to 9.3 years.

Analysis of expected maturity of undiscounted benefits.

	2018/19	2019/20	2020/21	2021/22	2022/23	over 5 years	Total
Termination benefits	2,063	2,514	2,769	2,491	3,892	39,413	53,142

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)	± 50 Bp	1,886	-1,931
Expected annual interest expenses (IC)	± 50 Bp	-185	168
Expected annual service costs (CSC)	± 50 Bp	41	-37
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-1,834	1,759
Expected annual interest expenses (IC)	± 50 Bp	-27	29
Expected annual service costs (CSC)	± 50 Bp	-39	42
Impact of changes in fluctuation			
Defined benefit obligation (DBO)	± 5%	19	-197
Expected annual interest expenses (IC)	± 5%	1	-2
Expected annual service costs (CSC)	± 5%	4	-4

The liability for **pension benefits** in the balance sheet is calculated as follows:

	2016/17	2017/18
Present value of funded obligations	6,085	7,070
Fair value of plan assets	-2,163	-2,687
Deficit of funded plans	**3,922**	**4,382**
Present value of unfunded obligations	24,146	24,130
Liability on the balance sheet	**28,068**	**28,512**

Change in defined benefit obligation:

	2016/17	2017/18
Carrying amount as of March 31 of prior year	**29,893**	**30,231**
Current service costs	260	769
Interest expense	664	610
Remeasurements (actuarial gains/losses)	518	832
Payments	-1,210	-977
Currency translation differences	106	-266
Carrying amount as of March 31 of fiscal year	**30,231**	**31,199**

Change in fair value of plan assets:

	2016/17	2017/18
Carrying amount as of March 31 of prior year	**1,691**	**2,163**
Remeasurements	0	0
Expected return on plan assets	50	101
Employer contribution	423	423
Benefits paid	0	0
Carrying amount as of March 31 of fiscal year	**2,163**	**2,687**

The following amounts are recognized in the statement of comprehensive income as expenses for pension benefits:

	2016/17	2017/18
Total, included in staff costs (note 8)	260	769
Total, included in the financial result (note 11)	664	610

Remeasurements of liabilities from post-employment benefits to employees are attributable to the following positions:

	2016/17	2017/18
Remeasurements from changes in demographic assumptions	5	0
Remeasurements from changes in financial assumptions	1,079	288
Remeasurements from other changes	-566	545
	518	**832**

Plan assets are comprised as follows:

	2016/17	2017/18
Equity instruments	30%	29%
Debt instruments	59%	51%
Property	0%	0%
Other	11%	20%
	100%	**100%**

The expected allocation for pension benefits for the next fiscal year 2018/19 amounts to TEUR 1,365. The weighted average duration amounts to 16.5 years.

Analysis of expected maturity of undiscounted benefits.

	2018/19	2019/20	2020/21	2021/22	2022/23	over 5 years	Total
Pension benefits	1,112	924	919	949	1,097	31,528	36,530

In the following sensitivity analysis for pension 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)	± 50 Bp	2,546	-2,236
Expected annual interest expenses (IC)	± 50 Bp	-78	76
Expected annual service costs (CSC)	± 50 Bp	60	-59
Impact of changes in salary increases			
Defined benefit obligation (DBO)	± 50 Bp	-1,480	1,638
Expected annual interest expenses (IC)	± 50 Bp	-23	38
Expected annual service costs (CSC)	± 50 Bp	-46	43

29 Other non-current liabilities.

	2016/17	2017/18
Liabilities from acquisition of shares	5,386	2,456
Non-current liabilities from derivative financial instruments	1,253	6,522
Truck toll collection system Czech Republic	174	832
Other	1,814	1,500
	8,627	**11,311**

The liabilities from acquisition of shares mainly relate to the long-term part of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% shares in Kapsch Telematic Services spol. s r.o., Czech Republic, amounting to TEUR 1,953 (2016/17: TEUR 4,888) and the long-term portion of the variable purchase price component (result-based earn-out payment) from the acquisition of the shares in Fluidtime Data Services GmbH, Vienna, amounting to TEUR 503 (2016/17: TEUR 498).

The non-current liabilities from derivative financial instruments amounting to TEUR 6,522 (2016/17: TEUR 1,253) include TEUR 1,009 (2016/17: TEUR 1,253) for an interest rate swap with a nominal value of EUR 10 million and a term until 2022 in connection with the hedging of the interest rate risk from the variable interest rate from finance leases and with TEUR 5,514 (2016/17: n/a) liabilities from the valuation of forward exchange contracts. The fair values correspond to the book values.

The item "Truck toll collection system Czech Republic" relates to trade payables (non-current) to subcontractors for the construction of the Czech truck toll system in the amount of TEUR 832 (2016/17: TEUR 174). The remaining term, as in the previous year, is more than one year, but less than five years from the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to the interest rates used to discount long-term receivables from the Czech truck toll project (see note 20). The fair values approximate the carrying amounts.

The gross cash flows of other non-current liabilities are as follows:

	2016/17	2017/18
Up to 2 years	5,386	7,543
Between 2 and 3 years	215	2,491
More than 3 years	3,493	1,786
	9,094	**11,820**

30 Other liabilities and deferred income.

	2016/17	2017/18
Amounts due to customers for contract work	29,097	31,571
Prepayments received	19,204	16,217
Current employee liabilities	49,835	53,457
Other liabilities to tax authorities (other than income tax)	22,089	16,867
Current liabilities from derivatives	6	1,002
Cash flow hedges	72	6
Other liabilities and deferred income	61,465	50,555
	181,767	**169,676**

Other liabilities and deferred income include the current portion of the variable purchase price component (revenue-based earn-out payment) from the acquisition of the remaining 48% interest in Kapsch Telematic Services spol. s r.o., Czech Republic, in the amount of TEUR 3,000 (2016/17: TEUR 3,000). Also included is a variable purchase price component from the purchase of 50% of Intelligent Mobility Solutions Ltd., Zambia, in the amount of TEUR 3,794 (2016/17: n/a), which depends on the winning of a further concession contract.

The fair values approximate the carrying amounts.

The liabilities from construction contracts mainly relate to the Traffic segment and are presented below:

	2016/17	2017/18
Construction costs incurred plus recognized gains	-176,523	-268,850
Less amounts invoiced and advance payments received	205,620	300,422
	29,097	**31,571**

As of March 31, 2018, amounts due to customers for contract work mainly relate to toll collection projects in North America and Spain, as in the previous year.

