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kapsch
challenging limits

Kapsch Group

# Kapsch Group.

## Consolidated Financial Statements 2019/20.

# Kapsch Group.
Annual Report 2019/20.

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When referring to people, the authors strive to use both the male and female forms as far as possible (for example he or she). For readability reasons, occasionally only the masculine form is used. However, this always refers to men, women, and non-binary persons.



**Imprint**
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## About the Kapsch Group.

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 strong business segments:

- Intelligent mobility solutions provided by Kapsch TrafficCom
- Solutions and services in the field of information and telecommunications delivered by Kapsch BusinessCom

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. Kapsch makes a key contribution to shaping a mobile and interconnected world in a responsible and sustainable manner.

Kapsch is one of Austria's best-established, internationally renowned technological companies. 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 Africa, Asia, Australia, and the Americas region.

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).

# Selected key data.

2019/20 (financial year 2019/20): April 1, 2019 – March 31, 2020
Unless otherwise stated, all values in EUR million.

| Earnings Data | 2017/18 | 2018/19 [1] | 2019/20 [1] | +/- |
|---|---|---|---|---|
| Revenues | 1,145.0 | 1,093.8 | 1,137.9 | 4.0% |
| EBITDA [2] | 56.3 | 91.5 | 26.7 | -70.8% |
| EBITDA margin in % | 4.9 | 8.4 | 2.3 | -6.0%p |
| EBIT [2] | 20.1 | 72.2 | -52.7 | > -100% |
| EBIT margin in % | 1.8 | 6.6 | -4.6 | -11.2%p |
| Result before income taxes | 8.3 | 65.4 | -80.6 | > -100% |
| Result for the period | 6.3 | 51.2 | -71.5 | > -100% |
| Result for the period for discontinued operations | — | -18.0 | -22.1 | -22.8% |
| Free cash flow | 5.9 | -43.2 | 17.2 | > 100% |
| Research and development | 139.7 | 114.7 | 134.8 | 17.6% |
| Employees, end of period | 7,236 | 6,422 | 6,673 | 3.9% |

| Balance sheet data | March 31, 2018 | March 31, 2019 | March 31, 2020 | +/- |
|---|---|---|---|---|
| Total assets [3] | 1,007.1 | 1,069.6 | 1,060.1 | -0.9% |
| Total equity [4] | 255.8 | 274.3 | 171.4 | -37.5% |
| Equity ratio in % | 25.4 | 25.6 | 16.2 | -9.5%p |
| Return on equity in % | 7.9 | 26.3 | -30.8 | -57.1%p |
| Financial liabilities | 313.6 | 302.1 | 336.8 | 11.5% |
| Net cash (+)/ debt (-) [3] | -116.2 | -176.4 | -305.3 | -73.0% |
| Gearing in % | 45.4 | 64.3 | 178.1 | 113.8%p |
| Capital employed | 569.4 | 576.4 | 508.2 | -11.8% |
| Net working capital | 192.2 | 233.2 | 188.6 | -19.1% |

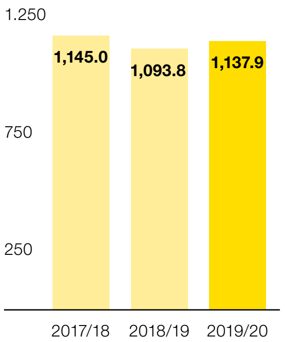
| Business segments | 2017/18 | | 2018/19 | | 2019/20 | | +/- |
|---|---|---|---|---|---|---|---|
| **Traffic** | | | | | | | |
| Revenues / share in revenues | 693.3 | 61% | 737.8 | 67% | 731.2 | 64% | -0.9% |
| EBIT / EBIT margin | 50.1 | 7% | 57.0 | 8% | -64.3 | -9% | > -100% |
| Employees, end of period | 5,259 | 73% | 4,981 | 78% | 5,104 | 76% | 2.5% |
| **Enterprise** | | | | | | | |
| Revenues / share in revenues | 317.7 | 28% | 380.0 | 35% | 408.6 | 36% | 7.5% |
| EBIT / EBIT margin | 0.4 | 0% | 14.0 | 4% | 8.9 | 2% | -36.1% |
| Employees, end of period | 1,200 | 17% | 1,333 | 21% | 1,461 | 22% | 9.6% |

| Regions | 2017/18 | | 2018/19 [1] | | 2019/20 [1] | | +/- |
|---|---|---|---|---|---|---|---|
| **Revenues / share in revenues** | | | | | | | |
| Austria | 322.4 | 28% | 318.0 | 29% | 342.4 | 30% | 7.6% |
| Western Europe | 213.5 | 19% | 153.3 | 14% | 180.9 | 16% | 18.0% |
| Central and Eastern Europe | 270.6 | 24% | 238.6 | 22% | 213.0 | 19% | -10.7% |
| Americas | 210.4 | 18% | 250.7 | 23% | 295.5 | 26% | 17.9% |
| Rest of the World | 128.2 | 11% | 133.1 | 12% | 106.2 | 9% | -20.3% |
| **Employees / share in Group, end of period** | | | | | | | |
| Austria | 2,063 | 29% | 1,937 | 30% | 2,071 | 31% | 6.9% |
| Central and Eastern Europe | 1,139 | 16% | 581 | 9% | 755 | 11% | 29.9% |
| Western Europe | 993 | 14% | 751 | 12% | 789 | 12% | 5.1% |
| Americas | 1,343 | 19% | 1,474 | 23% | 1,586 | 24% | 7.6% |
| Rest of the World | 1,698 | 23% | 1,679 | 26% | 1,472 | 22% | -12.3% |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.
2) In 2019/20 including EUR 19.0 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect of EUR 0.3 million
3) As of March 31, 2020 including EUR 125.0 million lease liabilities from the initial application of IFRS 16 (increase in lease liabilities and right-of-use assets in a similar amount) and adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
4) Including non-controlling interests as well as adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.

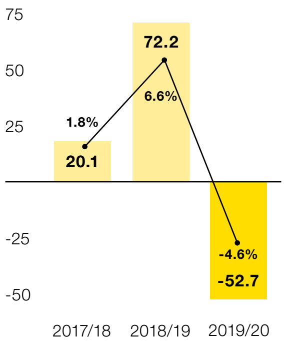
2019/20 (financial year 2019/20): April 1, 2019 – March 31, 2020
Unless otherwise stated, all values are in EUR million.

**Revenues**



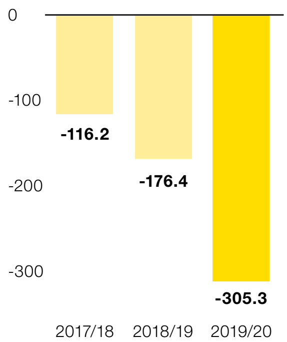

The revenues (excluding discontinued operations in financial year 2019/20 and 2018/19) are with EUR 1,137.9 million still on a high level.

**EBIT and EBIT margin**



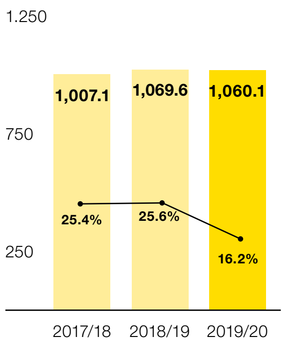

The operating result (EBIT) of the continued operations decreased significantly to EUR -52.7 million due to one-off effects.

**Net cash (+) / net debt(-)**



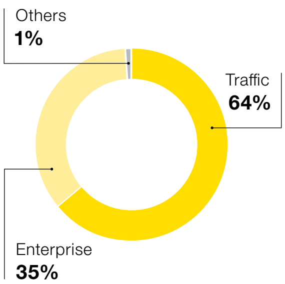

Net debt increased year-on-year by EUR 128.9 million or 73% to EUR 305.3 million, whereas a material impact is attributable to the initial application of IFRS 16.

**Total assets and equity ratio**



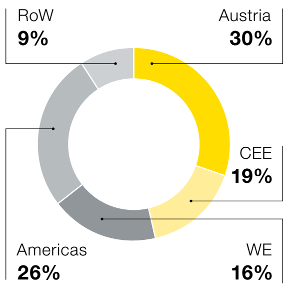

The balance sheet total as at March 31, 2020 remained stable at around 1 billion euros.

**Revenues by segment**



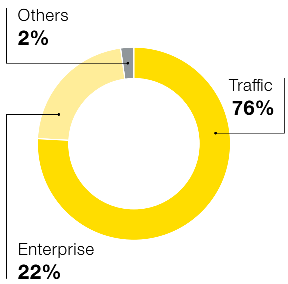

The segment Traffic contributes around 2/3 and the segment Enterprise around 1/3 to the revenues of Kapsch Group in financial year 2019/20. The segments Carrier and Public Transport are stated as discontinued operations.

**Revenues by region**



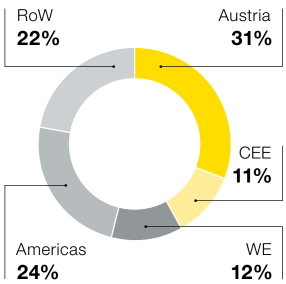

In the 2019/20 financial year, Kapsch Group again confirms international diversity through an even regional distribution of revenues.

**Employees as of March 31, 2020 by segment**




The number of employees in the continued operations of the Group increased by 251 or 4% compared to the previous year. As of March 31, 2020, the Group employed 6,673 people.

**Employees as of March 31, 2020 by region**




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

# Consolidated Management Report

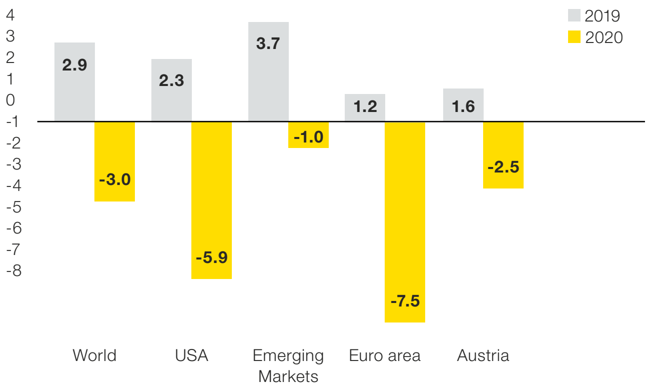
*on the Consolidated Financial Statements*
*as of March 31, 2020.*
*KAPSCH-Group Beteiligungs GmbH.*

## 1 Economic environment.

### 1.1 General economic situation.

**Global economy.**
In 2019, global economic activity lost momentum. The growth rate of aggregate output slowed to 2.9% (previous year: 3.7%). This was due to a rise in economic, political and social tensions in many parts of the world. World trade, in particular, was adversely affected by international challenges like the ongoing trade war between the United States and China. The volume of goods and services exchanged worldwide de facto stagnated in 2019 (previous year: 3.9%). As for 2020, economists had to revise their predictions of a moderate recovery. The outbreak of the COVID-19-pandemic threatens to cause the worst downturn since the 2008/09 crash. Hence, global economic growth is expected to turn negative in 2020.

**GDP growth 2019/2020.**
(in %)




Economic growth in **the United States** stood at a solid 2.3% in 2019, despite persistent protectionist tendencies. The main driver for this above-average expansion rate in comparison with other advanced nations was buoyant domestic demand. This was in turn fueled by strong labor market conditions and stimulating tax incentives for US companies. In early 2020, the agreement on phase one of a new deal with China sparked hope that their protracted trade war could wind down after almost two years. Prospects for a durable resolution remain elusive, though, with US sanctions continuing to threaten global technology supply chains. Moreover, the administration's focus has shifted towards support measures for the economy and the financial market amidst a looming COVID-19 recession.

Economic activity in the **emerging and developing economies** expanded by 3.7% in 2019, thus slightly less dynamically than in previous years. Overall, Asia continued to be the strongest driver of growth. While the ASEAN-5 economies (Indonesia, Malaysia, Thailand, Vietnam and the Philippines) showed virtually no signs of a slowdown, India's GDP increase fell short of expectations due to weaker than-predicted domestic demand (+4.2%). China, in contrast, once again surpassed the threshold of 6% growth in 2019. As for 2020, however, Asia's largest economy is likely to witness a loss of momentum. This is due to severe disruptions of business activity following the spread of the new virus SARS-CoV-2.

Economic development in **the Commonwealth of Independent States (CIS)** was clouded by Russia's sluggish growth in the year under review. The largest regional economy expanded by a mere 1.3% in 2019, owing to high volatility on the international oil market as a result of geopolitical tensions and unrest. In March 2020, this instability was further exacerbated when Russia failed to agree with the OPEC members on extending production cuts. The ensuing price slump and over-supply stands to hit the oil-exporting countries of the MENAP region (Middle East and North Africa, Afghanistan, Pakistan) particularly hard. Having slipped below a growth level of 1% in 2019, the outlook for the year 2020 in this crisis-ridden region is equally sobering.

The overall economic performance of **Latin America** was marked by stagnation in 2019. This can be attributed not only to muted growth in the regional powerhouses Brazil and Mexico, but also to the ongoing recession in Argentina and the eruption of political turmoil across the continent. Looking to 2020, Latin America's return to a growth path is not to be expected. The outlook for Sub-Saharan Africa is slightly more favorable. This region defied the global downward trend in 2019 and expanded by 3.1%. Growing debt levels, however, pose particular risks to this region.

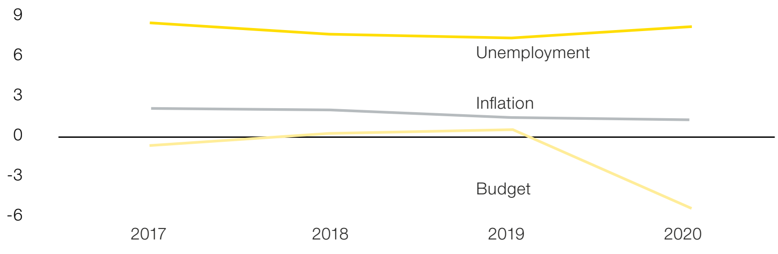
**Europe.**
The 2019 economic figures for Europe showed mixed results. Overall growth in the European Union slowed to 1.5%. This was primarily due to the developments in the large member states. Germany's export-oriented industry, in particular, came under pressure from the challenging global environment. Moreover, France was confronted with a large wave of protests while Italy continued to face structural problems. All this was aggravated by Britain's exit from the EU, which took place at the end of January 2020 after multiple delays. On the positive side, economic recovery in the once-struggling peripheral countries (Greece, Spain and Portugal) continued and the EU unemployment rate steadily declined. As of early 2020, it reached 6.2%, the lowest level in over a decade. In March 2020, actions to fight the COVID-19-pandemic caused a sharp increase in unemployment.

Economic activity in the Eurozone went up by 1.2% in 2019, propelled by solid private consumption and by the service industries. The inflation rate receded to 1.2% and thus further below the European Central Bank's medium-term target of 2%. Against this background, the period of low interest rates is unlikely to end in the foreseeable future. The launch of a new stimulus package by the ECB in March 2020 ("Pandemic Emergency Purchase Programme") is also indicative of a prolonged phase of loose monetary policy. In light of the COVID-19 crisis a contraction of the GDP in the Eurozone has to be expected in 2020.

Central and Eastern Europe (CEE) continued its catching-up process with comparatively robust growth figures in 2019. The regional markets benefitted primarily from substantial public investment and strong household demand, fueled by wage increases. On a national level, the Hungarian (+4.9%), the Romanian (+4.1%) and the Polish (+4.0%) economy performed particularly well in the year under review. The Czech Republic and Slovakia, by contrast, registered growth rates below 3%, which can be explained by their close ties to Germany's struggling industrial production.