31 Provisions.

	2016/17	2017/18
Non-current provisions	21,477	20,027
Current provisions	50,009	36,314
Total	**71,486**	**56,341**

The provisions changed as follows:

	March 31, 2017	Additions from the acquisition of companies	Addition from accumulation	Addition	Utilization	Disposal	Reclassification as held for sale IFRS 5	Reclassification	Currency translation differences	March 31, 2018
Obligations from anniversary bonuses	5,916	139	66	805	-132	-662	-166	0	-16	5,951
Warranties	2,278	0	0	0	0	0	0	652	0	2,931
Losses from pending transactions and rework	479	0	0	0	0	0	0	1,721	0	2,200
Projects (excl. impending losses)	3,121	0	0	0	0	0	0	892	0	4,013
Legal fees, costs of litigation and contract risks	3,377	0	0	0	0	0	0	-3,131	0	246
Costs of dismantling, removing and restoring assets	137	0	0	0	0	0	0	-18	0	119
Other non-current provisions	6,168	0	257	555	-13	-1,514	0	119	-1,005	4,567
Non-current provisions, total	**21,477**	**139**	**324**	**1,361**	**-145**	**-2,177**	**-166**	**236**	**-1,021**	**20,027**
Warranties	3,213	0	0	630	-577	-898	0	-652	-231	1,485
Losses from pending transactions and rework	7,756	0	0	4,243	-2,770	-61	-500	-1,721	0	6,947
Projects (excl. impending losses)	22,858	0	0	7,699	-10,562	-3,633	-351	-892	-32	15,086
Legal fees, costs of litigation and contract risks	9,185	0	0	1,581	-3,545	-1,691	0	3,131	-516	8,144
Costs of dismantling, removing and restoring assets	19	0	0	0	0	0	0	18	-21	16
Other current provisions	6,979	73	0	3,061	-5,024	-104	0	-119	-231	4,635
Current provisions, total	**50,009**	**73**	**0**	**17,214**	**-22,477**	**-6,388**	**-851**	**-236**	**-1,030**	**36,314**
Total	**71,486**	**212**	**324**	**18,574**	**-22,622**	**-8,565**	**-1,017**	**0**	**-2,052**	**56,341**

	March 31, 2016	Additions from business combinations	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 non-current provisions	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 current provisions	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**

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% (2016/17: 0.95-1.70%), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2016/17: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 2.50% (2016/17: 2.50%).

As manufacturer, dealer and service provider, the Group issues "*product warranties*" at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee. When the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision is set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the provision amount. According to past experience, it is probable that there will be claims under the warranties. It is expected that an amount of TEUR 480 will be used in the first half of fiscal year 2018/19, TEUR 1,004 in the second half of the year and the remaining amount of TEUR 2,931 in the following fiscal years.

There are "*provisions for losses from pending transactions and rework*" in the Group of TEUR 9,147. It is expected that an amount of TEUR 5,017 will be used in the first half of the fiscal year 2017/18, TEUR 1,930 in the second half of the year and the remaining part in the amount of TEUR 2,200 in the following fiscal years.

The provisions for "*projects (excl. impending losses)*" mainly relate to maintenance, extension and repair services for current toll and GSM-R-projects. It is expected that an amount of TEUR 7,840 will be used in the first half of the fiscal year 2018/19, TEUR 7,247 in the second half of the year and the remaining amount of TEUR 4,013 in the following fiscal years.

Provisions for "legal fees, costs of litigation and contract risks" mainly regard current case laws and consulting costs related to acquisitions. It is expected that an amount of TEUR 5,812 will be used in the first half of the fiscal year 2018/19, TEUR 2,332 in the second half of the year and the remaining amount of TEUR 246 in the following fiscal years.

"*Costs of dismantling, removing and restoring assets*" mainly relate to the provision of an American subsidiary for the dismantling of sensors in the area of urban mobility solutions after the expiration of the contract. It is expected that an amount of TEUR 8 will be used in the first half of the fiscal year 2018/19, TEUR 8 in the second half of the year and the remaining part in the amount of TEUR 119 in the following fiscal years.

"*Other provisions*" mainly include a provision amounting to TEUR 3,886 for taxes and duties from KTT Brazil (which was acquired at the beginning of the fiscal year 2016/17) as well as provisions for commissions and bonuses, outstanding credit notes and project costs as well as discounts granted to customers. It is expected that an amount of TEUR 1,705 will be used in the first half of the fiscal year 2018/19, TEUR 2,931 in the second half of the year and the remaining amount of TEUR 4,567 in the following fiscal years.

32 Assets held for sale.

On April 4, 2018, the agreement to sell some subsidiaries in the Carrier segment (share deal) and parts of Kapsch CarrierCom AG, Vienna (asset deal) was signed. Since the sale was already planned at the end of the fiscal year 2017/18, the corresponding assets and liabilities were reclassified separately as assets held for sale and liabilities related to assets held for sale, respectively. No impairments were recognized.

Assets held for sale and liabilities related to assets held for sale were measured at the lower of carrying amount and fair value and are as follows:

	March 31, 2018
Property, plant and equipment	419
Intangible assets	15
Deferred tax assets	12
Inventories	352
Trade receivables and other current assets	5,717
Current tax receivables	340
Cash and cash equivalents	1,628
Assets held for sale	**8,484**
Liabilities from post-employment benefits to employees	1,304
Non-current provisions	166
Trade payables	6,036
Current tax payables	14
Current provisions	851
Other current liabilities and deferred income	1,092
Liabilities related to assets held for sale	**9,463**

On June 29, 2018, the sale of the subsidiary of Kapsch CarrierCom AG and the sale of the subsidiaries of Kapsch CarrierCom in Croatia, Serbia and Slovenia were completed. The economic transition to the buyer took place on April 1, 2018. The sale of the subsidiaries in Bulgaria, Macedonia and Belarus is still pending, but is expected in the first half of 2018/19.

33 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 solely comprise obligations owed to third parties and are in line with standard industry practice. They detail as follows:

	2016/17	2017/18
Contract, warranty, performance and bid bonds		
South Africa (toll collection system)	42,134	34,197
Australia (toll collection systems)	22,428	19,236
Spain (GSM-R project)	34,213	30,000
Germany (GSM-R project)	19,276	16,490
Ireland (GSM-R project)	0	18,300
Guarantees against third parties for subsidiaries	12,983	12,458
Other	11,100	1,540
Total	**142,135**	**132,221**

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutions 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 393,794 (previous year: TEUR 387,873) are not included in the contingent liabilities or in the financial statements.

For details of securities for abovementioned contingent liabilities and other commitments, see note 25. In addition, assets of Kapsch TrafficCom AB, Sweden, amounting to TEUR 11,668 (2016/17: TEUR 9,442) 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 (2016/17: TEUR 472) which 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:

	2016/17 adjusted	2017/18
Up to 1 year	26,349	26,536
Between 1 and 5 years	53,119	59,619
Over 5 years	19,965	16,083
	99,433	**102,238**

Rental and lease payments recognized as expenses in the reporting period.
Payments from operating leases recognized as expenses of the reporting period are as follows:

	2016/17	2017/18
Rents	22,204	20,289
Motor vehicle leases	5,640	5,484
IT leases	3,880	5,183
Other	685	507
	32,409	**31,463**

34 Business combinations.

Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

On July 18, 2017, Kapsch TrafficCom AG acquired the remaining 60.03% of the Mexican company Simex, Integración de Sistemas S.A.P.I. de C.V., Mexico (hereinafter referred to as Simex). Simex is a major provider of intelligent transport systems (ITS), including hardware and software solutions. In 2012, 33% of Simex had already been acquired by the Group. These shares were increased by a capital reduction on July 18, 2017 to 39.97%, in which the Group did not participate. Up to now, Simex has been included in the result from associates (see note 18).

The difference between the purchase price, the fair value of the shares previously held and the fair value of the net assets acquired is calculated as follows:

Purchase price	
Consideration paid	1,066
Not yet due part of purchase price	1,005
Fair value of previous interest	1,370
Less fair value of net assets acquired	-3,365
Goodwill	**76**
Less non-controlling interests	-28
Goodwill attributable to majority shareholder	**48**

The fair value of the acquired identifiable assets and liabilities assumed of Simex at the acquisition date was as follows:

	Fair Value
Property, plant and equipment	48
Intangible assets	5,000
Inventories	2,168
Receivables and other current assets	3,055
Cash and cash equivalents	49
Non-current financial liabilities	-152
Post-employment benefits	-599
Non-current provisions	-139
Deferred tax liabilities	-1,040
Current financial liabilities	-1,832
Trade payables	-1,505
Other current liabilities and accruals	-1,615
Current provisions	-73
Net assets acquired	**3,365**

The purchase price consists of a payment made in July 2017 in the amount of TEUR 1,066 and a payment due on March 29, 2019 in the amount of TEUR 1,045, which was discounted. The cash and cash equivalents acquired in the context of the acquisition amounted to TEUR 49, thus the preliminary net cash outflow from the acquisition in the fiscal year 2017/18 amounted to TEUR 1,017. The transaction costs directly attributable to the acquisition amounted to TEUR 433 and were recognized in the income statement and in the cash flow from operating activities.

The goodwill amounting to TEUR 48 was allocated to the cash-generating unit ETC-Americas (TEUR 38) and to the cash-generating unit IMS-Americas (TEUR 10).

The acquired company contributed an amount of TEUR 5,314 to revenues and an amount of TEUR -809 to the result of the Group for the period from July 18, 2017 to March 31, 2018. If the company had been included as of April 1, 2017, the contribution to revenues would have been TEUR 8,377 and the contribution to the consolidated result TEUR 399.

35 Interests in subsidiaries.

Entity, headquarter of entity	Internal designation	March 31, 2017 Group's share	March 31, 2017 Non-controlling interests	March 31, 2018 Group's share	March 31, 2018 Non-controlling interests
Segment Traffic					
Kapsch TrafficCom AG, Vienna	KTC	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Construction & Realization spol. s.r.o., Prague, Czech Republic [1)]	KTC C&R CZ	63.6%	36.4%	63.3%	36.7%
Kapsch TrafficCom Ltd., Middlesex, United Kingdom	KTC UK	63.3%	36.7%	63.3%	36.7%
Kapsch Components GmbH & Co KG, Vienna	KCO	63.3%	36.7%	63.3%	36.7%
Kapsch Components GmbH, Vienna	KCO GmbH	63.3%	36.7%	63.3%	36.7%
FLUIDTIME Data Services GmbH, Vienna	Fluidtime	47.8%	52.2%	47.8%	52.2%
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	ArtiBrain	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy	KTC Italy	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia [2)]	KTC Slovenia	63.3%	36.7%	–	–
Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4)]	TTS UAE	31.0%	69.0%	31.0%	69.0%
Kapsch TrafficCom Russia OOO, Moscow, Russia	KTC Russia	63.3%	36.7%	63.3%	36.7%
Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria	KTTB Bulgaria	63.3%	36.7%	63.3%	36.7%
Kapsch Traffic Solutions (Consortium), Sofia, Bulgaria [1)]	Consortium BG	n/a	–	63.3%	36.7%
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	KTC Argentina	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan	KTC Kazakhstan	63.3%	36.7%	63.3%	36.7%
Kapsch Telematic Services IOOO, Minsk, Belarus	KTS Belarus	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom KGZ OOO, Bischkek, Kyrgyzstan	KTC Kyrgyzstan	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania	KTC Lithuania	32.3%	67.7%	32.3%	67.7%
tolltickets GmbH, Rosenheim, Germany	tolltickets	41.1%	58.9%	41.1%	58.9%
Kapsch TrafficCom Transportation S.A.U., Madrid, Spain	KTT Spain	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain	KTC Arce	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Saudi Arabia Co. Ltd., Jeddah, Saudi Arabia	KTC Saudi Arabia	63.3%	36.7%	63.3%	36.7%
Telvent Thailand Ltd., Bangkok, Thailand	KTT Thailand	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Transportation Brasil Ltda.,São Paulo, Brazil	KTT Brazil	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina	KTT Argentina	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom S.A.S., Bogotá, Colombia [1)]	KTC Colombia	n/a	–	63.3%	36.7%
Athomstart Invest 253 AS (now: Kapsch TrafficCom Norway AS), Oslo, Norway [1)]	KTC Norway	n/a	–	63.3%	36.7%
KTS Beteiligungs GmbH, Vienna	KTS Beteiligung	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom AB, Jönköping, Sweden	KTC Sweden	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom do Brasil LTDA., São Paulo, Brazil	KTC Brazil	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia	KTC Australia	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile	KTC Chile	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom France SAS, Paris, France	KTC France	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom PTE. LTD., Tripleone Somerset, Singapore	KTC Singapore	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia [2)]	KTC Malaysia	63.3%	36.7%	–	–
Kapsch TrafficCom New Zealand Ltd., Auckland, New Zealand	KTC New Zealand	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom South Africa (Pty) Ltd., Sunninghill, South Africa	KTC SA	63.3%	36.7%	63.3%	36.7%
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	ETC	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	KTC SA Holding	63.3%	36.7%	63.3%	36.7%
TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa [5)]	TMT	63.3%	36.7%	63.3%	36.7%
MobiServe (Pty) Ltd., Cape Town, South Africa [5)]	Mobiserve	63.3%	36.7%	63.3%	36.7%
Trust South Africa, Cape Town, South Africa [5)]	Trust SA	n/a	–	63.3%	36.7%
Berrydust 51 (Pty) Ltd., Cape Town, South Africa	Berrydust	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom B.V., Amsterdam, Netherlands	KTC BV	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Canada Inc., Mississauga, Canada	KTC Canada	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico	KTC IVHS Mexico	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Holding II US Corp., McLean, USA	KTC Hold. II US Corp.	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom USA, Inc. (formerly: Kapsch TrafficCom IVHS Inc.), McLean, USA [3)]	KTC IVHS Inc. USA	63.3%	36.7%	63.3%	36.7%