**Austria.**
The Austrian economy slowed down only modestly in 2019. More specifically, the national GDP increase amounted to 1.6%, which was once again above the corresponding Eurozone value. While the manufacturing sector and export business showed signs of weakness in the first half of the year, solid consumption and investment spending had a stabilizing effect. Domestic demand was boosted by a decline of the inflation rate to 1.5% and by the ongoing recovery on the labor market in the year under review. For 2020, economists expect that the state of emergency will lead to a GDP contraction.

**Inflation, unemployment and budget in Austria 2017–20.**
(in %)



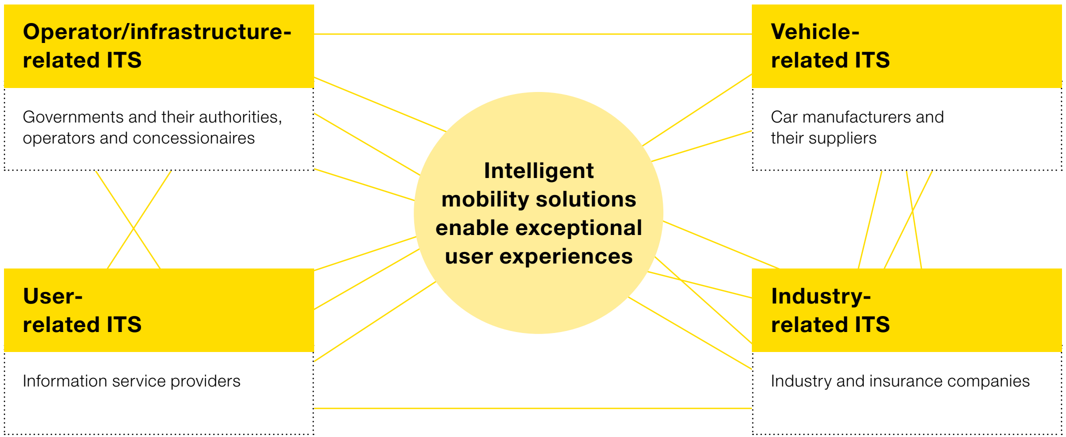
## 1.2 Economic situation of the industry.

**Market for intelligent transportation systems (ITS, segment Traffic).**
Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). Intelligent transportation systems support and optimize transportation (including infrastructure, vehicles, users and industry). They use information and communication technologies for this.

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

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

**Vehicle-related ITS** aim at in-car telematics such as remote diagnostics or driver assistance systems. They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles, as well as traffic safety and security. This field also includes systems for real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X.




In the point of view of Kapsch TrafficCom safety applications these systems will be based on 5.9-GHz technology or possibly on 5G. The addressee will be vehicle manufacturer and their suppliers.

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

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

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

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

**Market trends and drivers.**
Kapsch TrafficCom has identified the most important trends and drivers in the currently addressed markets as follows:

**Development and financing of transport networks.** Roads are part of a country's basic infrastructure. However, both construction and maintenance are extremely costly. According to a study by McKinsey Global Institute, around USD 900 billion must be invested annually in road infrastructure worldwide to keep pace with expected economic growth. In addition to financing sources for the required investments, decision-makers are also looking for ways to use existing infrastructure more efficiently. It is often not possible to build additional roads, especially in urban areas.

Global economic growth is leading to an increase in the transportation of goods. In addition, the increasing mobility of people and progressive urbanization pose challenges to transportation networks. At the same time, the impact of road traffic on the environment and people is becoming more relevant.

In view of tight government budgets, alternative financing models involving private investors will continue to gain in importance in the coming years. In order to ensure the economical operation of freeways, toll systems and traffic control systems will accordingly also play a more important role in the future.

**Mobility.** It is widely recognized that mobility is a basic human need and an important prerequisite for the functioning of a market economy. As prosperity increases, so does the volume of traffic. This in turn increases the demands placed on transportation systems.

**Urbanization.** The proportion of people living in cities is increasing. Whereas in year 1800 only 2% of the world's population was urban, in 2007 for the first time more than half of the world's population lived in cities. Based on a current figure of around 55%, the United Nations forecasts that the urban population will account for around 60% of the population in 2030 and 68% in 2050. At the same time, world population will rise from 7.6 billion people in 2018 to 8.5 billion in 2030 and 9.8 billion in 2050. By 2030 there is expected to be 43 mega-cities worldwide with more than ten million inhabitants; there are currently 31.

The OECD's International Transport Forum forecasts an increase in motorized mobility in cities of 41% between 2015 and 2030, and as much as 94% by 2050. The share of private motor vehicles will continue to rise sharply in developing regions and will decline only slightly in the industrialized countries. Urban congestion rates increased globally by 23% between 2008 and 2016 according to the TomTom Traffic Index. At the same time, the consulting firm Arthur D. Little has stated that many developed cities have neither a clear vision of what their mobility systems should look like in the future, nor the strategies to get there.

**Environmental protection.** Air pollution has significant effects on human health, impacts vegetation and ecosystems, contributes to climate change and damages materials and buildings. Road traffic plays an important role here. According to the European Environment Agency, road traffic is the largest emitter of nitrogen oxide in the EU with a share of 39%. The proportion is 20% for carbon monoxide, 28% black carbon, and 11% for particulate matter. Road traffic is responsible for one fifth of all greenhouse gases in the EU. Furthermore, noise pollution – with road traffic being the most widespread source – is an important environmental health problem in Europe.

**Technologies and concepts.**
The transportation industry is undergoing radical change with new technologies and concepts such as electric mobility, mobility as a service (MaaS), networked vehicles, and applications based on "Big Data". This is increasingly leading to convergence in the ITS market segments, which calls for intelligent, holistic mobility solutions.

**Market for information and communication technologies (segment Enterprise).**

The industrial economy in Austria is currently experiencing a slowdown. The corona crisis has had a negative impact. Almost all sectors have seen not only a decrease in the movement of goods, but restrictive measures as well. A 7-week shutdown massively affected economic life. According to the WIFO forecast published in April 2020, Austria's gross domestic product will drop by 5.2% year on year in 2020 as a result of the corona pandemic. High economic growth of 3.5% is then expected again for 2021.

In response to the impact of the COVID-19-pandemic, the teknowlogy Group, an industry analyst firm, has significantly revised its outlook for investments in the Western European software and IT services market and based it on two scenarios. The market for software and IT services (SITS) in Western Europe will likely shrink by 3 to 12% in 2020, depending on which of the two scenarios outlined by the teknowlogy Group, the leading European analyst firm for the technology industry, plays out.

The "optimistic" scenario assumes that the peak of the corona pandemic can be successfully contained and controlled within three months, with stay-at-home orders being relaxed before the end of this period. In the "pessimistic" scenario, by contrast, the teknowlogy Group foresees a six-month period for containing the peak, which would mean that most companies would probably not return to "business as usual" before the last quarter of 2020 or the first quarter of 2021.

The teknowlogy Group assumes that some areas of the SITS market will be more affected than others in the coming quarters. The teknowlogy Group currently expects a decrease in total software spending of between 0.1% (optimistic) and 8.7% (pessimistic). By contrast, the teknowlogy Group expects spending on Software-as-a-Service (SaaS) solutions to remain high, especially in areas such as tools for collaboration and communication.

In the IT service sector, the teknowlogy Group expects a sharp drop in spending on consulting and system integration in the short term, as companies will postpone longer-term strategic initiatives and teams implementing new platforms on site will be blocked by stay-at-home orders. Investments in outsourcing will increase, and the renewed focus on cost control may open up new opportunities in the medium term.

Different sectors are being affected to different degrees. While telecommunications and utilities companies will continue to operate relatively smoothly, the transport and service sector will experience the sharpest declines in SITS spending in 2020.

The Kapsch BusinessCom Group's broad product and solution portfolio as well as different financing and ICT operating models put it in an ideal position to respond to different customer requirements.

# 2 Development of the Kapsch Group.

## 2.1 Overview of Group Development.

The past financial year 2019/20 was a very challenging one for the Kapsch Group, and in some areas it was even a confounding year with several hurdles to overcome. As already announced in the annual report for the last financial year, the segments Carrier and Public Transport were sold to S&T, effective May 31, 2019, so that the company could focus on the two major future segments Traffic and Enterprise. Accordingly, only the continued operations of the Group are discussed, also in the management report. While all the revenue and earnings targets were achieved in the segment Enterprise, the targets in the segment Traffic, which always carried the Group in recent years with its very good results, were missed by a wide margin, in part due to a number of one-off effects in the last quarter of the financial year. Shortly before the end of the financial year, the Kapsch Group was also confronted with the challenges of the COVID-19-pandemic.

***Revenue increased to EUR 1,1 billion.***

Despite all these events, Kapsch was able to generate revenues of EUR 1,137.9 million in the last financial year, setting a new record for the two remaining business segments. This confirmed and underscored that the Group is addressing many topics of interest for its customers in terms of the market and its strategy. The strong revenue growth once again in the segment Enterprise also contributed to this. However, many one-off effects have contributed to the fact that the EBIT of EUR -52.7 million was very negative and extremely unsatisfactory. One of the main reasons for this is that amortization and depreciation was around EUR 79 million, a massive rise due to the first-time application of the new leasing standard IFRS 16 and the unscheduled value adjustments in the area of intangible assets. Despite all the one-off effects, EBITDA was clearly positive at EUR 26.7 million – partly impacted by IFRS 16 effects as well – but overall also significantly below our expectations.

Measures introduced in the past, such as the globalization of the company, the diversified service portfolio, the focus as well as a long-term and sustainably oriented accounting policy have made a substantial contribution to the fact that the group of companies has a stable balance sheet despite the difficult year and extremely bad results.

The end of the financial year was defined by the worldwide measures to contain the COVID-19-pandemic. Fortunately, the impact on the last financial year was not too great. What has changed immensely, however, is how we work together within the company for one thing and how customer relationships are managed for another. Our outstanding IT equipment enabled us to quickly change over many of our employees to work from home. Digital cooperation and communication platforms have provided us with valuable services. In the segment Enterprise, we were even valued as a partner for the maintenance and expansion of critical infrastructure thanks to our products and services, and we were able to make a very proactive contribution to overcoming the crisis. The professional handling of the COVID-19-pandemic also confirms that the Group is capable of handling crises, and therefore the last year also contributed to increasing resilience.

The number of employees decreased slightly year on year to 6,673, although this is exclusively due to the sale of the segments Carrier and Public Transport. In the continuing segments, the number of employees even increased by a total of 251 on the balance sheet date.

In the **segment Traffic**, the record level of revenues in the previous year was almost reached in this financial year with EUR 731.2 million. This is all the more pleasing because major contributors to revenues were lost last year as a result of the surprising cancellation of projects in Germany, the (in our opinion) questionable awarding of a contract for the operation of the truck toll system in the Czech Republic at the end of November 2019, and the cancellation of a tender for a major project in South Africa, for which Kapsch was the best bidder. On the revenues side, this was compensated for above all by the sharp rise in business in the USA. However, it was precisely in this region that resource bottlenecks in particular related to adequately qualified employees meant that the high order backlog could not be processed in the usual quality and time, and, to make matters worse, considerable extra work in the challenging implementation of software in existing customer systems led to considerable cost overruns on individual projects. Other reasons for the negative impact on results in this segment are attributable to activities in the area of intelligent streetside parking solutions by our Californian affiliate Streetline. We therefore scaled down the activities of this company as far as possible. In Zambia, we were also unable to develop the business as originally planned. We finally had to realize that it will be impossible to overcome regulatory hurdles in the foreseeable future and impaired our investment in Zambia for this reason. In the area of goodwill, a number of unscheduled impairments were also necessary and led in total to significant – albeit non-cash – losses.

We received really positive information regarding a patent dispute. For many years, Kapsch TrafficCom has been litigating against a competitor in the US that was accusing us of infringing upon its patents. The accusations of the competitor have now been dismissed by the court of last instance. This court decision paved the way for the nation-wide interoperability of electronic toll systems in the USA: Organizations and individuals are now able to work with, market, and implement different toll technology specifications.

The current status of the German passenger vehicle toll, which, as already mentioned, was terminated by the customer on September 30, 2019, is that the operating parties of the terminated contract on the project "Collection of the Toll" – Kapsch TrafficCom, CTS EVENTIM and a 50/50 joint venture of both companies – jointly filed claims totaling EUR 560 million against the Federal Republic of Germany in December 2019. The responsible minister is disputing this claim, however. This matter will therefore need to be resolved before an arbitration tribunal. Such proceedings can last several years.

In the **segment Enterprise**, Kapsch was able to significantly exceed the previous year's revenues with EUR 408.6 million and set a new record. This was primarily due to organic growth in Austria and the German, Austria, Switzerland region (DACH region), where important projects were awarded, and to the successful implementation of the expansion of the service business. Kapsch has proven to be a reliable partner for its customers when it comes to the selection and implementation of state-of-the-art ICT solutions and all related services. Kapsch also distinguished itself as an outsourcing partner in the past financial year. It is pleasing that the Group was able to generate not only record revenues in this segment but also good earnings, which – if the positive one-off effects from the hedging business in the previous year are excluded – even exceeded the previous year's revenues. Besides a COVID-19-related dip, it is expected that this segment will develop in a stable manner and have growth potential.

The segment **Carrier** and the operating part of the segment **Public Transport** were sold, effective May 31, 2019, and were therefore reported as discontinued operations in accordance with IFRS 5.

**Overall Kapsch Group.**

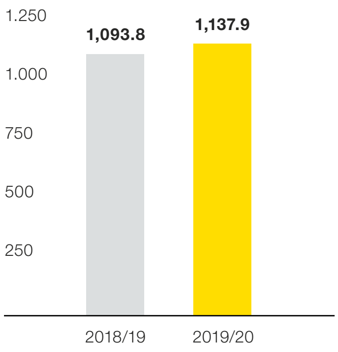
| in EUR million | 2018/19 [1] | 2019/20 [1] | Change | |
|---|---|---|---|---|
| Revenues | 1,093.8 | 1,137.9 | 44.2 | 4% |
| EBITDA [2] | 91.5 | 26.7 | -64.7 | -71% |
| EBITDA margin in % | 8.4 | 2.3 | | |
| EBIT [2] | 72.2 | -52.7 | -124.9 | – |
| EBIT margin in % | 6.6 | -4.6 | | |
| Total assets [3] | 1,069.6 | 1,060.1 | -9.5 | -1% |
| Equity [4] | 274.3 | 171.4 | -102.9 | -38% |
| Equity ratio in % | 25.6 | 16.2 | | |
| Cash and cash equivalents | 139.0 | 169.7 | 30.7 | 22% |
| Net debt [8] | -176.4 | -305.3 | -128.8 | -73% |
| Gearing in % [10] | 64.3 | 178.1 | 113.8 | 177% |
| Capital employed [5] | 576.4 | 508.2 | -68.1 | -12% |
| Net working capital [9] | 233.2 | 188.6 | -44.6 | -19% |
| Free cash flow [6] | -43.2 | 17.2 | 60.4 | – |
| Capital expenditure [7] | 18.7 | 61.5 | 42.8 | 229% |
| Research and development | 114.7 | 134.8 | 20.2 | 18% |
| Employees, as of March 31 | 6,422 | 6,673 | 251 | 4% |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.
2) In 2019/20 including EUR 19.0 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect of EUR 0.3 million
3) As of March 31, 2020 including EUR 125.0 million lease liabilities from the initial application of IFRS 16 (increase in lease liabilities and right-of-use assets in a similar amount) and adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
4) Including non-controlling interests as well as adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
5) Total equity + Financial liabilities
6) Cash flow from operating activities + cash flow from investing activities
7) Investments to purchase property, plant and equipment and intangible assets
8) Cash and cash equivalents + Other current financial assets – Financial liabilities – Lease liabilities
9) Inventories + Trade receivables + Current contract assets + Current tax receivables – Trade liabilities – Current contract liabilities – Current tax liabilities – Current provisions – Current other liabilities and accruals
10) Net debt/Total equity

## 2.2 Earnings situation.

In financial year 2019/20, the Kapsch Group generated revenues from continued operations in the amount of EUR 1,137.9 million, an increase of EUR 44.2 million or 4.0%. This increase is due to the positive performance in the segment Enterprise.