Entity, headquarter of entity	Internal designation	March 31, 2017 Group's share	March 31, 2017 Non-controlling interests	March 31, 2018 Group's share	March 31, 2018 Non-controlling interests
Kapsch TrafficCom USA Inc., Duluth, USA [3]	KTC USA, Inc.	63.3%	36.7%	–	–
Kapsch TrafficCom Transportation NA, Inc., Rockville, USA [3]	KTT USA	63.3%	36.7%	–	–
SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico [1]	Simex	20.9%	–	63.3%	36.7%
Kapsch TrafficCom Holding Corp., McLean, USA	KTC Holding Corp. USA	63.3%	36.7%	63.3%	36.7%
Kapsch TrafficCom Inc., McLean, USA	KTC Inc. USA	63.3%	36.7%	63.3%	36.7%
Streetline Inc., Foster City, USA	Streetline	59.5%	40.5%	59.5%	40.5%
Streetline International, Inc., Delaware, USA [2]	Streetline international	59.5%	40.5%	–	–
SPS funding Co. LLC, Delaware, USA [2]	SPS Funding	59.5%	40.5%	–	–
Kapsch Telematic Services GmbH, Vienna	KTS Austria	63.3%	36.7%	63.3%	36.7%
Kapsch Telematic Services spol. s r.o., Prague, Czech Republic	KTS CZ	63.3%	36.7%	63.3%	36.7%
Kapsch Telematic Services GmbH Deutschland, Berlin, Germany	KTS Germany	63.3%	36.7%	63.3%	36.7%
Kapsch Telematic Services Solutions A/S under tvangsopløsning, Copenhagen, Denmark [2]	KTSS Denmark	38.0%	62.0%	–	–
Kapsch Telematic Services Sp. z o.o., Warsaw, Poland	KTS Poland	63.3%	36.7%	63.3%	36.7%
Kapsch Road Services Sp. z o.o., Warsaw, Poland	KRS Poland	63.3%	36.7%	63.3%	36.7%
Segment Carrier					
Kapsch CarrierCom AG, Vienna	KCC	100.0%	–	100.0%	–
Kapsch CarrierCom Kft., Budapest, Hungary	KCC Hungary	100.0%	–	100.0%	–
Kapsch EOOD, Sofia, Bulgaria	KCC Bulgaria	100.0%	–	100.0%	–
Kapsch DOOEL, Skopje, Macedonia	KCC Macedonia	100.0%	–	100.0%	–
Kapsch d.o.o. Beograd, Belgrade, Serbia	KCC Serbia	100.0%	–	100.0%	–
Kapsch CarrierCom d.o.o., Zagreb, Croatia	KCC Croatia	100.0%	–	100.0%	–
Kapsch d.o.o., Ljubljana, Slovenia	KCC Slovenia	100.0%	–	100.0%	–
Foreign Trade Unitary Enterprise "Kapsch", Minsk, Belarus	KCC Belarus	100.0%	–	100.0%	–
Kapsch CarrierCom France SAS, Paris, France	KCC France	100.0%	–	100.0%	–
Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany	KCC Germany	100.0%	–	100.0%	–
Kapsch CarrierCom Taiwan Co., Ltd., Taipei, Taiwan	KCC Taiwan	100.0%	–	100.0%	–
Kapsch CarrierCom UK Ltd., Harrow, United Kingdom	KCC UK	100.0%	–	100.0%	–
Kapsch CarrierCom España, S.L.U., Madrid, Spain	KCC Spain	100.0%	–	100.0%	–
Kapsch CarrierCom Russia OOO, Moscow, Russia	KCC Russia	100.0%	–	100.0%	–
Kapsch CarrierCom Sp. z o.o., Warsaw, Poland	KCC Poland	100.0%	–	100.0%	–
Kapsch CarrierCom s.r.o., Prague, Czech Republic	KCC CZ	100.0%	–	100.0%	–
Kapsch (Beijing) Information and Communication Technology Co., Ltd., Beijing, China	KCC China	100.0%	–	100.0%	–
Kapsch CarrierCom - Unipessoal LDA, Lisbon, Portugal	KCC Portugal	100.0%	–	100.0%	–
Kapsch Carrier Solutions GmbH, Neuss, Germany	KCS Germany	100.0%	–	100.0%	–
Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi Arabia	KCC Saudi Arabia	100.0%	–	100.0%	–
Segment Public Transport					
Kapsch PublicTransportCom GmbH, Vienna	KPTC	100.0%	–	100.0%	–
Kapsch PublicTransportCom Belgium NV (formerly: Kapsch CarrierCom Belgium NV), Diegem, Belgium	KPTC BE	100.0%	–	100.0%	–
Transvision NV, Zaventem, Belgium [2]	Transvision	100.0%	–	–	–
AP Trans NV, Diegem, Belgium	AP Trans Belgium	100.0%	–	100.0%	–
AP Trans Scandinavia AB, Lidköping, Sweden	AP Trans Sweden	100.0%	–	100.0%	–
Kapsch CarrierCom Romania S.R.L., Bucharest, Romania	KCC RO	100.0%	–	100.0%	–
Kapsch PublicTransportCom North America Inc. (formerly: Kapsch CarrierCom North America Inc.), Delaware, USA	KPTC North America	100.0%	–	100.0%	–
Segment Enterprise					
Kapsch BusinessCom AG, Vienna	KBC	94.9%	5.1%	94.9%	5.1%
Kapsch s.r.o., Bratislava, Slovakia [2]	KBC Slovakia	94.9%	5.1%	–	–
Kapsch BusinessCom s.r.o., Prague, Czech Republic [2]	KBC CZ	94.9%	5.1%	–	–
Kapsch S.R.L., Bucharest, Romania	KBC Romania	94.9%	5.1%	94.9%	5.1%
Kapsch Smart Energy GmbH, Vienna	KSE	94.9%	5.1%	94.9%	5.1%
Kapsch BusinessCom Kft., Budapest, Hungary [2]	KBC Hungary	94.9%	5.1%	–	–

Entity, headquarter of entity	Internal designation	March 31, 2017		March 31, 2018	
		Group's share	Non-controlling interests	Group's share	Non-controlling interests
Kapsch IT Services for finance and industries GmbH, Vienna	KITS	87.3%	12.7%	87.3%	12.7%
Kapsch Cashpooling and Hedging GmbH, Vienna	Kapsch Cashpooling	94.9%	5.1%	94.9%	5.1%
Kapsch Liegenschaft Management GmbH, Vienna	KLM	94.9%	5.1%	94.9%	5.1%
ITM Informationstransport und -management Gesellschaft m.b.H., Vienna	ITM Austria	94.9%	5.1%	94.9%	5.1%
Kapsch BusinessCom Turkey Bilgi ve İletiş im Teknolojileri Hizmetleri Limited Şirketi, Istanbul, Turkey [6]	KBC Turkey	n/a	–	–	–
Kapsch BusinessCom Schweiz AG, St. Gallen, Switzerland	KBC CH	94.9%	5.1%	94.9%	5.1%
Kapsch BusinessCom USA Inc., Delaware, USA	KBC USA	94.9%	5.1%	94.9%	5.1%
Kapsch BusinessCom IoT Solutions s.r.o., Prague, Czech Republic [1]	KBC IoT	n.a.	–	94.9%	5.1%
Segment Others					
Kapsch Aktiengesellschaft AG, Vienna	KAG	100.0%	–	100.0%	–
Kapsch Partner Solutions GmbH, Vienna	KPS	100.0%	–	100.0%	–
Kapsch ConnexPlus GmbH, Vienna	Kapsch Connex	100.0%	–	100.0%	–
Austria Telecommunication International GmbH, Vienna	ATI	100.0%	–	100.0%	–

1) Foundation/acquisition/acquisition of additional shares in fiscal year 2017/18
2) Deconsolidation in fiscal year 2017/18
3) Merger in fiscal year 2017/18
4) Power over the relevant activities of the entity based on substantive rights
5) IFRS 10 Control of Trust South Africa (see note 1.2) and thus full consolidation with 100%
6) As of March 31, 2017 in liquidation, which was legally finalized in the fiscal year 2017/18

For ease of presentation, the internal designations of the entities are stated in the following tables and explanations.

For all entities mentioned above the headquarters of the company 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 amended.
- Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania
  The entity was incorporated together with a partner and reports as of December 31.

36 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:

Information on the balance sheet as of March 31, 2018	Amounts before intercompany eliminations					Carrying amount of non-controlling interests
	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Net assets	
KTC	271,971	206,311	149,607	53,316	275,359	51,551
KTS CZ	1,304	23,755	0	14,472	10,586	19,132
KTS Poland	2,514	29,443	122	27,922	3,914	11,411
KTC Sweden	16,391	43,795	7,000	22,851	30,334	10,784
KTC Holding Corp. USA	92,784	6,925	41,387	33,306	25,016	-10,754
KTC Canada	19,755	19,505	2,683	5,253	31,324	9,730
KTC BV	104,109	647	0	510	104,246	-8,542
KCO	6,896	25,524	16,023	5,517	10,880	8,057
KTC Hold. II US Corp.	56,667	0	0	0	56,667	-7,117
KTC Inc. USA	0	52	13,017	3,256	-16,220	-6,235
KTC C&R CZ	24	5,729	832	3,238	1,682	6,138
Streetline	1,706	2,338	11,951	3,613	-11,519	-5,450
ETC	1,218	24,796	30,186	15,329	-19,502	-4,845
KTS Belarus	1,373	8,672	46	3,285	6,713	4,168
KTC Chile	671	10,258	0	3,258	7,671	3,706
KTC IVHS Inc. USA	17,977	101,402	928	92,459	25,992	2,896
KTC SA	626	2,335	8,353	1,104	-6,496	-2,350
TMT	2,161	14,796	152	12,297	4,507	2,194
KTC SA Holding	8,879	7,968	837	5,439	10,571	1,945
Simex	515	8,269	713	2,480	5,592	1,865
KTC Australia	1,061	11,977	0	9,612	3,427	1,781
KTT Brazil	273	9,613	3,886	2,297	3,702	-1,610
KBC	44,827	92,904	41,065	76,521	20,146	1,339
Consortium BG	0	4,278	1,069	0	3,208	1,178
KTT Spain	11,011	37,171	9,741	26,240	12,201	1,089
Remaining	28,481	54,741	13,846	31,680	37,696	-312
Carrying amount as of March 31, 2018						**91,749**

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						**90,884**

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 2017/18	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	145,804	28,896	-4,565	24,331	1,008	-1,676	-668
KTS CZ	69,644	6,169	817	6,986	2,264	300	2,564
KTS Poland	88,993	3,788	-63	3,725	882	-23	859
KTC Sweden	66,611	5,913	-2,186	3,726	1,750	-802	948
KTC Holding Corp. USA	880	-2,733	6,464	3,731	-1,003	2,373	1,370
KTC Canada	47,463	5,386	-1,663	3,723	1,977	-610	1,367
KTC BV	986	537	0	537	-224	0	-224
KCO	49,312	6,786	-43	6,744	2,491	-16	2,476
KTC Hold. II US Corp.	0	0	-1,294	-1,294	0	-475	-475
KTC Inc. USA	0	-411	2,434	2,023	-151	894	743
KTC C&R CZ	12,058	782	99	881	405	37	442
Streetline	2,280	-5,172	1,266	-3,906	-2,107	513	-1,594
ETC	49,510	-1,640	423	-1,217	299	155	454
KTS Belarus	35,669	3,937	0	3,937	1,758	0	1,758
KTC Chile	17,171	2,071	-411	1,660	43	-151	-108
KTC IVHS Inc. USA	181,018	3,353	-3,693	-340	311	-1,353	-1,042
KTC SA	5,637	-350	153	-198	-129	56	-73
TMT	19,061	32	-111	-78	12	-41	-29
KTC SA Holding	7,078	66	-54	12	-642	-20	-662
Simex	5,356	-591	-36	-627	-297	-13	-310
KTC Australia	24,256	825	-465	360	140	-171	-31
KTT Brazil	3,582	-721	-866	-1,588	-265	-318	-583
KBC	294,591	3,318	-879	2,440	158	-45	113
Consortium BG	4,278	3,208	0	3,208	1,178	0	1,178
KTT Spain	50,501	2,294	0	2,294	735	11	746
Remaining	80,148	7,512	-2,693	4,819	-797	-921	-1,718
Total					**9,795**	**-2,296**	**7,499**

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**

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 2017/18	Cash flow from			Cash net increase/decrease	Dividends paid to non-controlling shareholders
	Operating activities	Investment activities	Financing activities		
KTC	32,697	-16,684	-39,329	-23,316	-7,158
KTS CZ	888	-171	-7,750	-7,033	0
KTS Poland	13,784	-6	-4,865	8,913	0
KTC Sweden	9,200	-780	0	8,420	0
KTC Holding Corp. USA	-999	-1,768	3,034	267	0
KTC Canada	7,042	-2,967	-5,689	-1,613	0
KTC BV	298	0	-3	296	0
KCO	1,706	-474	-6,000	-4,768	0
KTC Hold. II US Corp.	0	-13,732	0	-13,732	0
KTC Inc. USA	2,030	0	-2,030	0	0
KTC C&R CZ	3,168	0	-477	2,691	0
Streetline	-3,497	-1,033	5,190	660	0
ETC	2,127	0	-3,024	-897	0
KTS Belarus	13,871	-83	-12,364	1,425	0
KTC Chile	2,815	-69	-919	1,827	0
KTC IVHS Inc. USA	-18,776	11,617	7,241	82	0
KTC SA	-558	-16	-147	-720	0
TMT	-931	-145	2,176	1,101	0
KTC SA Holding	-1,709	-482	13	-2,178	0
Simex	-6,706	-164	7,362	492	0
KTC Australia	-1,400	-346	-329	-2,075	0
KTT Brazil	-1,554	-118	0	-1,672	0
KBC	27	-471	-3,574	-4,018	0
KTT Spain	-189	-508	5,762	5,066	0
Remaining	13,574	-2,925	-12,805	-2,157	0
Total					**-7,158**

Information on the cash flow statement 2016/17	Cash flow from			Cash net increase/decrease	Dividends paid to non-controlling shareholders
	Operating activities	Investment 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**

The information mentioned above relate to amounts before intercompany eliminations.

37 Related parties.

The related entities and persons of Kapsch Group include, in particular, all subsidiaries, joint ventures and associated companies of the Group, their executive bodies (Executive Board and Supervisory Board, if present) as well as close members of the bodies' families and companies over which they have control or significant influence.