**Revenue growth in financial year 2019/20.**
(in EUR million)




The management continues to pursue the international growth strategy, which is global in the segment Traffic and focused on the region of Germany, Austria and Switzerland in the segment Enterprise. On the one hand, the Group intends to grow through acquisitions and, on the other, organic growth should enable an expansion of current business activities. The Group was also able to impressively demonstrate its diversification into different markets and its ability to compensate for declines and setbacks in individual business segments or markets by achieving success in other areas, as well as its ability to react very quickly and flexibly to unplanned changes.

An important goal for management is to enable and ensure medium- and long-term growth and corresponding profitability in all business segments.

It can be seen on the basis of the regional revenue analysis that the Kapsch Group has also succeeded in moving ahead with its international diversification in financial year 2019/20. On the Austrian domestic market, the strong increase in revenues in the segment Enterprise has ensured that the expected declines in the segment Traffic were more than compensated for. At EUR 342.4 million, this figure increased substantially, by EUR 24.3 million year on year. At EUR 795.6 million, revenues generated abroad also increased by EUR +19.8 million or +3%, while the foreign share of total revenues was 70%, meaning it remained roughly at the previous year's level (71%). At EUR 213.0 million, revenues in Central and Eastern Europe fell by EUR -25.6 million or -11% year on year. This decline is primarily attributable to Poland (EUR -12.0 million), where the expired Polish toll system could only be extended with a smaller scope of services and correspondingly reduced revenues, and to the Czech Republic (EUR -18.1 million), where the operation of the Czech truck toll system was terminated by the customer in December 2019. On the other hand, revenues in Bulgaria (EUR +6.2 million) increased. In Western Europe, revenues rose by EUR 27.6 million or 18% to EUR 180.9 million. This is due in particular to the increase in revenues in Germany (EUR +13.8 million), France (EUR +4.4 million) and Switzerland (EUR +4.8 million). A particularly pleasing development is another significant increase in the economic region of America where record revenues of EUR 295.5 million, EUR +44.8 million or +18%, were achieved and also contributed more than 26% to consolidated revenues for the first time. The growth was mainly driven by the USA, Argentina and Colombia, while revenues in Peru declined again significantly due to the completion of a major project in the previous year. In the Rest of the World region, revenues declined substantially in the past financial year, by EUR 27.0 million or 20%, to EUR 106.2 million. This is primarily due to the greater decline in Australia (EUR -15.7 million), where a number of major projects were again completed in the previous year, as well as drops in South Africa (EUR -5.7 million) and Zambia (EUR -3.0 million). The Rest of the World region contributes 9% of consolidated revenues.

**Revenues by region (share of revenues).**

| in EUR million | 2018/19 [1] | 2019/20 [1] | Change | |
|---|---|---|---|---|
| Austria | 318.0 | 342.4 | 24.3 | 8% |
| Western Europe | 153.3 | 180.9 | 27.6 | 18% |
| Central and Eastern Europe | 238.6 | 213.0 | -25.6 | -11% |
| Americas | 250.7 | 295.5 | 44.8 | 18% |
| Others | 133.1 | 106.2 | -27.0 | -20% |
| **Total** | **1,093.8** | **1,137.9** | **44.2** | **4%** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

The segment Traffic was able to report revenues of EUR 731.2 million and was thus only slightly, EUR 6.6 million or 1%, below the record value of the previous year. This is all the more gratifying as this was achieved despite the discontinuation of some major projects and other obstacles. The segment thus contributes 64% to consolidated revenues and therefore remains the strongest revenue segment in the Kapsch Group.

In the segment Enterprise, it was possible to increase revenues by EUR +28.5 million or +8% this year to another new record level of EUR 408.6 million. On the one hand, this is due to the fact that Kapsch began to focus on issues of the future such as digitization and security in this segment several years ago and has continued to develop them systematically, while on the other hand, the regional focus on Germany, Austria and Switzerland reflects this increase in revenues. The contribution to consolidated revenues was 35% and therefore exceeded one third for the first time.

**Revenues by segment (share of revenues).**

| in EUR million | 2018/19 [1] | | 2019/20 [1] | | Change | |
|---|---|---|---|---|---|---|
| Traffic | 737.8 | 67% | 731.2 | 64% | -6.6 | -1% |
| Enterprise | 380.0 | 35% | 408.6 | 36% | 28.5 | 8% |
| Others | 26.5 | 2% | 29.0 | 3% | 2.5 | 10% |
| Eliminations | -50.6 | -5% | -30.8 | -3% | 19.7 | -39% |
| **Group** | **1,093.8** | **100%** | **1,137.9** | **100%** | **44.2** | **4%** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

Operating performance increased by EUR 11.1 million or 1% to EUR 1,150.4 million compared to the previous year, which is attributable to the positive change in revenues. Other operating income (EUR 18.6 million) fell by EUR -4.3 million, and inventories dropped significantly year on year, by EUR -6.1 million (previous year: EUR +22.7 million).

The cost of materials and purchased services rose by EUR +46.0 million or +8.3% to EUR 599.1 million, which is related on the one hand to the rise in revenues and on the other hand to the additional costs for some projects in the segment Traffic. The ratio of material and other purchased manufacturing services to revenues rose slightly from 50.6% to 52.7%.

The number of employees in the continued operations increased in the last financial year by 251 or 4% to 6,673 employees at present. As a result, personnel expenses also rose sharply, by 7% (or EUR 27.2 million), to EUR 392.0 million. This disproportionately high increase is due to the fact that a majority of the build-up in the number of employees is taking place in countries with relatively high personnel costs (such as the USA, Austria, Spain and Switzerland), while the number of employees with lower average personnel costs (South Africa, Mexico and the Czech Republic) declined, in some cases substantially.

Expenses for amortization and depreciation doubled to EUR 38.6 million in the past financial year (EUR +19.3 million or +100%). This significant increase is due to the initial application of the new leasing standard. Leasing expenses recorded previously (other operating expenses) are replaced by a depreciation on right-of-use assets from leases and an interest component (which flows into the financial result). This causes EBITDA to go up (by the amount of the depreciation on right-of-use asset from leases) and has a slightly positive effect on EBIT (in the amount of the interest component, which is reported in the financial result). In addition, impairments of EUR 40.9 million were recognized in the past financial year (previous year: EUR 0), which largely related to the segment Traffic. In addition to intangible assets (above all from service concession arrangements IFRIC 12 of EUR 13.8 million), goodwill in the segment Traffic (EUR 22.0 million) was impaired, as were costs to obtain a contract totaling EUR 4.1 million for the project in Germany. In the segment Enterprise, goodwill from the acquisition of evolaris next level GmbH, Austria, was also impaired (EUR 0.9 million).

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

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| Property, plant and equipment | 10.1 | 9.8 | -0.3 | -3% |
| Intangible assets | 8.9 | 9.8 | 0.8 | 10% |
| Depreciation on right-of-use assets from leases | 0.0 | 19.0 | 19.0 | |
| Amortization of costs to obtain a contract | 0.1 | -0.1 | -0.2 | – |
| Investment property | 0.2 | 0.2 | 0.0 | 0% |
| Impairments | 0.0 | 40.8 | 40.8 | |
| **Total** | **19.3** | **79.4** | **60.2** | **312%** |

Other operating expenses fell slightly to EUR 128.0 million (EUR -3.4 million or -3%) from the level in the previous year. The initial application of IFRS 16 meant that there were declines primarily in rental and automobile expenses, as well as legal and consulting expenses. However, the costs for communication and IT expenses rose, as IT services are no longer provided by the affiliated company Kapsch BusinessCom, but by the associated company Kapsch Financial Services GmbH.

The proportionate results from joint ventures total EUR -4.6 million (previous year: EUR 0.9 million) and mainly include the proportionate results of the joint venture in Germany.

Earnings before interest, taxes, amortization and depreciation (EBITDA) fell significantly in the past financial year, by EUR 64.7 million or 71%, to EUR 26.7 million at present. This is related to the fact that results declined in the past financial year, especially in the segment Traffic. The EBITDA margin therefore fell from 8.4% to 2.3%.

Earnings before interest and taxes (EBIT) were EUR -52.7 million, which was also clearly below the previous year's amount where a very positive EBIT of EUR 72.2 million was generated. In addition to the decline in EBITDA in the segment Traffic, the aforementioned impairments in this segment also made a major contribution to this decline. In the previous year, EBIT included a positive one-off effect in connection with the expected compensation from a hedging transaction for a total of EUR 6.5 million.

**Earnings figures of Kapsch Group.**

| in EUR million | 2018/19 [1] | 2019/20 [1] | Change | |
|---|---|---|---|---|
| EBITDA [2] | 91.5 | 26.7 | -64.7 | -71% |
| EBITDA margin in % | 8.4 | 2.3 | | |
| EBIT [2] | 72.2 | -52.7 | -124.9 | – |
| EBIT margin in % | 6.6 | -4.6 | | |
| Result before income taxes | 65.4 | -80.6 | -146.0 | – |
| Result for the period | 51.2 | -71.5 | -122.7 | – |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

[2] In 2019/20 including EUR 19,0 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect of EUR 0.3 million

The financial result was substantially worse, falling from EUR -6.5 million to EUR -27.2 million. On the one hand, financial income fell to EUR 5.7 million (EUR -4.2 million or -42%), and, on the other, financial costs rose by EUR -16.5 million or -101% to EUR -32.9 million. The main reason for this development was the income from the sale of the equity investment in ParkJockey Global Inc., USA, which was reflected in income of EUR 5.1 million in the previous year, the required impairment of Q-Free ASA, Norway, in the amount of EUR 5.7 million in the current financial year, and foreign exchange losses of EUR -9.0 million (EUR -5.2 million worse than in the previous year).

Result from associated companies and other joint ventures totaled EUR -0.6 million (2018/19: EUR -0.2 million) and resulted, on the one hand, from Traffic Technology Services Inc., USA (EUR -1.2 million) and, on the other hand, from Kapsch BusinessCom AG's equity investments in Kapsch Financial Services GmbH, CALPANA business consulting GmbH and Sensor Network Services GmbH (EUR 0.6 million).

Result before income taxes of EUR -80.6 million and the result for the period of EUR -71.5 million were also significantly below the previous year's figures of EUR 65.4 million and a profit of EUR 51.2 million, respectively. In line with the change in results, income taxes went from being an expense of EUR -14.2 million in the previous year to income of EUR 9.1 million in the past financial year. Deferred tax claims can be used in part based on the planning for the next few years and were recognized for this part.

Result for the period of discontinued operations were very negative at EUR -22.1 million (previous year: EUR -18.0 million).

Other comprehensive income also fell in the past financial year by EUR -1.3 million or -35% to EUR -4.9 million. This was mainly due to remeasurements of liabilities from post-employment benefits to employees, which increased by EUR -4.9 million to EUR -8.8 million in total compared to the previous year. Currency translation difference from net investments in foreign operations abroad (EUR 1.2 million compared to EUR 4.0 million in the previous year) also made a negative contribution to other comprehensive income, while other currency translation differences had a positive effect of EUR +1.0 million (previous year: EUR -3.4 million).

Total comprehensive income was very negative at EUR -98.5 million (previous year: EUR +29.6 million).

## 2.3 Financial situation.

### Balance sheet figures of Kapsch Group.

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| Total assets [1] | 1,069.6 | 1,060.1 | -9.5 | -1% |
| Equity [2] | 274.3 | 171.4 | -102.9 | -38% |
| Equity ratio in % | 25.6 | 16.2 | | |
| Cash and cash equivalents | 139.0 | 169.7 | 30.7 | 22% |
| Net debt [3] | -176.4 | -305.3 | -128.8 | -73% |
| Gearing in % [4] | 64.3 | 178.1 | 113.8 | 177% |
| Capital employed [5] | 576.4 | 508.2 | -68.1 | -12% |
| Net working capital [6] | 233.2 | 188.8 | -44.5 | -19% |

1) As of March 31, 2020 including EUR 125.0 million lease liabilities from the initial application of IFRS 16 (increase in lease liabilities and right-of-use assets in a similar amount) and adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
2) Including non-controlling interests as well as adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
3) Cash and cash equivalents + Other current financial assets – Financial liabilities – Lease liabilities
4) Net debt/Total equity
5) Total equity + Financial liabilities
6) Inventories + Trade receivables + Current contract assets + Current tax receivables – Trade liabilities – Current contract liabilities - Current tax liabilities – Current provisions – Current other liabilities and accruals

Overall, the Kapsch Group's balance sheet total of EUR 1,060.1 million remained at approximately the same level as in the previous year (lower by EUR -9.5 million or -1%) and therefore continues to be stable even in these stormy times of major changes. The balance sheet as of March 31, 2020 was affected by three major developments. The first one was the initial application of IFRS 16, the new standard on "leases." This deals with the recognition, measurement and disclosure as well as the reporting requirements for leases in the financial statements. To summarize it briefly, this means that right-of-use assets from leases must be capitalized (property, plant and equipment), and lease liabilities are to be reported separately on the liabilities side of the balance sheet. As a result of this change in the reporting of leases, the balance sheet total and net debt increased significantly since April 1, 2019 (by approx. EUR 125 million), while the equity ratio fell. The second development involved decreases in the individual assets and debts due to the sale of the segments Carrier and Public Transport, which reduced the balance sheet total by around EUR 150 million. The third development was impairments primarily during the last quarter in the segment Traffic in the area of intangible assets, which also led to a substantial balance sheet reduction totaling around EUR 40 million.

Non-current assets rose substantially year on year to EUR 391.8 million (EUR +50.9 million or 15%). While property, plant and equipment rose significantly, by EUR 81.4 million or 154%, primarily due to the right-of-use asset from leases that were capitalized for the first time in accordance with IFRS 16, intangible assets fell substantially, by EUR -55 million or -34%, to EUR 106.4 million, primarily due to the impairments of goodwill and assets from service concession arrangements in the segment Traffic. Investments in associates and joint ventures increased by EUR 13.2 million, primarily due to the financing for autoTicket GmbH, Germany (EUR +17.9 million) less the negative proportionate earnings (EUR -4.6 million). The decline in other non-current financial assets and equity investments (EUR -5.7 million) mainly resulted from the impairment of the equity investment in Q-Free ASA, Norway (EUR -5.7 million). EUR 4.2 million of the other non-current assets of EUR 9.1 million reported on the adjusted balance sheet as of March 31, 2019 related to costs to obtain a contract. In connection with the termination of the contracts for the German passenger vehicle toll, it was necessary to report an impairment of EUR 4.1 million in financial year 2019/20. As a result of the final purchase price allocation of Intelligent Mobility Solutions Ltd., Zambia, in August 2019, the non-current assets were not recognized in full (EUR -2.9 million) and the balance sheet value was adjusted as of March 31, 2019. Non-current lease receivables in the amount of EUR 26.6 million were recognized on the balance sheet for the first time. The non-current portion of these receivables is recognized when the Kapsch Group acts as lessor at the request of its customers, primarily in the segment Enterprise. Deferred tax assets rose from EUR 47.0 million to EUR 53.1 million, mainly due to deferred tax assets in the USA.