Balances and transactions between KAPSCH-Group Beteiligungs GmbH and its fully consolidated subsidiaries were eliminated in the course of consolidation and are not explained here.

Services with related parties take place at arm's length. Goods are bought and sold on the basis of normal market conditions.

The following tables provide an overview of revenues and expenses in the past fiscal year as well as receivables and liabilities at the respective balance sheet dates for related parties.

	2016/17 adjusted	2017/18
Associated companies		
Revenues	37,802	35,625
Expenses	6,960	8,629
Joint ventures		
Revenues	0	1,661
Expenses	0	0
Other related parties		
Revenues	675	704
Expenses	1,861	1,787

	March 31, 2017 adjusted	March 31, 2018
Associated companies		
Trade receivables and other non-current and current assets	6,208	2,567
Trade payables and other payables	11	9
Joint ventures		
Trade receivables and other non-current and current assets	0	4,316
Trade payables and other payables	0	0
Other related parties		
Trade receivables and other non-current and current assets	116	86
Trade payables and other payables, including pension benefits	12,821	11,580

Associated companies.
The associated company Kapsch Financial Services GmbH, Vienna, leases Kapsch BusinessCom AG's systems for voice, data and IT business to business customers.

Through sales of material (hardware), services including maintenance, and other goods and services from Kapsch BusinessCom AG to Kapsch Financial Services GmbH, revenues of TEUR 35,594 (2016/17: TEUR 37,783) were generated in the Group in the 2017/18 fiscal year.

In the fiscal year 2017/18 the rental and other expenses of Kapsch group companies towards Kapsch Financial Services GmbH amounted to TEUR 8,278 (2016/17: TEUR 6,960).

Joint ventures.
Revenues with joint ventures in the fiscal year 2017/18 amounting to TEUR 1,661 (2016/17: TEUR 0) relate entirely to goods and services for the traffic safety and management project for Intelligent Mobility Solutions Ltd., Zambia.

Receivables from joint ventures include loans to Intelligent Mobility Solutions Ltd., Zambia, amounting to TEUR 1,540 as of March 31, 2018 (March 31, 2017: TEUR 0).

Other related parties.
Kapsch group companies (in particular Kapsch BusinessCom AG) render other deliveries and services for the related party Kapsch Immobilien GmbH, Vienna, which led to revenues of TEUR 698 in the 2017/18 fiscal year (2016/17: TEUR 675).

The group members Kapsch BusinessCom 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 resulting rental expenses within the Group in the 2017/18 fiscal year amounted to TEUR 462 (2016/17: TEUR 541) for the location Wagenseilgasse 14 (Kapsch Aktiengesellschaft) and TEUR 355 (2016/17: TEUR 414) for the location Johann-Hoffmann-Platz 9 (Kapsch Partner Solutions GmbH).

Kapsch ConnexPlus GmbH concluded a building contract with Kapsch Immobilien GmbH for Liebenstraße 6, on which Kapsch ConnexPlus GmbH has meanwhile built and put into operation a parking garage. The Group incurred expenses from the annual usage fee of TEUR 55 (2016/17: TEUR 55). The building permit was granted until September 30, 2113.

In addition, Kapsch Immobilien GmbH charged the Group for other goods and services in the amount of TEUR 915 (2016/17: TEUR 906) in the 2017/18 fiscal year.

The pension obligations to other related parties are included in trade payables and other liabilities, including pension benefits and a pension obligation (pensions in payment) to the widow of Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

The managing directors of Kapsch Immobilien GmbH are members of the Supervisory Board of various group companies. In addition, one managing director also serves as managing director of KAPSCH-Group Beteiligungs GmbH as well as other group companies, and as a board member of two group companies.

Details of compensation and other payments to executive bodies are presented in note 39.

38 Events after the balance sheet date.

At the beginning of April, Kapsch Carrier Solutions GmbH was sold to Kapsch BusinessCom AG and will be reported in the Enterprise segment in the next fiscal year.

In mid-May 2018, Kapsch TrafficCom acquired another one percent share in Intelligent Mobility Solutions Ltd. in Zambia and now holds 51% in the company. Since there was no adjustment to the partnership agreement and the representation rights in the committees that direct the relevant activities, yet there is no control under IFRS 10 based on the current contracts and circumstances, Intelligent Mobility Solutions continues to be accounted for as a joint venture. Therefore, no disclosures in accordance with IFRS 3 are made. Kapsch TrafficCom, however intends to gain control and thus to fully consolidate the entity in the future.

Kapsch TrafficCom was informed at the beginning of May 2018 that the Czech competition authority UOHS had stopped the tender for a nationwide truck toll system in the Czech Republic. Kapsch TrafficCom operates the current toll system and will continue to fulfill its obligations. The existing toll contract will run until the end of 2019 at the latest.

On June 29, 2018, the sale of the subsidiary of Kapsch CarrierCom AG and the sale of the subsidiaries of Kapsch CarrierCom in Croatia, Serbia and Slovenia were completed. The economic transition to the buyer took place on April 1, 2018. The sale of the subsidiaries in Bulgaria, Macedonia and Belarus is still pending, but is expected in the first half of 2018/19.

39 Supplementary disclosures.

The average number of employees during the fiscal year 2017/18 was 7,114, including 6,244 employees and 870 workers (2016/17: 6,872 employees, of which 6,110 employees and 762 workers).

Expenses for the auditor.

The expenses for the auditor amount to TEUR 72 (2016/17: TEUR 61) and are broken down as follows:

	2016/17	2017/18
Audit of the consolidated financial statements	44	48
Other assurance services	5	5
Tax consulting services	0	0
Other services	12	20
Total	**61**	**72**

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:

	2016/17	2017/18
Fixed	2,390	2,583
Variable	1,407	989
Total	**3,797**	**3,572**

Expenses for termination benefits and pensions after use of provisions for members of the Executive Board amounted to TEUR 1,322 (2016/17: TEUR 999).

Total compensation of the members of the Supervisory Board amounted to TEUR 66 in total in the fiscal year 2017/18 (2016/17: TEUR 63).

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 2017/18, the following persons were employed as Managing Directors:

Georg Kapsch
Kari Kapsch
Franz Semmernegg

In the fiscal year 2017/18, the following persons were members of the Supervisory Board:

Veit Schmid-Schmidsfelden (Chairman)
Christian Gassauer-Fleissner (Deputy Chairman)
Elisabeth Kapsch
Karl-Heinz Strauss

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, 2018 (previous year: TEUR 0) and to carry forward the entire amount to new account.

40 Risk management.

The Group's activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group applies, in exceptional cases, hedge accounting according to IAS 39.

The Group has initiated several processes to make risk management more effective and to embed best practice standards. Risk management has been positioned as a separate function within the finance departments of the four 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 implementation, design and monitoring of the ICS in order to comply with group-wide guidelines and regulations. An ICS officer has been appointed at Kapsch Group, who assists the local management teams of the individual group companies. The main task is to standardize and continuously improve the ICS throughout the whole Group, to monitor the compliance and effectiveness of controls and to address weaknesses, as well as to report regularly to the audit committee of the Supervisory Board. The internal audit department 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.

40.1 Foreign exchange risk.

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

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

If the exchange rate of the below stated currencies had increased/decreased by the percentage rate ('volatility') stated below (relating to current and non-current receivables and payables), as of March 31, 2018 (March 31, 2017), the result before tax, provided all other variables had remained unchanged, would have been higher (+) or lower (-), respectively, by the following amounts:

	Effect on equity in TEUR			
	2016/17		2017/18	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
AUD	-652	797	-650	795
CAD	-470	574	-57	70
CZK	-906	1,107	-1,112	1,359
EUR	10,734	-13,119	5,717	-6,988
GBP	-99	121	-451	551
PLN	-477	583	-1,180	1,442
SEK	-379	464	-426	520
USD	-5,442	6,651	-5,399	6,599
ZAR	-2,165	2,646	-2,277	2,783

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

	Effect on equity in TEUR			
	2016/17		2017/18	
Currency	**Volatility +10%**	**Volatility -10%**	**Volatility +10%**	**Volatility -10%**
NOK	-1,062	1,298	-969	1,184

40.2 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 of fluctuating market interest rates for the financial instrument, either a profit or a loss may result if the financial instrument is sold prior to maturity.

In the case of variable interest balance sheet items, the risk relates to the cash flow. With variable interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable interest (both current and non-current) financial liabilities account for approximately a third of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of March 31, 2018, this, as in the prior year, would not have had any material impact on the result of the Group.

To hedge the interest rate risk on financial liabilities and the finance lease, which is based on a variable interest rate (see note 29), the Group uses derivative financial instruments in the form of interest rate swaps to an insignificant extent.

40.3 Credit risk.

As part of the its risk management policy, the Group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the Group sells only to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Kapsch Group endeavors to reduce the risk of customer default as best as possible by obligatory credit checks before contract signing or, in the case of large projects, by additionally collateralizing payments. Nevertheless, it cannot be entirely ruled out that there will be individual payment defaults that would have a material negative impact on the earnings and liquidity development of Kapsch Group in the case of an event of default.

In the case of large toll collection projects, there is a credit risk essentially in the phase of the construction of the toll system. With the exception of the toll collection projects in Austria, America, the Czech Republic, South Africa and Poland (see note 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 corresponds to book values:

	2016/17	**2017/18**
Other non-current financial assets and investments	24,405	29,343
Other non-current assets	4,283	4,385
Current securities	4,110	3,276
Trade receivables and other current assets	400,753	388,715
Current income tax receivables	9,219	11,068
Cash and cash equivalents	246,618	209,296
	689,389	**646,083**

40.4 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 operational entities, is additionally monitored and optimized in the individual subgroups and combined in the overall Group.

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

Furthermore, 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 avoids becoming dependent on individual banks by making sure that the financial structure is always distributed over several partner banks. Major repayment obligations of typically long-term contracts (such as corporate bonds or maturing repayments of long-term loans) are monitored on an ongoing basis and appropriate measures are initiated at an early stage (either cash flow monitoring or timely refinancing) to ensure agreed payment obligations are met.

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.

40.5 Equity price risk.

The Group is exposed to equity securities price risk resulting from a material investment, since a Norwegian investment (Q-Free ASA, Norway), is classified as available for sale in the consolidated balance sheet.

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

		Effect on equity in TEUR	
ISIN	**Volatility**	**2016/17**	**2017/18**
NO0003103103	+ 10%	1,168	1,066
NO0003103103	- 10%	-1,168	-1,066

40.6 Commodity price risk.

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

41 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 Kapsch Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. Kapsch Group's capital management strategy aims among other things to ensure that the group companies' capital resources comply with local requirements. Furthermore, the Group focuses on maintaining the gearing ratio on an annual average within a range from 25% to 35% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. As of March 31, 2018, the debt ratio was 45% and thus not within the desired range. This was 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 resulting from financing at the level of KAPSCH-Group Beteiligungs GmbH, were complied with as agreed.

The objective of these measures of the Group 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.

	March 31, 2017	March 31, 2018
Non-current financial liabilities	167,968	209,967
Current financial liabilities	174,683	103,645
Finance Lease	15,571	15,160
Total financial liabilities	**358,223**	**328,772**
Cash on hand and at banks	246,618	209,296
Current securities	4,110	3,276
Net credit (+) / net debt (-)	**-107,494**	**-116,200**
Equity	264,009	255,774
Gearing	**41%**	**45%**

42 Accounting policies.

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

42.1 Fair value measurement.

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

To the greatest extent possible, the Group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of 3 levels in the following fair value-hierarchy:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

42.2 Borrowing costs.

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

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

In the fiscal year 2017/18, none of the assets recognized by the Group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

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

42.3 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 three to 26 years for plants and buildings on leasehold land, four to 20 years for technical equipment and machinery, and three to ten 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-today 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.

42.4 Intangible assets.

42.4.1 Goodwill.

Goodwill arises on the acquisition of subsidiaries, associates, and joint ventures and represents the excess of the consideration transferred for the acquisition beyond the Group's interest in net fair value of the identifiable assets, liabilities, and contingent liabilities of the acquiree, the fair value of the non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree, if the combination is achieved in stages, at the acquisition date. If the acquisition costs are less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the statement of comprehensive income.

Goodwill impairment reviews are undertaken at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a rule, the Group carries out the annual goodwill impairment review in the fourth quarter. In addition, the Group carries out impairment tests during the year if a triggering event occurs that may cause the asset to be impaired.

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

The impairment loss of goodwill is recognized in the statement of comprehensive income. No write-ups on goodwill are made.

42.4.2 Concessions and rights.

Computer software, trademarks, and similar rights are capitalized on the basis of the costs incurred for acquisition and amortized linearly over their estimated useful lives of four 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 two and ten years.

42.4.3 Research and development costs.

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

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

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

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

42.5 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 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 and a future economic benefit is no longer expected to be achieved through 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.

42.6 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 might be impaired.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. First, the goodwill is amortized by the amount of the impairment. If the impairment is higher than the carrying amount of the goodwill, the carrying amounts of the other assets of the respective cash-generating units (CGUs) are proportionately reduced.

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

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

The difference between the recoverable amount of assets and their carrying value is reported as profit or loss in the operating result. For assets (other than goodwill) for which an impairment loss has been recognized in the past, a check is carried out on each subsequent balance sheet date to determine if any reversal of impairment is required. Profits are not reported as revenues.

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

42.7 Financial instruments.

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

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

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

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

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

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

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

42.7.1 Securities and investments.

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

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

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

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

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

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

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

42.7.2 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.

42.7.3 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 derivative financial instruments (swaps, forwards) as collateral against certain cash flow hedge risks associated with a recognized asset, liability or expected and highly probable forecast transaction. Derivatives are currently only used to hedge cash flows from future transactions. Currently, no fair value hedges are 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 non-current liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expenses or in the financial result.