Inventories fell from EUR 79.8 million to EUR 60.7 million, especially due to the sale of the segments Carrier and Public Transport (EUR -11.9 million), and also in Austria (EUR -4.4 million), Bulgaria (EUR -5.4 million), and Canada (EUR -2.6 million), while they rose in the United States (EUR +5.2 million).

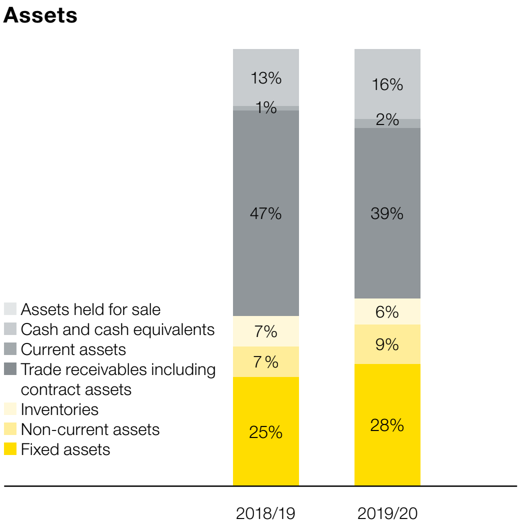
The item "trade receivables and other current assets" decreased significantly, to EUR 248.8 million, compared to March 31, 2019. The total drop of EUR 83.8 million resulted, despite EUR -71.2 million from the sale of the segments Carrier and Public Transport, among others due to payments received in connection with the implementation of the nation-wide passenger car and truck toll system in Bulgaria and the Czech Republic. Receivables in the USA and Austria increased. By contrast, current contract assets remained stable at EUR 169.3 million (+EUR 1.2 million or 1%) as did other current assets at EUR 1.3 million (+EUR 0.2 million or 14%). Current lease receivables for a total of EUR 10.7 million include the portion of non-current lease receivables due for payment in the next 12 months.

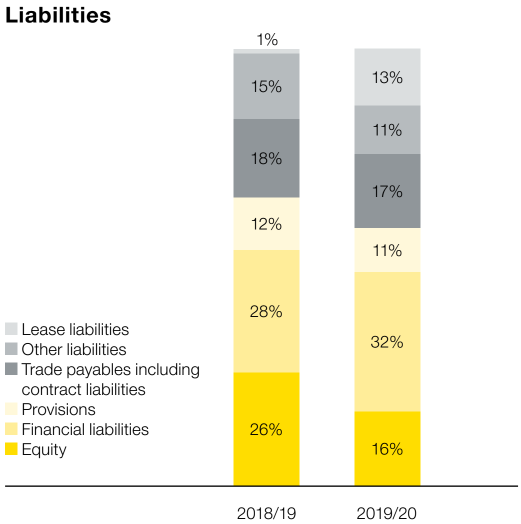
Cash and cash equivalents increased by EUR 30.7 million to EUR 169.7 million in comparison to March 31, 2019. This was due to the positive cash flow from operating activities, which resulted on the one hand from amortization and depreciation as well as value adjustments and on the other hand from changes in working capital, along with taking out new loans.

The Kapsch Group's equity decreased significantly, by EUR -102.9 million or -38%, to EUR 171.4 million in the past financial year, primarily due to the clearly negative result. The dividend of EUR 7.2 million paid out to minority shareholders also led to a reduction in this item. As a result, and also because of the balance sheet increase due to IFRS 16, the equity ratio also fell significantly to 16.2%. Even without the effect of IFRS 16, the equity ratio would have fall significantly to 18.5%.

Non-current liabilities increased compared to the previous year (EUR +83.1 million or +22%) to EUR 461.1 million. This is due to the increase in non-current financial liabilities by EUR +11.1 million or +5% to EUR 251.8 million, and above all lease liabilities for a total of EUR 94.9 million (EUR +81.0 million or >+500%) contributed to this increase. Non-current contract liabilities also rose to EUR 26.0 million (previous year: EUR 11.5 million). By contrast, obligations from post-employment benefits to employees of EUR 68.9 million (previous year: EUR 75.1 million) and deferred tax liabilities of EUR 2.6 million (previous year: EUR 10.6 million) declined year on year.

Current liabilities slightly increased to EUR 427.6 million (EUR +10.3 million). While current financial liabilities rose by EUR 23.7 million or 39% to EUR 85.1 million and current lease liabilities also climbed significantly to EUR 44.5 million as a result of IFRS 16 (EUR + 44.0 million), current contract liabilities fell to EUR 33.3 million (EUR -20.6 million or -38%) as did other current liabilities and deferred income of EUR 96.5 million (EUR -30.0 million or -24%). While trade payables also decreased to EUR 117.7 million (EUR -6.5 million or -5%), current provisions rose to EUR 37.0 million (EUR +2.4 million or +7%).




Net debt increased by EUR -128.8 million or -73% to EUR 305.3 million compared to the previous year. The capital employed changed in the past financial year by EUR -68.1 million or -12% year on year to EUR 508.2 million . Net working capital fell by EUR 44.6 million or 19% to EUR 188.6 million year on year (previous year, adjusted: EUR +233.2 million).

## 2.4 Cash flow.

| in EUR million | 2018/19 [1] | 2019/20 [1) 2)] | Change | |
|---|---|---|---|---|
| Cash flow from operating activities | -16.1 | 54.7 | 70.8 | – |
| Cash flow from investing activities | -27.1 | -37.5 | -10.4 | -39% |
| Cash flow from financing activities | -22.1 | 28.6 | 50.6 | – |
| Discontinued operations | -2.4 | -9.1 | -6.7 | -274% |
| **Total** | **-67.7** | **36.6** | **104.3** | **–** |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.
2) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

The cash flow from operating activities with EUR +54.7 million is by EUR 70.8 million above the amount from previous year adjusted, despite the very negative result in financial year 2019/20. This can be explained by the significantly higher amortization and depreciation of EUR 38.6 million due to the initial application of IFRS 16 of EUR 38.6 million and impairments of EUR 40.9 million. In addition, the positive changes in other non-current liabilities and provisions with EUR +12.0 million (previous year: EUR +3.6 million) as well as in other non-current receivables and assets with EUR +7.6 million (previous year: EUR -23.2 million) lead to a clearly positive effect. Furthermore, the change in net working capital with EUR +33.6 million (previous year: EUR -66.1 million) driven by improvements in trade receivables, other current assets and inventories contributed to this positive effect.

The cash flow from investing activities with EUR -37.5 million significantly decreased by EUR -10.4 million or 39% in comparison to the previous year. The sale of the equity investment in ParkJockey Global Inc., USA, in the previous year, which accounted for EUR +10.7 million, contributed to a major improvement in the cash flow from investing activities. As this amount was not converted until the end of the financial year, it is reported in the above stated position. Payments for the "purchase of securities, investments, and other non-current financial assets" rose to EUR -19.9 million, which is a significant increase compared to the previous year. This related mainly to the financing of the joint venture company autoTicket GmbH, Germany which was converted to equity as of March 31, 2020. Payments for investments in associates, joint ventures, and other investments decreased compared to the previous year and included in the previous year additions in joint ventures and increases of shares in associated companies. Net investments in 2019/20 were also EUR 2.9 million higher than in the previous year. Investments in the area of property, plant and equipment rose by EUR 2.4 million to EUR 14.1 million compared to the previous year.

The free cash flow defined as cash flow from operating activities plus cash flow from investing activities starting from March 31, 2019 was with EUR 17.2 million significantly above the previous year adjusted with EUR -43.2 million. This change reflects the increase in net working capital.

The cash flow from financing activities was EUR +28.6 million and rose by EUR 50.6 million compared to the previous year adjusted. This is primarily due to the increase in non-current financial liabilities whereas the current financial liabilities did not change notably compared to the previous year. Payments in connection with lease liabilities totaled EUR -18.6 million and are disclosed in this position for the first time. No dividends were paid to shareholders in the company again in the period under review. The dividends paid out to holders of non-controlling interests remained unchanged at EUR -7.2 million.

Cash and cash equivalents at the end of the financial year amounted to EUR 169.7 million and thus increased by EUR 30.7 million or 22% year on year. This is due to the positive cash flow from operating activities and from financing activities.

## 2.5 Investments.

In the past financial year, investments increased significantly and amounted to EUR 61.5 million (Previous year: EUR 18.7 million). This is mainly due to the initial application of IFRS 16. All new leasing contracts are displayed as additions to right-of-use assets from leases and have to be disclosed as investments. In financial year 2019/20 these additions amounted to EUR 41.1 million. Without this effect the investments would have summed up EUR 20.4 million and would only increase insignificantly compared to the previous year.

Even though the increase in investments the fixed assets decreased significantly to EUR 243.9 million as of March 31, 2020 compared to previous year adjusted (due to IFRS 16-effect) of EUR 294.2 million as of April 1, 2019. This results from the disposal of discontinued operations, the higher amortization and depreciation as well as the impairments.

| in EUR million | Property, plant and equipment | Intangible assets | Investment property | Total |
|---|---|---|---|---|
| **Carrying amount as of March 31, 2019** | **53.0** | **161.5** | **3.3** | **217.8** |
| Adjustment due to initial application of IFRS 16 | 76.4 | 0.0 | 0.0 | 76.4 |
| **Carrying amount as of April 1, 2019** | **129.5** | **161.5** | **3.3** | **294.2** |
| Addition from business combinations | 0.0 | 0.9 | 0.0 | 0.9 |
| Disposal due to the sale of entities | -6.1 | -14.0 | 0.0 | -20.1 |
| Investments (additions) | 55.3 | 6.1 | 0.0 | 61.5 |
| Divestments (disposals) | -13.7 | -0.0 | 0.0 | -13.7 |
| Amortization/depreciation and impairment | -29.1 | -46.5 | -0.2 | -75.8 |
| Currency translation differences | -1.7 | -1.3 | 0.0 | -3.0 |
| Reclassifications | 0.1 | -0.1 | 0.0 | -0.0 |
| **Carrying amount as of March 31, 2020** | **134.4** | **106.4** | **3.1** | **243.9** |

Considering the segments, investments mainly relate to the segment Traffic with EUR 44.0 million and with EUR 12.8 million or 21% to the segment Enterprise. Investments amounting to EUR 4.8 million relate to the segment Others. In total EUR 41.1 million of the additions are explained by the initial application of IFRS 16. These can be split into EUR 29.7 million relating to segment Traffic, EUR 8.6 million relating to the segment Enterprise and EUR 2.8 million to the segment Others.

# 3 Business Segments.

During the past financial year, Kapsch Group continued to operate in the following segments:
- Segment Traffic
- Segment Enterprise
- 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.

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):** This segment includes projects for the implementation, maintenance, and operation of systems that include electronic toll collection as well as manual toll systems and toll services. As a rule, these are projects put out to tender and awarded by public authorities or private concessionaires. These are systems on individual road sections or nation-wide road networks. After installation, components for the expansion, adaptation, and operation of the systems are often delivered at a later date.

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

The segment Traffic was affected overall by a series of negative one-off effects in financial year 2019/20.

- On June 18, 2019 the European Court of Justice (ECJ) published a surprising decision with far-reaching consequences: The passenger vehicle toll in its planned form, where in Germany accredited vehicles receive a tax relief simultaneously, violates the principles of the European Union. On the following day, the customer terminated the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019. Claims against the Federal Republic of Germany have been asserted.

- In Zambia, it was not possible to develop the business as originally planned. The company finally had to admit that it will be impossible to overcome regulatory hurdles in the foreseeable future. As a result, the anticipated business prospects in this country are also disappointing. It is for this reason that Kapsch TrafficCom has made impairments regarding the involvement in Zambia.

- Over the course of the financial year, Kapsch TrafficCom's struggles with the consequences of insufficient personnel levels in the US intensified. For quite some time now, the company has been unable to recruit enough adequately qualified personnel at reasonable conditions. Thanks to a changed recruiting strategy, the company was finally able to increase the workforce in the US significantly. However, this did not come close to filling all of the open positions, since the need for new employees continued to rise due to the good intake of orders and the positive business outlook.

- In November, Kapsch TrafficCom was informed to be best bidder for a major tolling project in South Africa. In March 2020, Kapsch TrafficCom was notified that the tendering had been discontinued. The existing tolling contract scheduled to end on December 2, 2019 has already been extended for an additional year.

- At the end of November 2019, the contract to operate the nation-wide toll system in the Czech Republic expired. This was a project with annual revenues of more than EUR 70 million.

- In the area of smart on-street parking solutions the activities in the California Group company Streetline have been all but ended.

Revenues in the segment Traffic reached EUR 731.2 million in financial year 2019/20 and were thus only slightly below the previous year's figure, by EUR -6.6 million (-1%), despite the aforementioned effects, especially the cancellation of two major projects (nation-wide toll system in the Czech Republic and infrastructure charge [passenger vehicle toll] in Germany) and the worldwide measures to contain the COVID-19-pandemic at the end of the financial year. The majority of revenues continued to come from the ETC area, with the reduction in revenues being due to the IMS area.

**Segment Traffic revenues by division.**

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| ETC | 558.4 | 563.5 | 5.1 | 1% |
| IMS | 179.4 | 167.7 | -11.7 | -7% |
| **Segment Traffic total** | **737.8** | **731.2** | **-6.6** | **-1%** |

In financial year 2019/20, revenues in division ETC rose from EUR 558.4 million by EUR 5.1 million or 1% to EUR 563.5 million and contributed 77.1% (previous year: 75.7%) to total revenues.

The largest contribution to revenues at EUR 315.0 million (previous year: EUR 334.3 million) was once again generated in the EMEA region. Here, Kapsch has been working on nation-wide toll projects in the Czech Republic, Poland, Belarus, and Bulgaria, as well as on large projects in South Africa. However, the volume of operations projects fell by 12.8%, mainly due to lower revenues in Poland and the Czech Republic. In Poland, a contract to operate the nation-wide toll system expired in November 2019. However, it was possible to reach an agreement with the Polish authorities: Kapsch TrafficCom will be supporting the operation of the toll system for another 27 months after the expiration of the (old) contract. The scope of service was substantially reduced, which is why the project revenues fell greatly year on year. In the Czech Republic, the contract to operate the nation-wide toll system expired at the end of November 2019. The loss of this major project with annual revenues in excess of EUR 70 million had a noticeable impact in the fourth quarter. The volume of implementation projects fell by 5.7%. Year-on-year sales revenues primarily fell in Belarus, Bulgaria, Austria, and Poland. In Austria, the Company finished an implementation project in the first half of the year. There have been no significant investments in expansion related to the restructuring of the activities in Poland. Component revenues in the EMEA region rose strongly (+36.1%).

Revenues in the Americas region increased substantially to EUR 221.4 million in the past financial year (+26.9%). The drivers were implementation revenues primarily in the USA, which increased by 61.6%. By contrast, component revenues fell by 3.8%. After two record years, sales of on-board units in North America returned to a normal level. A higher-quality product mix was not able to offset the decline in units. Revenues from operations projects also fell by 3.5%.

In the APAC region, there was a decline in revenues from EUR 49.7 million to EUR 27.0 million relative to the comparable period of the previous year. This is primarily due to the decline in implementation revenues. A portion of the implementation projects, above all in Australia, have already reached an advanced stage or the final phase, and it was not possible to acquire new projects to a sufficient extent. While operations revenues remained at the level of the previous year, component revenues, particularly in Australia, fell (-41.8%). The reasons were expiring contracts and lower order quantities due to temporary fluctuations.