Gains or losses accumulated in equity are reclassified to profit or loss as income or expense in the period when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument (forecast transaction) expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss only when the originally hedged forecast transaction takes place. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

In addition to that, the Group has stand-alone derivatives that are considered as held-for-trading financial instruments. They are therefore designated as financial instruments held for trading and measured at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive fair values at the balance sheet date are recognized under financial assets and negative fair values under financial liabilities. Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other operating income or other operating expenses or the financial result, depending on the derivative's purpose.

In the case of net investments in a foreign operation, exchange rate differences are recognized in other comprehensive income and are reclassified from equity to profit or loss on the sale or partial disposal of the foreign operation or the repayment of the amounts owed.

In the fiscal year 2013/14, two US dollar loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the Executive Board of Kapsch TrafficCom AG does not plan for a redemption of these loans in the foreseeable future and since such redemption is not likely to occur. The exchange rate differences arising from these loans are recognized in other comprehensive income (see note 13).

42.7.4 Loans and receivables.

Loans and receivables are classified as loans and receivables and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are amounts due from customers of goods sold or services provided in ordinary business dealings. Loans and receivables (e.g. trade receivables and other financial receivables) are initially recognized at fair value plus transaction costs and subsequently at amortized cost using the effective interest method, less allowance for bad debts.

At each balance sheet date, the Group assesses whether there is objective evidence of impairment. Evidence of impairment may include the following: Indications that the debtors or a group of debtors is experiencing significant financial difficulties, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the event was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

42.7.5 Cash and cash equivalents.

Cash and cash equivalents fall into the category loans and receivables. Cash and cash equivalents, short-term bank deposits held at call and other bank balances are included in cash and cash equivalents in the presentation of the cash flow statement. Overdrafts are reported in the balance sheet under current financial liabilities.

42.7.6 Financial liabilities.

Financial liabilities fall into the category of loans and receivables and are non-derivative financial assets with fixed or determinable payments. They are initially recognized at fair value less transaction costs incurred and subsequently at amortized cost, taking into account the effective interest method. Financial liabilities with a remaining term of up to one year are reported as current liabilities; if the remaining term is longer, they are reported under non-current liabilities. Borrowing costs are recognized as an expense in the statement of comprehensive income on an accrual basis.

42.8 Leasing.

42.8.1 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.

42.8.2 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.

42.9 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.

42.10 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 and fixed and variable overheads (based on normal operating capacity) incurred in connection with production. It excludes, however, borrowing costs as they cannot be allocated to a qualifying asset. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

42.11 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.

42.12 Provisions.

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

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

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

42.13 Employee benefits.

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

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

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

The projected unit credit method is used for the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19. According to this method, post-employment costs for employee benefits are recognized in the statement of comprehensive income in such a way that scheduled costs are spread over the employees' years of service on the basis of an expert opinion by a qualified actuary, who completely remeasures the schemes annually. The obligations for pension payments are calculated at the present value of future benefits using interest rates of high-quality corporate bonds whose term roughly equals the term of the liability. The liability recognized on the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Costs arising from defined benefit plans from pension obligations and termination benefits include the following components:

- Service costs. These include current and 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.
- 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.

42.14 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. Local management is responsible together with the local fiscal representative for the preparation of tax returns, particularly relating to matters subject to interpretations and for setting up provisions, if reasonable, for amounts payable to tax authorities.

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

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

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

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

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

Deferred tax liabilities are provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future (IAS 12.39).

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

42.15 Trade payables and other liabilities.

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities with a remaining term of up to one year are recognized as current liabilities, those with longer terms are recognized as non-current liabilities. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date.

42.16 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.

42.17 Revenue recognition.

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

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

Revenues from sales of maintenance relate to the services under the single maintenance contracts rendered in the respective reporting period.

Revenue for construction contracts (mainly toll collection projects) is recognized in accordance with the percentage-of-completion method provided the conditions under IAS 11 are met.

Other revenue is recognized by the Group as follows:

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

42.18 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 19. 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".

42.19 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.

Authorized for issue:
Vienna, on July 18, 2018

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

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, 2018, 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, 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 245a Austrian Commercial Code.

Basis for opinion.
We conducted our audit in accordance with 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.

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.

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, on July 18, 2018

PwC Wirtschaftsprüfung GmbH

signed:
Peter Pessenlehner
Austrian certified Public Accountant

Glossary.

AFC	Automatic Fare Collection.
C-ITS	Cooperative-Intelligent Transportation Systems.
DMR	Digital Mobile Radio.
EETS	European Electronic Toll Service.
ERTMS	European Rail Traffic Management System.
ETC	Electronic Toll Collection, a reporting segment of Kapsch TrafficCom.
GSM	Global System for Mobile Communications – standard for fully digital mobile telephony networks.
GSM-R	GSM for Railways – 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.
IMS	Intelligent Mobility Solutions, a reporting segment of Kapsch TrafficCom encompassing: traffic management, safety and security, connected vehicles, smart parking, and intermodal mobility.
IoT	Internet of Things.
ITCS	Intermodal Transport Control Systems
ITS	Intelligent Transportation Systems.
LoRa	Long Range – radio technology specially developed to meet the demands of the Internet of Things.
LoRaWAN	Long Range Wide Area Network – wireless standard based on LoRa technology.
LTE	Long Term Evolution – fourth-generation mobile communication standard.
M2M	Machine-to-Machine – direct communication between devices.
MaaS	Mobility as a Service.
MCN	Mission-Critical Networks.
NFV	Network Function Virtualization.
OBU	On-board unit – an electronic device readable and writeable via wireless communication. The OBU can identify a vehicle and serve as a means of payment or as a data memory.
OSS/BSS	Operation Support System/Business Support System – a network management system supporting automated service processes.
PS-LTE	Public Safety-LTE.
RDN	Railway Dedicated Networks.
RPA	Robotic Process Automation.
RTPI	Real-Time Passenger Information.
SDN	Software-Defined Networking.
TETRA	Terrestrial Trunked Radio – standard for digital trunked radio, which facilitates the establishment of universal networks.
UMTS	Universal Mobile Telecommunications System – third-generation mobile communication standard.
V2I	Vehicle-to-Infrastructure, communication between vehicles and dedicated infrastructure.
V2V	Vehicle-to-Vehicle, communication between vehicles.
V2X	Vehicle-to-X, communication between vehicles and infrastructure.
Voice-over-IP	IP telephony, also known as internet telephony or voice-over-IP.

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Kapsch Group

Founded in 1892, this family-owned company headquartered in Vienna today is a globally-operating technology group with over 7,200 employees. The Kapsch Group comprises the four key entities Kapsch BusinessCom, Kapsch CarrierCom, Kapsch PublicTransportCom, and Kapsch TrafficCom, and focuses on peoples' requirements in the fields of communication and mobility. With innovative products and solutions, Kapsch makes a significant contribution to the digital transformation and a sustainable future in public and private transportation. Kapsch strives for global leadership in terms of quality and innovation, and therefore annually invests some ten percent of its total revenue in research and development. R&D centers in the strategic business segments of the Kapsch Group are constantly working to make new technologies marketable. Long-standing collaborations with scientific institutions as well as strategic acquisitions provide additional know-how.

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