In financial year 2019/20, 13.2 million on-board units were sold. This was somewhat below the record level of 13.5 million units in financial year 2018/19. Increases were reported primarily in Spain. In the United States and in Australia, sales figures fell. Nonetheless, component revenues rose by 5.6% to EUR 109.3 million.

In financial year 2019/20, revenues in division IMS fell by 7% to EUR 167.7 million and contributed 22.9% (previous year: 24.3%) to total revenues. This was mainly due to lower revenues from operations projects and components.

Revenues of EUR 88.5 million were generated in the EMEA region (previous year: EUR 96.8 million). While implementation revenues remained at the same level, operations revenues dropped by 8.8%. Component revenues fell by EUR 2.5 million, in particular due to lower component sales to subsidiaries (especially to Kapsch CarrierCom).

Revenues also declined by 8.6% to EUR 72.2 million in the Americas region. Higher operations revenues (+9.0%) could not compensate for the declines in implementation projects (-19.1%). The latter was primarily due to the completion of the implementation project in Lima, Peru.

In the APAC region, revenues climbed from EUR 3.6 million to EUR 7.0 million, with both implementation and operations projects positively affected.

From a regional perspective, the EMEA region (Europe, Middle East, Africa) remained the largest market, accounting for EUR 403.5 million and around 55% of revenues. The Americas region (North, Central and South America) increased revenues again and generated EUR 293.6 million or 40% of consolidated revenues. The APAC (Asia-Pacific) region contributed EUR 34.1 million or 5% of revenues.

Cost of materials and other purchased manufacturing services increased by EUR 21.5 million to EUR 344.9 million (previous year: EUR 323.5 million). The ratio of materials and other production services to revenues rose from 43.8% to 47.2%. The change in inventories totaled EUR -6.1 million (previous year: EUR +20.9 million). Considerable additional expenses for the challenging implementation of new software in existing customer systems led to significant cost overruns, which were particularly seen in the fourth quarter. Personnel expenses rose by 7% to EUR 269.2 million (previous year: EUR 252.7 million), even though the average number of employees fell (by 74 persons). In comparison to the number of employees on the balance sheet date, however, there is an increase of 123 persons. Staff levels decreased in particular in South Africa (-208 persons) and the Czech Republic (-65 persons), where the operation of the nation-wide toll system ended. The Company hired additional employees in Poland due to the new contract for manual tolling (+235 persons) and in the United States (+145 persons, excluding Streetline) due to strong incoming orders. The staff ratio (ratio of personnel expenses to revenues) increased from 34.3% in the previous year to 36.8%. Expenses for scheduled depreciation rose to EUR 27.9 million (previous year: EUR 14.5 million). A total of EUR 13.8 million of this is due to the initial application of IFRS 16. Impairment charges of EUR 24.9 million were recognized in the financial year. They relate to the impairment of costs to obtain a contract in the amount of EUR 4.1 million due to the early termination of the German passenger vehicle toll projects and impairment in connection with the updated estimates on the division IMS – particularly on the ongoing course of business in Zambia (EUR 13.8 million) – and the impairment of goodwill in the amount of EUR 6.9 million. Other operating expenses fell year-on-year by 6% to EUR 118.7 million. The application of IFRS 16 mainly led to a decline in rents of EUR 13.3 million and in automobile expenses of EUR 1.7 million. These are now included in the depreciation of right-of-use assets (EUR 13.8 million) and in the financial result (EUR 1.1 million). Legal and consulting costs fell by EUR 5.5 million, primarily in Australia, Austria, and the USA. By contrast, allowances on trade receivables and contract assets rose by EUR 9.1 million, primarily referring to allowances for Zambia and the United States. Exchange rate losses from operating activities rose by EUR 5.2 million.

The earnings before interest, taxes, depreciation, and amortization (EBITDA) were positive at EUR 3.6 million (previous year: EUR 71.5 million) and the EBITDA margin was 0.5% (previous year: 9.7%).

Furthermore, additional goodwill of EUR 15.1 million, (previous year: EUR 0) was impaired at the level of the parent company KAPSCH-Group Beteiligungs GmbH and must also be allocated to the segment Traffic. Therefore, goodwill remains at EUR 23.9 million (previous year: EUR 39.0 million).

The following earning figures relate to the "sub-group Traffic," which reflects the consolidated financial statements of Kapsch TrafficCom AG, considering valuation effects of projects in the USA in the first quarter of the financial year 2020/21 amounting to EUR 10.0 million. These figures therefore do not include any impairment of goodwill relating to the segment Traffic at the level of the parent company KAPSCH-Group Beteiligungs GmbH.

The earnings before interest and taxes (EBIT) were negative at EUR 49.2 million, in particular due to high one-time effects (previous year: EUR +57.0 million). The EBIT margin was thus -6.7% (previous year: +7.7%). One-time effects related mainly to impairments and allowances in connection with the updated estimates on the division IMS (EUR -26.6 million, see details in IMS segment) and impairments, high legal and consulting fees as well as compensation for non-acceptance of financing due to early termination of the projects for the German passenger vehicle toll (roughly EUR -8.7 million). The significant decrease in earnings can be traced to the development in both divisions.

The operating result in division ETC fell to EUR -8.5 million (previous year: EUR 64.9 million). This sharp decline is largely due to the higher cost of materials and other production services as well as due to higher staff costs. This related, in particular, to the Americas region where the volume of implementation projects increased sharply. The impairment of assets in connection with the passenger vehicle toll projects in Germany hurt EBIT by EUR 3.7 million. Although the majority of the IMS projects were profitable, EBIT in the division IMS totaled EUR -40.7 million in financial year 2019/20 (previous year: -7.9 million). Mainly one-time effects were responsible for these negative earnings. Impairment charges and allowances on trade receivables and contract assets in connection with updated estimates for the IMS segment, in particular with regard to the future course of business in Zambia and the cash-generating unit IMS-EMEA amounted to EUR -26.6 million. The costs for the termination of the activities of Streetline, USA (intelligent on-street parking solutions) had an impact of EUR 2.6 million. Besides the one-time effects, it was primarily higher personnel costs, particularly in North America, that hurt earnings. Other taxes and charges were EUR 2.0 million lower than in the previous year, since there were other tax adjustments in the amount of EUR -2.0 million (net) in Brazil.

The proportional result from joint ventures within EBIT mainly includes the proportional result of the joint venture in autoTicket GmbH, Germany, in an amount of EUR -4.6 million (previous year: EUR 0.7 million) and the proportional result of a joint venture in Colombia of EUR -0.1 million.

The financial result fell substantially from EUR -1.7 million in the previous year to EUR -23.1 million. The losses from foreign currency rose to EUR -9.0 million (previous year: EUR -5.2 million), primarily in connection with the South African rand (ZAR) and the Zambian kwacha (ZMW). Interest expenses for lease liabilities (IFRS 16) totaled EUR -1.1 million in financial year 2019/20. The shares in Q-Free ASA, Norway, had to be written down by EUR -5.7 million (due to the decline of the stock price). Furthermore, losses on account of hyperinflation adjustments in Argentina in the amount of EUR -2.3 million were also recognized, as were losses from derivative financial instruments in the amount of EUR -1.4 million. In the previous year, the income of EUR 5.1 million from the sale of the equity investment in ParkJockey Global Inc., USA, was included.

Traffic Technology Services Inc., USA, contributed EUR -1.2 million (previous year: EUR -0.3 million) to the proportional result from associated companies and joint ventures from financial investments.

The income taxes amounted to EUR 7.7 million (previous year: EUR -8.5 million). This amount consists of current taxes as well as deferred tax claims (from permanent tax differences and tax loss carry-forwards) and tax allocations. For impairment charges incurred due to the changes in business expectations (above all in connection with the activities in Zambia), in particular, deferred tax assets were only recognized to a minor extent.

The result for the period was significantly negative at EUR -65.7 million (previous year: EUR 46.6 million). Earnings of EUR -58.1 million were attributable to the shareholders of the company. This corresponds to earnings per share of EUR -4.47 (previous year: EUR 3.68).

The other comprehensive income mainly includes currency translation differences and revaluations of post-employment benefit obligations. Other comprehensive income amounted to EUR 0.2 million (previous year adjusted: EUR -1.4 million).

Total comprehensive income as a sum of the result for the period and other comprehensive income were EUR -65.5 million (previous year adjusted: EUR 45.2 million).

### Earning figures segment Traffic.

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| EBITDA [1) 2)] | 71.5 | 3.6 | -67.9 | -95% |
| EBITDA margin in % | 9.7 | 0.5 | | |
| EBIT [1) 2)] | 57.0 | -49.2 | -106.2 | – |
| EBIT margin in % | 7.7 | -6.7 | | |
| Result before income taxes [2)] | 55.1 | -73.4 | -128.5 | – |
| Result for the period [2)] | 46.6 | -65.7 | -112.3 | – |

1) In 2019/20 including EUR 13.8 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect of EUR 0.8 million

2) The result refers to the "sub-group Traffic" and therefore does not include the impairment of the goodwill at the level of the parent company KAPSCH-Group Beteiligungs GmbH amounting to EUR 15.1 million.

### Financial situation segment Traffic.

The balance sheet total of Kapsch TrafficCom amounted to EUR 727.2 million on March 31, 2020 (March 31, 2019 adjusted: EUR 676.6 million). The value as of 31 March 2019 was changed due to the final purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia.

IFRS 16 was applied for the first time in financial year 2019/20 (on April 1, 2019). As a result, right-of-use assets from leases are capitalized as property, plant, and equipment and depreciated on a scheduled basis. Lease liabilities must be recognized for the leasing agreements. In the case of subleasing agreements, there is no capitalization of property, plant, and equipment, but rather receivables in the event of classification as finance leasing. The carrying amount of property, plant, and equipment as of March 31, 2020 was EUR 60.3 million above the balance sheet value as of March 31, 2019. EUR 62.3 million of the increase is due to the initial application of IFRS 16 and the recognition of right-of-use assets from leases.

Intangible assets fell by EUR 24.7 million as of March 31, 2020 compared to the adjusted amount of the previous year. The primary reasons for this decline were impairment charges in Zambia (EUR -13.8 million) and the impairment of goodwill for the cash-generating unit IMS-EMEA (EUR -6.9 million). Additionally an impairment of the goodwill at the level of the parent company KAPSCH-Group Beteiligungs GmbH amounting to EUR 15.1 million has been recognized, which is attributable to the segment Traffic on the level of ETC-EMEA.

Investments in associates and joint ventures increased by EUR 12.6 million, primarily due to the financing for autoTicket GmbH, Germany (EUR +17.9 million) less negative proportional result (EUR -4.6 million). The decline in other non-current financial assets and investments (EUR -5.0 million) mainly resulted from the write-down of the equity investment in Q-Free ASA, Norway (EUR -5.7 million). The other non-current assets of EUR 4.5 million reported on the adjusted balance sheet as of March 31, 2019 mainly relate to costs to obtain a contract. In connection with the termination of the contracts for the German passenger vehicle toll, it was necessary to report an impairment of EUR 4.1 million in financial year 2019/20. As a result of the final purchase price allocation of Intelligent Mobility Solutions Ltd., Zambia, in August 2019, the non-current assets were fully not recognized (EUR -2.9 million) and the carrying amount as of 31 March 2019 was adjusted.

Deferred tax assets rose from EUR 18.5 million to EUR 26.3 million, mainly due to deferred tax assets in the United States.

Inventories fell from EUR 64.1 million to EUR 55.7 million, especially in Austria (EUR -4.4 million), Bulgaria (EUR -5.4 million), and Canada (EUR -2.6 million), while they rose in the United States (EUR +5.2 million).

The item “Trade receivables and other current assets” fell relative to March 31, 2019. The decrease by a total of EUR 32.4 million largely resulted from a payment in connection with the installation of the nation-wide vehicle and truck toll system in Bulgaria and lower trade receivables in the Czech Republic. By contrast, non-current and current contract assets rose by EUR 12.6 million, which was largely due to projects in the United States.

Cash and cash equivalents rose by EUR 27.9 million to EUR 122.6 million compared to March 31, 2019. The dividend payment of EUR 19.5 million was compensated by the slightly positive free cash flow in financial year 2019/20 and new long-term loans.

On the liabilities side, appropriate lease liabilities were reported due to the initial application of IFRS 16. As of March 31, 2020, non-current lease liabilities amounted to EUR 50.1 million, while current lease liabilities amounted to EUR 13.6 million. On April 1, 2019, the date of initial application, these liabilities amounted to EUR 40.5 million and EUR 12.4 million, respectively.

The non-current financial liabilities rose by EUR 45.9 million to EUR 185.2 million in financial year 2019/20. Current financial liabilities totaled EUR 50.7 million on March 31, 2020 (EUR +20.8 million).

Liabilities from post-employment benefits to employees with EUR 27.6 million (previous year: EUR 26.1 million), the trade payables with EUR 92.4 million (previous year: 89.6), the contract liabilities with EUR 26.8 million (previous year: EUR 26.9 million) did not change significantly compared to previous year.

Current provisions rose to EUR 33.4 million (previous year: EUR 14.7 million.), mainly due to higher provisions for pending losses. The other liabilities and accruals decreased to EUR 60.6 million (previous year: EUR 71.8 million).

Equity capital of the sub-group Kapsch TrafficCom as of March 31, 2020 was EUR 172.5 million, and therefore EUR 85.1 million lower than the adjusted amounts at the end of the previous financial year. The total comprehensive income of EUR -65.5 million and the dividend paid (EUR 19.5 million) had a negative impact. The increase in the balance sheet total and the drop in equity led to an equity ratio of 23.7% as of March 31, 2020 (March 31, 2019: 38.1%). The equity ratio would have been 25.9% without the initial application of IFRS 16.

**Other key figures for the segments Traffic.**

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| Total assets [1] | 676.6 | 727.2 | 50.6 | 7% |
| Equity [2] | 257.5 | 172.5 | -85.1 | -33% |
| Equity ratio in % | 38.1 | 23.7 | | |
| Cash and cash equivalents | 94.7 | 122.6 | 28.0 | 30% |
| Net debt [3] | -73.5 | -175.7 | -102.2 | -139% |
| Gearing in % [9] | 28.5 | 101.8 | 73.3 | 257% |
| Capital employed [4] | 427.9 | 408.4 | -19.5 | -5% |
| Net working capital [5] | 193.3 | 158.3 | -35.0 | -18% |
| Free cash flow [6] | -57.5 | 2.4 | 59.9 | – |
| Capital expenditure [7] | 13.6 | 44.0 | 30.4 | 224% |
| Research and development [8] | 111.3 | 130.7 | 19.4 | 17% |
| Employees, as of March 31 | 4,981 | 5,104 | 123 | 2% |

1) As of March 31, 2020 including EUR 63.6 million lease liabilities from the initial application of IFRS 16 (increase in lease liabilities and right-of-use assets in a similar amount) and adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
2) Including non-controlling interests as well as adjustment of the value as of March 31, 2019 due to the final purchase price allocation of the subsidiary in Zambia.
3) Cash and cash equivalents + Other current financial assets – Financial liabilities – Lease liabilities
4) Total equity + Financial liabilities
5) Inventories + Trade receivables + Current contract assets + Current tax receivables – Trade liabilities – Current contract liabilities – Current tax liabilities – Current provisions – Current other liabilities and accruals
6) Cash flow from operating activities + cash flow from investing activities
7) Investments to purchase property, plant and equipment and intangible assets
8) Expenses for research and development include external costs only (previous year adjusted)
9) Net debt/Total equity

Net debt of the sub-group Kapsch TrafficCom reached EUR 175.7 million (March 31, 2019: EUR 73.5 million). This corresponds to a gearing of 101.8% (March 31, 2019 adjusted: 28.5%). The increase in the net debt resulted primarily from the initial application of IFRS 16, the increase in financial liabilities, the negative cash flow from investing activities, and the dividend payment. Without the application of IFRS 16, the net debt would have been EUR 112.0 million, with a debt ratio of 65.2%.

The net working capital amounted to EUR 158.3 million (March 31, 2019: EUR 193.3 million).

**Cash flow segment Traffic.**

| in EUR million | 2018/19 | 2019/20 [1] | Change | |
|---|---|---|---|---|
| Cash flow from operating activities | -39.5 | 33.4 | 72.9 | -184% |
| Cash flow from investing activities | -18.0 | -31.0 | -13.0 | 73% |
| Cash flow from financing activities | -27.1 | 31.4 | 58.5 | – |
| **Total** | **-84.6** | **33.8** | **118.4** | **–** |

1) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

In financial year 2019/20, the cash flow from operating activities was positive at EUR 33.4 million (previous year: EUR -39.5 million). It should be mentioned that payments in connection with lease agreements (EUR -13.6 million) will be reported in the cash flow from financing activities as of this financial year (IFRS 16). Since the increase in depreciation, amortization and impairments does not impact the cash flow statement, the Group achieved a positive cash flow from earnings of EUR 2.1 million (previous year: EUR 34.5 million) despite the negative EBIT of EUR -39.2 million. Changes in net working capital amounted to EUR 41.3 million (previous year: EUR -74.0 million). In particular, total “trade receivables and other current assets” and “contract assets” fell by EUR 16.9 million (previous year: increase of EUR 77.8 million). Inventories fell by EUR 8.4 million while they increased by EUR 25.2 million in the previous year. The decline in “trade payables and other liabilities” – including “contract liabilities” – had a slightly negative impact of EUR -2.7 million on the cash flow (previous year: increase of EUR 23.8 million).

Cash flow from investing activities amounted to EUR -31.0 million in financial year 2019/20 and was thus significantly more negative than in the previous financial year (EUR -18.0 million). In particular, payments for the “purchase of securities, investments, and other non-current financial assets” rose. This related mainly to the financing of the joint venture company autoTicket

GmbH, Germany (EUR -17.9 million), which was converted to equity as of March 31, 2020. In the previous year, investments in associates, joint ventures, and other investments amounting to EUR -17.9 million were included, which were also mostly attributable to the joint venture company autoTicket GmbH, Germany. However, the sale of the equity investment in ParkJockey Global Inc., USA, in the previous year, which accounted for EUR +10.7 million, contributed to a major improvement in the cash flow from investing activities. The net CAPEX in 2019/20 amounted to EUR -11.4 million, similar to the previous year.

The free cash flow (cash flow from operating activities plus cash flow from investing activities) was EUR 2.4 million in financial year 2019/20 (previous year: EUR -57.5 million). This development reflects the decline in net working capital. The aforementioned reclassification of payments related to leases (EUR 13.6 million) due to the initial application of IFRS 16 must be taken into account.

The cash flow from financing activities in financial year 2019/20 was positive at EUR 31.4 million (previous year: EUR -27.1 million). This is primarily due to the increase in non-current financial liabilities by EUR 62.6 million. Payments in connection with lease agreements totaled EUR -13.6 million. These were part of the cash flow from operating activities in the previous year. The payment of a dividend of EUR 19.5 million and earn-out payments of EUR 2.0 million from earlier acquisitions reduced the cash flow from financing activities. The total cash flow with EUR 33.8 million (previous year: EUR -84.6 million) was clearly above the comparative figure from previous year.

Cash and cash equivalents as of March 31, 2020 totaled EUR 122.6 million (March 31, 2019: EUR 94.7 million).

Investments in the segment Traffic (without IFRS 16) totaled EUR 14.2 million, around 5% above the previous year's level of EUR 13.6 million.

Expenses for research and development amounted to EUR 130.7 million (previous year, adjusted: EUR 111.3 million). This equates to a significant increase of EUR +19.4 million or 17% and shows that, despite the burden on earnings, intensive investments are continuing in this area, which is so important for the future of the Company. Research and development expenses as a percentage of revenues are 18% (previous year: 15%).

The number of employees in the segment Traffic rose by 123 or 3% to 5,104 as of the balance sheet date. This is mainly due to the change in the commissioning of manual tolling in Poland, where there was an increase of +235 employees, and to the increase in personnel in the USA by +125 employees. By contrast, the number of employees fell in South Africa (-208) and the Czech Republic (-65).

### 3.2 Segment Enterprise.

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

The Kapsch BusinessCom Group is a company of the Kapsch Group. 1,461 employees generated revenues of EUR 408.6 million in financial year 2019/20 and achieved the best result in the history of the Company in the past financial year. The strategy adopted by management, together with appropriate acquisitions, has proven to be correct and will be pursued in the following financial years. The effects of the COVID-19-pandemic were not yet felt in the past financial year. However, at the beginning of the new financial year 2020/21, management has already taken measures to be prepared for possible effects on the Company. Management of the pandemic is causing companies to be cautious with new investments and to postpone projects. At the same time, Kapsch is experiencing a strong increase in ICT demand such as collaboration, home office , mobile assistance systems, IT security and other digitization topics.

In the segment Enterprise, Kapsch provides its customers with the following portfolio:

**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

**Business fields and strategy**
As a leading digitization partner, the Kapsch BusinessCom Group helps companies increase their business performance and develop new business models. Kapsch acts as a consultant, system supplier and service provider. Kapsch's comprehensive know-how in handling large data volumes and security as well as a large number of successful use cases in numerous industries makes it the ideal companion for the digital transformation. 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 out by numerous services such as consulting, project management, installation, training, service and operating as well as financing solutions.

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

**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 combined with a deep understanding of customer processes, extensive know-how in the handling of Big Data and security issues, as well as a range of successfully implemented use cases in the widely varying 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.

**Digital transformation in all industries.** 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-scale 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.

**Reliable ICT partner in a digital ecosystem.** 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.

Independently from manufacturers but jointly with acknowledged technology partners like Cisco, Hewlett Packard Enterprise or Microsoft and a digital ecosystem consisting of institutions in research and development and start-ups, Kapsch acts as consulting partner, system supplier and service provider.

With a total of five sites in Austria and subsidiaries in Czech Republic, Romania, Switzerland, the USA and Germany, Kapsch BusinessCom is regionally well positioned and guides various customers through expansion steps. The strategy to grow in the DACH region started in the previous financial year and continued successfully. That is why the company acquired eCrome Systems AG in St. Gallen. Kapsch BusinessCom AG, Switzerland generated revenue of EUR 5.6 million in total in financial year 2019/20.

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 to gain a sustainable position in this very dynamic and competitive market environment.

**Segment revenues.**

Segment revenues rose by EUR 28.5 million to EUR 408.6 million (previous year: EUR 380.0 million) and exceeded the level of EUR 400 million for the first time in the Company's history. This is primarily due to the fact that Austria once again achieved record revenues of EUR 324.3 million and an increase of EUR 18.5 million or 6%. A significant increase in revenues was also achieved in the Western Europe region where they rose by EUR 12.1 million or 26% to EUR 58.6 million, which is attributable to the intensified business activities in Germany and Switzerland. The Central and Eastern European region made a stable contribution to revenues with EUR 20.2 million (EUR -2.9 million or -12%), while the Other region added EUR 5.5 million (EUR 0.8 million or 18%).

**Segment Enterprise revenues by region.**

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| Austria | 305.9 | 324.3 | 18.5 | 6% |
| Western Europe | 46.5 | 58.6 | 12.1 | 26% |
| Central and Eastern Europe | 23.1 | 20.2 | -2.9 | -12% |
| Others | 4.6 | 5.5 | 0.8 | 18% |
| **Segment Enterprise total** | **380.0** | **408.6** | **28.5** | **8%** |

A detailed analysis based on type of business shows that revenues in the project business and in service, maintenance and operations rose to a new record level.

In terms of portfolios, the increase in revenues relates to the division Business Services (EUR +17.3 million or +6%) with EUR 83.8 million and Technology Solutions with EUR 322.1 million (EUR +15.5 million or 23%) and Others with EUR 2.7 million. The large-scale projects making a significant contribution to this pleasing performance in revenues during the past financial year were, among others, in the division Technology Solutions, projects for the Federal Ministry of Defense, Bundesrechenzentrum GmbH, Allianz Group, Vienna City Council, EVN AG, and, in the division Business Services, projects for ORF, Allianz Group, Gas Connect Austria GmbH and Sberbank Europe AG.

In financial year the other operating income in the segment Enterprise decreased by EUR 3.1 million to the normal level. The previous year with EUR 9.4 million included a positive one-off effect in connection with the expected compensation from a hedging transaction for a total of EUR 6.5 million.

The cost of materials and other production services increased by EUR 11.6 million to EUR 256.9 million (previous year: EUR 245.3 million). The ratio for material and other production services to revenues could be improved from 64.5% to 62.9%.

The staff costs rose by 11% to EUR 112.0 million (previous year: EUR 101.1 million) and reflects the increase in employees by 128 people to 1,461 employees. The staff ratio (ratio of personnel expenses to revenues) stayed unchanged by 27% compared to the previous year.

The amortization and depreciation increased significantly to EUR 10.7 million (previous year: EUR 4.9 million). This is mainly due to the initial application of IFRS 16 (EUR 4.2 million).

The other operating expenses are with EUR 23.6 million or by 5% lower compared to the previous year with EUR 24.7 million. The application of IFRS 16 mainly led to a decline in rents of EUR 2.0 million and in automobile expenses of EUR 1.8 million. These expenses are now included in the depreciation of rights-of-use assets (EUR 4.2 million) and the financial result (EUR 1.0 million). The expenses for promotion and marketing increased by EUR 1.8 million.

The results in the segment Enterprise decreased year on year, but this was exclusively due to the positive one-off effect in connection with the expected compensation from a hedging transaction for a total of EUR 6.5 million in the previous year. EBIT fell to EUR 8.9 million (EUR -5.0 million or -36%). Without the one-off effect in the previous year, EBIT would have even been above the previous year's level by EUR +1.5 million or 20%, which confirms that Kapsch was able to achieve very solid earnings in the segment Enterprise in addition to the significant revenue growth. EBITDA of EUR 19.6 million was even EUR 0.7 million or 4% above the positively influenced value in the previous year, although this is mainly due to the conversion effects on account of IFRS 16.

The financial result amounted to EUR -1.7 million and stayed at a similar level compared to the previous year (EUR 1.5 million). The proportional result from associates increased from EUR 0.1 million to EUR 0.5 million, which is mainly due to the improvement of the proportional results from Kapsch Financial Services GmbH as well as from CALPANA business services GmbH.

Result before income taxes were EUR 7.7 million (previous year: EUR 12.6 million) and the result for the period totaled EUR 5.3 million (previous year: EUR 9.6 million), substantially below the amount in the previous year, which is solely due to the positive currency effect in the previous year, as mentioned above. Adjusted for this effect, these earnings figures would have been somewhat above those in the previous year.

**Earning figures segment Enterprise.**

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| EBITDA [1] | 18.9 | 19.6 | 0.7 | 4% |
| EBITDA margin in % | 5.0 | 4.8 | | |
| EBIT [1] | 14.0 | 8.9 | -5.0 | -36% |
| EBIT margin in % | 3.7 | 2.2 | | |
| Result before income taxes | 12.6 | 7.7 | -4.9 | -39% |
| Result for the period | 9.6 | 5.3 | -4.3 | -44% |

1) In 2019/20 including EUR 4.2 million from depreciation on right-of-use assets from leases due to IFRS 16 and an EBIT effect of EUR 0.3 million.

**Financial situation segment Enterprise.**

The initial application of IFRS 16 in financial year 2019/20 increased the balance sheet total in the segment Enterprise to EUR 237.9 million in the past financial year, which was EUR 72.6 million or 44% higher than in the previous year. Right-of-use assets from leases for office, commercial and storage space rents as well as for company vehicles had an impact on the segment Enterprise, as did Kapsch's activity as a lessor for its customers in this segment.

Non-current assets increased by EUR 40.8 million or 78% to EUR 92.8 million, with current assets rising to EUR 145.2 million (EUR +31.8 million or 28%). Inventories rose by EUR 1.2 million to EUR 5.1 million and it was pleasing to note that cash and cash equivalents rose significantly year on year, by EUR 18.0 million or 303%, to EUR 24.0 million.

Non-current liabilities rose to EUR 81.6 million (EUR +24.7 million or +43%). While non-current financial liabilities fell by EUR -1.9 million to EUR 5.0 million, liabilities from post-employment benefits to employees rose by EUR 3.2 million, while non-current provisions remained roughly at the previous year's level, and other non-current liabilities declined by EUR -0.2 million. Current liabilities increased by EUR 44.6 million or 51% to EUR 131.9 million. Current financial liabilities rose by EUR +0.4 million or 24% to EUR 1.9 million.

Equity climbed by EUR +3.3 million or +15% to EUR 24.4 million. The equity ratio fell from 12.8% to 10.3% due to the application of IFRS 16.

**Other key figures for the segment Enterprise.**

| in EUR million | 2018/19 | 2019/20 | Change | |
|---|---|---|---|---|
| Total assets [1] | 165.3 | 237.9 | 72.6 | 44% |
| Equity [2] | 21.1 | 24.4 | 3.3 | 15% |
| Equity ratio in % | 12.8 | 10.3 | | |
| Cash and cash equivalents | 5.9 | 24.0 | 18.0 | 303% |
| Net debt [3] | -17.0 | -49.2 | -32.2 | -190% |
| Gearing in % [4] | 80.4 | 201.8 | 121.4 | 151% |
| Capital employed [5] | 29.6 | 31.3 | 1.7 | 6% |
| Net working capital [6] | 22.2 | 9.6 | -12.6 | -57% |
| Free cash flow [7] | 12.4 | 24.3 | 11.9 | 96% |
| Capital expenditure [8] | 4.7 | 12.8 | 8.0 | 170% |
| Research and development [9] | 3.4 | 4.2 | 0.8 | 23% |
| Employees, as of March 31 | 1,333 | 1,461 | 128 | 10% |

1) As of March 31, 2020 including EUR 61.4 million lease liabilities from the initial application of IFRS 16 (increase in lease liabilities and right-of-use assets in a similar amount).
2) Including non-controlling interests.
3) Cash and cash equivalents + Other current financial assets – Financial liabilities – Lease liabilities
4) Net debt/Total equity
5) Total equity + Financial liabilities
6) Inventories + Trade receivables + Current contract assets + Current tax receivables – Trade liabilities – Current contract liabilities – Current tax liabilities – Current provisions – Current other liabilities and accruals
7) Cash flow from operating activities + cash flow from investing activities
8) Investments to purchase property, plant and equipment and intangible assets
9) Expenses for research and development include external costs only (previous year adjusted)

Net debt increased significantly year-on-year to EUR -49.2 million (EUR -32.2 million or -190%). This is exclusively connected with the effects of the initial application of IFRS 16. Without these effects, Kapsch would even have turned the net debt in this segment from the previous year by EUR 20.0 million into net cash in the amount of EUR 3.0 million, as the net cash and cash equivalents significantly increased on the balance sheet date and financial liabilities was reduced.

Net working capital fell by EUR -12.6 million or -57% to EUR 9.6 million (previous year: EUR 22.2 million). This change can be mainly explained by the effects of the initial application of IFRS 16. Capital employed rose by EUR 1.7 million or 6% to EUR 31.3 million (previous year: EUR 29.6 million).

In addition to the assets in the sub-group Enterprise, there is also an additional goodwill allocated to the segment Enterprise at the level of KAPSCH-Group Beteiligungs GmbH in the amount of EUR 12.1 million, which was found to be recoverable in the course of the impairment test carried out.

**Cash flow segment Enterprise.**

| in EUR million | 2018/19 | 2019/20 [1] | Change | |
|---|---|---|---|---|
| Cash flow from operating activities | 22.1 | 28.9 | 6.8 | 31% |
| Cash flow from investing activities | -9.7 | -4.6 | 5.1 | 53% |
| Cash flow from financing activities | -9.9 | -6.3 | 3.6 | 37% |
| **Total** | **2.4** | **18.0** | **15.6** | **>500 %** |

[1] The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

Cash flow from operating activities of EUR 28.9 million was again significantly higher than the positive value of EUR 22.1 million from the previous year. It is important to note that payments in connection with leasing (EUR -4.8 million) are shown in the cash flow from financing activities as of this financial year (IFRS 16). Due to the acquisition of equity investments in Austria, cash flow from investment activities improved by EUR 5.1 million or by 53% to EUR -4.6 million (previous year: EUR -9.7 million). The free cash flow (cash flow from operating activities plus cash flow from investment activities) was EUR 24.3 million in financial year 2019/20 (previous year: EUR +12.4 million). This development reflects the decline in working capital. The aforementioned reclassification of payments related to leases (EUR 4.8 million) due to the initial application of IFRS 16 must be taken into account. Cash flow from financing activities was also negative in the previous financial year, at EUR -6.3 million. This figure includes lease payments and an additional reduction of financial liabilities. Total cash flow of EUR 18.0 million was significantly higher in the financial year than in the previous year (previous year: EUR 2.4 million).

Investments in the segment Enterprise (without IFRS 16) totaled EUR 4.2 million and were above the previous year (previous year: EUR 3.8 million).

Expenses on research and development amounted to EUR 4.2 million (previous year adjusted: EUR 3.4 million). This is an increase of EUR 0.8 million or 23% and shows that investments are also being increasingly made in the development of proprietary solutions, particularly in the area of software applications and customer-specific digitization solutions. The share of expenditures on research and development as a percentage of revenues is 1.0% (previous year: 0.9%).

The number of employees in the segment Enterprise increased by +128 due to the build-up of resources in Austria and totaled 1,461 employees on the balance sheet date (previous year 1,333 employees).

### 3.3 Discontinued operations.

The segment Carrier as well as the operating part of the segment Public Transport (only the parent company of this sub-group Kapsch Public Transport GmbH remains within the Kapsch Group and is now included in the segment Others) were sold to S&T AG, Austria, effective May 31, 2019. These operations have been reported as discontinued operations in accordance with IFRS 5.

In the two months from April 1 to May 31, 2019, these units therefore contributed the last revenues, earnings and cash flow within the Kapsch Group, as reported in Note 13 of the consolidated financial statements. These figures also include the deconsolidation effects of the corresponding units.

## 4 Miscellaneous company information.

### 4.1 Research and development

Research and development activities are a high priority for the Group in terms of pursuing its strategic goals in all corporate divisions. 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.

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 reflecting the needs of customers. These research and development activities are complemented in some areas by joint projects and close collaboration with universities, public and private institutes, as well as technology and research companies.

The established structure with Solution Centers and a Corporate Technology function ensures a tight alignment along the innovation process. Solution Centers oversee a specific market/solution segment. Their task is to define, develop and – in close cooperation with the sales regions – market products and solutions in their area of responsibility. Furthermore, the Solution Centers shall support the sales regions to ensure a seamless delivery of customer-specific solutions. Corporate Technology is a cross functional organization supporting the Solution Centers. Major objectives are to identify and evaluate emerging new technologies as a key lever to stay competitive. Furthermore, Corporate Technology develops and integrates solutions built from products and solutions of different Solution Centers. Also, this organization provides tools, processes, common services and modules used by the Solution Centers and supports with IPR (intellectual property rights) issues.

During the financial year 2019/20 the patent portfolio has been further streamlined in areas of high strategic importance for Kapsch Group. The current patent portfolio consists of 166 patent families with more than 1,243 individual patents and 106 pending patent applications. During financial year 2019/20, eight new patent families in the tolling and connected roads area were filed.

The United States District Court in Delaware dismissed with prejudice Neology, Inc. (Neology)'s outstanding patent infringement related claims against Kapsch TrafficCom. The dismissal confirms that Kapsch TrafficCom does not violate any Neology patent assertions by importing, marketing, or selling certain products. To be precise, the dispute was about electronic tolling products using the ISO/IEC 18000-6C communications protocol ("6C Standard"). The dismissal effectively confirms the 6C Standard as open and non-proprietary. It is available for use across the tolling industry. Kapsch TrafficCom has been a firm proponent of open standards to facilitate national electronic tolling interoperability.

Kapsch Group strives to mitigate the risk of patent infringements and to foster the patenting of new ideas. Hence, the IPR management focusses on supporting product management and product development. Patent analysis in various areas ensures that products and solutions are actually free to operate. Additionally the worldwide patent monitoring was further extended. Patent applications of competitors as well as in other relevant technology segments are analyzed to gain a better overview of the strategies of competitors.

In the **segment Traffic** Kapsch has major development sites in Austria, Sweden, Argentina, the USA, Canada and Spain. Further development resources are located in countries such as Italy, South Africa and Chile. These sites all around the globe may also support the research and development initiatives at the headquarter in the areas of programming, engineering assistance and various other related support services. On March 31, 2020, the segment Traffic employed 942 engineers (previous year: 860 engineers) for its research and development activities. The development expenses of Kapsch TrafficCom amounted to EUR 130.7 million in financial year 2019/20 (previous year adjusted: EUR 111.3 million). This corresponds to about 18% (previous year adjusted: 15%) of total Group revenues. The definition of which expenses should be assigned to research and development was revised. The previous year's figures were amended accordingly. The most significant change compared to the previous year is that expenses for IPR management are no longer included. The breakdown of development expenses was as follows: Expenses for customer-specific developments amounted to EUR 69.7 million (previous year adjusted: EUR 51.4 million), the expenses for product management, development support and generic development totaled EUR 61.0 million (previous year adjusted: EUR 59.9 million).

In the **segment Enterprise** the Kapsch Group has a total of 40 employees in Austria and the Czech Republic working on software development. The Company invested EUR 4.2 million in development during the past financial year (previous year: EUR 3.4 million), which corresponds to an increase of EUR 0.8 million or +23%. These investments were primarily in the areas of artificial intelligence (AI) and digitization. As part of the Professional Services corporate function, Kapsch BusinessCom

AG provides not only development services, but also 2nd and 3rd level support for its customers and operates a training center. Overall, several research projects were submitted to and approved by the Austrian Research Promotion Agency (Forschungsförderungsgesellschaft, FFG) in the past financial year, in some cases together with partners. Multiple research projects were launched, particularly in the area of invitations to bid for City of the Future and Production of the Future. The acquisition of the remaining shares in evolaris next level GmbH, Austria, is also intended to further enhance competence in research and development in the future.

In the continuing segments of the Kapsch Group, expenditures for research and development rose by EUR 20.1 million (or 18%) to EUR 134.8 million (previous year, adjusted: EUR 114.7 million). The traditionally high share of research and development expenditures as a percentage of the consolidated revenues remained at 12%, which was on the level of the previous year (10%).

Research costs are always reported as an expense. Development costs are generally capitalized in accordance with IAS 38 and only recognized as an expense if the IFRS criteria for recognition as an intangible asset are not met. The application of the total cost type of expenditure method means that the research and development costs recognized as expenses are reported in various items of the statement of comprehensive income, in particular under cost of materials and other purchased services, personnel expenses and other operating expenses.

### 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.

**Personnel – Kapsch as an attractive and responsible employer.**
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 they treat 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 an 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 a clear 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. It is particularly important to Kapsch Group that it is an attractive and responsible employer for its employees.

It is highly important for the Kapsch Group to act as an attractive and responsible employer. On the reporting date of March 31, 2020, **Kapsch Group had 6,673 employees** (previous year adjusted: 6,422). This is an increase of 251 employees or 4%.

**Employee relationships.**
At Kapsch Group, on the balance sheet date 87% of the workforce were salaried employees (previous year: 91%). Workers employed in the production facilities made up 13% (previous year: 9%). This increase is mainly due to the new contract for manual tolling in Poland.

**Employees by segment.**
Headcounts were increased to 5,104 employees (+123 employees or +2%) in the segment Traffic, particularly in the USA and Poland whereas the headcount in South Africa and Czech Republic decreased. The headcount in the segment Enterprise rose again by 128 or 10% over the course of the period under review to stand at 1,461. The increase comes from Austria in particular but also from Germany and Switzerland. Headcounts in the segment Others remained at 108 employees relatively stable.

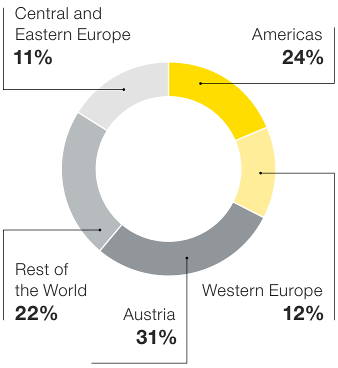
| Employees by segment | 2018/19 [1] | | 2019/20 [1] | | Change | |
|---|---|---|---|---|---|---|
| Traffic | 4,981 | 78% | 5,104 | 76% | 123 | 2% |
| Enterprise | 1,333 | 21% | 1,461 | 22% | 128 | 10% |
| Others | 108 | 2% | 108 | 2% | 0 | 0% |
| **Group** | **6,422** | **100%** | **6,673** | **100%** | **251** | **4%** |
| Discontinued operations | 474 | 7% | 0 | 0% | -474 | -100% |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

**Employees by region.**

Regarded at a country level, headcounts increased significantly in countries such as the USA (+125 or +19%) and Poland (+235 or +161%). The headcount in Austria also increased clearly, discontinued operations excluded (+134 or +7%). There were declines in the headcount mainly in South Africa (-208 or -14%) and Czech Republic (-60 or -34%). Austria continues to have by far the highest number of employees, namely 2,071. Other countries with higher-than-average headcounts are South Africa (1,318), the USA (790), Spain (516) and Poland (381).

**Employees by region.**




Kapsch Group believes that the qualifications, above-average dedication, and the ability of its employees to develop 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. 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 consideration. 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 playing a leading role at Kapsch Group, which is why the personality of applicants is considered when preparing and selecting managers. In the course of leadership training, modular training courses must be taken every year.

In the context of the structured training program at Kapsch University, employees are offered a series of equivalent training packages aimed at various career paths (managers, experts, and project managers). These packages consist of specialist and personality-based training which are both clearly structured and yet also allow individuals to tailor these to their specific needs. The aim is to promote learning and to continually and consistently raise skill levels. The main focus areas here are agile working methods and leadership styles as well as the promotion of innovation. Kapsch also teaches responsible and appreciative employee leadership.

In order to underscore its reputation as an attractive and responsible employer, Kapsch Group has for many years enabled its employees to participate in the success of the company. In addition to this, contributions are paid into an external pension fund according to a defined contribution scheme for employees of Group companies in Austria. Employee satisfaction is a particularly important issue for the company. That is why considerable efforts are made to ensure this. Mutual respect, a sense of community, and loyalty are high priorities at Kapsch. The company firmly believes that this will make it possible to work more effectively and with more quality of life and success. Surveys are regularly conducted on an anonymous basis in order to evaluate the opinions of employees about the company. It is important for Management to find out what employees think about their company, their activities, their executives and their colleagues, what their expectations are for the future, how they assess the working environment, 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 Executive Board based on the results of the employee survey. Annual staff appraisals are a central instrument of personnel and organizational development throughout the Group. They promote cooperation through the structured exchange between managers and employees about the performance achieved over the past twelve months. Staff appraisals also provide a framework for discussing career development perspectives and defining further training.

Furthermore, the personnel management of Kapsch Group also concentrates on encouraging a focus on performance by means of performance-based remuneration systems, making ongoing improvements to occupational health and safety, and by ensuring equal opportunities. In order to optimally accommodate the various needs of the workforce in the different regions, Kapsch takes local action to protect employees and to promote their health. This includes providing occupational healthcare and regularly offering health-related advice, vaccinations, health and eye tests.

**COVID-19-Pandemic.**
The management of Kapsch Group has activated existing business continuity plans. The internal technical infrastructure was quickly adapted so that employees could work from home for the most part. This has allowed the company preserve its ability to do business and operate. Furthermore, the company has established a temporary business continuity organization. This focused on handling the effects of the pandemic on the Group and enabled a rapid response to current developments.

A number of measures were implemented specifically for employees:

> Setting up a coronavirus infopoint with all necessary information and answers to general and business-specific questions, as well as contact details for specific questions (business, IT, travel and health).
> Setting up a corona hotline for urgent questions.
> Making arrangements for work from home according to local regulations and conditions.
> Introducing appropriate protection and disinfection measures for the employees who had to be physically present in offices, production facilities, or on project sites.
> Restricting travel in accordance with national regulations.
> Provision of various guidelines, guides and templates.
> Making use of the instrument of short-time work in the segment Enterprise, to maintain those employees, who work with customers in severely exposed industries (especially tourism) in the group, despite the total shortfall of their assignment.

In this challenging situation, Kapsch Group benefited from its outstanding IT infrastructure (software and hardware).

**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 still relatively low number of female executives at Kapsch is due to the fact that the share of women working in technical fields remains comparatively modest. 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. 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.

**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.

**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.

Kapsch Group is a member of several organizations to safeguard its own interests and to actively contribute to discussions on current industry issues. In addition to regulatory and legal issues and because of the company's business purpose, the focus is on aspects of intelligent transport systems.

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.

**Security policy.**
Kapsch has drafted the following guiding principles for the targeted use of security measures:

> Information security should promote and support business processes. The issue of information security is also deeply rooted in the organization. This is necessary because the software solutions from Kapsch are also used to process customer and user data. The Company is aware of its responsibility in handling this information and is careful to protect its own data against unauthorized access. Risks and current threats are continuously assessed so that targeted measures can be taken. These typically aim at the three dimensions of humans, process and technology.

> Security measures should be based on the recognized state of the art. The global orientation in this context defines ISO 27001 as the standard reference for the implementation and operation of information security management systems.

> Risk management. As the core process of ISO/IEC 27001, Kapsch has a uniform risk management process for information security that is integrated in corporate risk management. The structured approach to the consideration of risks in connection with information security is derived from the business processes of Kapsch and represents a holistic approach. The risk management process is implemented at all integrated companies, regardless of whether they are formally ISO/IEC 27001 certified or not.

**Vulnerability management.**
The Kapsch Group uses various channels to monitor whether any security-related vulnerabilities appear in the systems. In addition, active measures are taken, such as regular and automated vulnerability testing of external and in-house systems as well as penetration tests.

Management of security incidents. Kapsch has a centrally organized process with communication chains and escalation structures for security incidents. This ensures that such incidents can be responded to professionally and promptly.

Business continuity management. During the course of the COVID-19 crisis, Kapsch demonstrated, in cooperation with the Kapsch Group, that the established mechanisms for crisis and emergency management work. Productivity within the company was seamlessly maintained thanks to the good combination of technology and processes.

Awareness. One of the most important pillars in the active management of information security is raising awareness among employees. A training program exists for this reason, which is supplemented by periodic mailings and intranet messages on current issues. Occasional emails simulating phishing are used to practice what has been learned.

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

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

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

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

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

Erasure periods. All erasure periods for personal data were checked and adjusted if necessary.

**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 longterm 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.

### 4.3 Risk management.

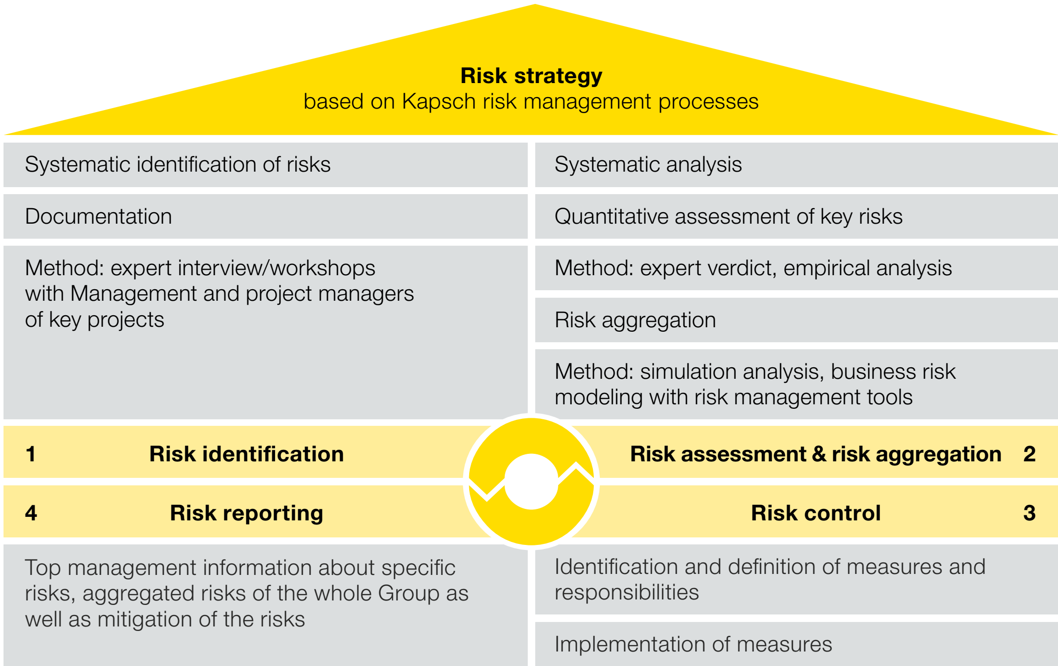
As a technology corporation, Kapsch Group operates in a very dynamic environment. Risks are therefore an integral part of everyday business. Under risk, the company understands the possibility of a deviation from corporate objectives. The risk concept thus encompasses both positive (opportunities) and 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 International.

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:

**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. Thus, the successful acquisition of one single nationwide installation project can have an significant impact on revenue development in the current as in future periods.
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, developing of new business areas which are fit to the existing core business, 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 financial 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.

The economic situation of relevant national economies, possible government investment programs, changes in political priorities, an increasing focus on sustainability, trade conflicts, military conflicts or epidemics can have a significant impact on incoming orders. For example, the sudden and rapid spread of SARS-CoV-2 has increased uncertainty with regard to new incoming orders. Previous assumptions, particularly regarding the expected time of new customer orders had to be questioned and revised in some cases. As of April 24, 2020, the business continuity organization expected no impact for around 80% of the identified prospective projects; while delays were anticipated for around 13%.

**Risks of project execution.** Electronic toll systems and intelligent mobility solutions are frequently ambitious and technologically complex systems. that must be implemented within a strict time frame. However, the final project environment cannot be fully analyzed and taken into account during the preparation of an offer. Therefore, uncertainties remain with regard to integration expenses for third-party systems, expenses for interfaces and other factors accelerating or delaying the handling of projects. Necessary dependencies on suppliers and service providers can also have a negative effect on the quality and timely completion of a project. All of these factors affect the risk of missed deadlines and/or system and product defects.
In connection with the installation of systems, Kapsch Group is generally contractually obligated to issue performance and delivery date guarantees. If the contractual services are not fulfilled or if deadlines are exceeded, penalties and damages usually have to be paid, in some cases even damages for lost toll revenue. Significant missed deadlines can also result in premature termination of a contract by the customer. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or failed implementation of a project could reduce the chances of success in future tenders. There is also the risk that projects of Kapsch Group cannot be realized at the previously calculated costs. Due to the strong social opposition to toll systems that is sometimes encountered, the risk of a late or limited start to toll collection exists, which can have further consequences on revenues, profitability and payment flows in the operation project.

Kapsch Group employs project management methods and project risk management procedures based on the IPMA (International Project Management Association) standards in order to minimize such risks in projects. The project execution is carried out by project managers certified according to IPMA standards. In the segment Enterprise, 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.

The result of an internal review of the customer projects through the business continuity organization showed that there are only a few impacts to be expected due to the COVID-19-pandamic.

**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.

**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.**
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 largescale 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.

**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 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.

**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.

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

**Measures and the impacts in conjunction with the COVID-19-pandemic.**
The management activated existing business continuity plans. The internal technical infrastructure was quickly adapted so that employees could work from home for the most part. This has allowed the company to preserve its ability to do business and operate. Furthermore, the company has established a temporary business continuity organization. This focused on handling the effects of the pandemic on the Group and enabled a rapid response to current developments. Economic institutes anticipate a substantial decline in economic output in some cases for 2020, both globally and in the most important markets for Kapsch. It is also unclear how long it will take for national economies to recover from the measures introduced to fight the virus and also whether there will be additional surges of infection and when appropriate medical options for handling and preventing the virus will be possible. Although the effects on the Kapsch Group are still currently limited, the future impact on Kapsch cannot be fully assessed at the present time. The ongoing evaluation and the preparation of appropriate measures is an attempt to control the risk and the possible negative impacts and, if necessary, to be able to take targeted countermeasures.

**Assessment of the risk situation at the Kapsch Group in summary.**
From today's point of view, no risks can be identified that could endanger the continuity of the Kapsch Group. Increasing geographical diversification and the continuous expansion of the product and solution portfolio as well as the customer base enabled dependencies and the concentration of risk in individual regions to be reduced without having to abandon the core business segment. The permanent pursuit of technological leadership, high-quality products and innovative solutions in all segments should also continue to reflect our customers' feeling that they have a partner in Kapsch who will continue to sustainably and reliably support them with the best solutions in the future.

### 4.4 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 reliability of the internal control system is audited by the Internal Audit department.***

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.

## 5 Outlook.

The Kapsch Group expects almost to maintain a high level of revenues in financial year 2020/21 despite the outbreak of the COVID-19- pandemic. Management currently sees the pandemic having only a minor impact on the performance of the Group, and in some cases measures have been taken to reduce the possible negative impact on profitability. However, there will be delays in some invitations to bid, which may lead to delays in revenues in connection with new projects, and therefore visibility with regard to new implementation projects has also declined, which is making it difficult to provide a quantitative outlook for financial year 2020/21 at this point in time. The priorities for development in the coming financial year 2020/21 must be viewed differently between the two segments

***Focus on a sustainable increase of the profitability.***

The **segment Traffic** saw numerous negative developments occur one after the other in financial year 2019/20. Many challenges have now been overcome (Zambia, Streetline, US patent dispute) and the remaining economically negative factors are known: The personnel shortage in North America that will presumably last until the end of 2020. Additional expenses for the implementation of new software, which will probably be incurred through the first half of the year. At the same time, the Company has faced the challenge of compensating for the discontinuation of the nation-wide toll project in the Czech Republic – with a high contribution to revenues and earnings – since the end of November 2019.

Kapsch TrafficCom is rolling out a new mobility service in the USA, which enables drivers to pay tolls by cell phone. Development costs were already incurred for this in the last few years. Management plans to continue to invest in the expansion of this service in financial years 2020/21 and 2021/22. In turn, a noticeable contribution to revenues and earnings is expected in subsequent years.

Furthermore, intensive work is already being done on a new strategy (Strategy 2027). A radical change will not be necessary, as we have already scrutinized our strategy regularly in the past and adapted it as needed. Society and global relations change; new business models are brought to the market and partially replace old ones; technological development continues to move ahead rapidly and opens up completely new application areas. Kapsch TrafficCom would like to shape them and make a positive contribution to society. Only in this way can we be successful over the long term. In addition to the strategy process, we have also launched a program to reinvent ourselves as an organization. Therewith, we want to sustainably improve the profitability of the Group in the segment Traffic, reduce the complexity of the organization, push the focus on the core business, strengthen the responsibilities of the employees, and generally increase efficiency and effectiveness. Strict cost management is naturally included in this. A material goal is to adapt the cost basis to the real market situation and revenue development to secure significant improvements in future results. In the months to come the focus will lie on reprocessing successfully customer projects in default in the USA. On the one hand this improves the liquidity situation and on the other hand the further development of results and financing as well as the optics of the balance sheet depends on it. Management therefore expects that the operating results in the medium term will be better than in the previous financial year despite COVID-19 and that Kapsch TrafficCom will be able to look into the future strongly invigorated after this process of reorganization. In the long term, management expects growth in both areas in this segment, with the strongest drivers of growth in the coming years likely being seen in the toll business.

The **segment Enterprise** will also continue to focus on digitization in selected sectors such as manufacturing industries, retail, health care, public sector, utilities and finance. This focus pursues the goal of increasingly designing and developing the business processes of customers with ICT solutions, also with different specialist departments. Discovery workshops are held together with the customer to shed light on the customer's entire value-added chain and the role of IT in existing processes, as well as identifying possible future business models in terms of a digitization strategy.

In the outsourcing sector, Kapsch has already been able to position itself as an innovative and flexible partner in the past. Cost pressure for the customer, increasing demand for secure scalable solutions and cloud solutions will drive customer demand for large outsourcing projects in the future as well. For Kapsch, it is precisely these projects that ensure long-term service revenues.

Kapsch BusinessCom's 2022 strategy program, which was launched in 2017, fundamentally continues on its course of digitization and growth. Management expects a "dip" in the segment Enterprise in the course of financial year 2020/21 due to COVID-19, which is mainly attributable to some customer segments particularly affected by the lockdown, such as the tourism industry, but also to the general wait-and-see attitude with regard to new investments. For this reason, management introduced measures such as short-time work at the beginning of the new financial year in order to compensate as much as possible for any decline in revenues. In other areas, Kapsch, as a supplier of critical infrastructure, even has opportunities for additional business potential in the short term. At present, no supply bottlenecks on the part of manufacturers are expected. For the following financial year 2021/22, a significant jump in growth is expected in this segment.

Overall Kapsch Group set measurements in the current financial year 2020/21 to improve profitability through cost reductions as soon as possible. These measurements will impact the financial year 2020/21 only to a marginal extend, but should lead again to positive results in the following financial years.

Measures to optimize individual group companies and to increase synergies, among others through internal digitization projects or through the increased use of digital communications, will also continue to be implemented or applied in Kapsch Group.

This will also give Kapsch Group, in both segments, more room to maneuver as it expands its market positions through targeted acquisitions in existing and new business segments.

Vienna, August 14, 2020

| | | |
|---|---|---|
| Georg Kapsch<br>Chief Executive Officer | Kari Kapsch<br>Chief Operating Officer | Franz Semmernegg<br>Chief Financial Officer |

# Consolidated Financial Statements

*as of March 31, 2020.*

## Consolidated statement of comprehensive income.

| In EUR | Note | 2018/19 2) | 2019/20 2) 3) |
|---|---|---|---|
| Revenues | (3) | 1,093,776,412 | 1,137,948,878 |
| Other operating income | (4) | 22,950,431 | 18,601,545 |
| Changes in finished and unfinished goods and work in progress | (5) | 22,650,127 | -6,067,675 |
| Cost of materials and other production services | (6) | -553,179,758 | -599,141,483 |
| Staff costs | (7) | -364,870,930 | -392,034,140 |
| Amortization and depreciation | (8) | -19,294,874 | -38,594,844 |
| Impairment charge | (9) | 0 | -40,851,972 |
| Other operating expenses | (10) | -131,335,948 | -127,946,691 |
| Proportional result of associates and joint ventures | (18) | 941,510 | -4,638,828 |
| Gains from the revaluation of joint ventures | (18) | 523,008 | 0 |
| **Operating result** | | **72,159,978** | **-52,725,208** |
| Finance income | (11) | 9,914,396 | 5,738,225 |
| Finance costs | (11) | -16,395,230 | -32,923,270 |
| **Financial result** | | **-6,480,833** | **-27,185,045** |
| Proportional results from associates and joint ventures from financial investments | (18) | -200,842 | -643,530 |
| Losses from the revaluation of associates | (18) | -46,650 | 0 |
| **Result before income taxes** | | **65,431,653** | **-80,553,783** |
| Income taxes | (12) | -14,206,623 | 9,103,635 |
| **Result for the period of continued operations** | | **51,225,030** | **-71,450,148** |
| | | | |
| **Result for the period of discontinued operations** | (13) | **-18,007,819** | **-22,108,478** |
| | | | |
| **Result including discontinued operations** | | **33,217,211** | **-93,558,627** |
| thereof attributable to the equity holders of the company | | 17,182,247 | -63,065,770 |
| thereof attributable to non-controlling interests | (35) | 16,034,964 | -30,492,857 |
| | | | |
| **Other comprehensive income for the period** | | | |
| Currency translation differences 1) | | -3,351,331 | 1,010,753 |
| Currency translation differences from net investments in foreign operations | | 4,025,719 | 1,217,211 |
| Cash flow hedges | | -291,423 | 0 |
| Income tax relating to items subsequently to be reclassified to the result for the period | | -1,006,430 | -304,303 |
| **Total items subsequently to be reclassified to the result for the period** | | **-623,465** | **1,923,662** |
| Remeasurements of liabilities from post-employment benefits | | -3,909,490 | -8,835,671 |
| Income tax relating to items subsequently not to be reclassified to the result for the period | | 872,303 | 1,984,911 |
| **Total items subsequently not to be reclassified to the result for the period** | | **-3,037,187** | **-6,850,760** |
| | | | |
| **Other comprehensive income for the period net of tax 1)** | (14) | **-3,660,651** | **-4,927,099** |
| | | | |
| **Total comprehensive income for the period 1)** | | **29,556,560** | **-98,485,725** |
| thereof attributable to equity holders of the company 1) | | 14,230,930 | -68,521,890 |
| thereof attributable to non-controlling interests 1) | (35) | 15,325,630 | -29,963,835 |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

2) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

3) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

## Consolidated balance sheet.

| In EUR | Note | March 31, 2019 | March 31, 2020 [2] |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | (15) | 53,006,117 | 134,360,483 |
| Intangible assets [1] | (16) | 161,472,746 | 106,435,590 |
| Investment properties | (17) | 3,291,519 | 3,075,682 |
| Interests in associates and joint ventures | (18) | 23,462,156 | 36,650,634 |
| Other non-current financial assets and investments | (19) | 22,521,079 | 16,783,181 |
| Non-current contract assets | (19, 23) | 21,006,677 | 13,777,929 |
| Non-current lease receivables | (27) | 0 | 26,571,473 |
| Other non-current assets [1] | (20) | 9,077,446 | 1,083,231 |
| Deferred tax assets | (28) | 47,006,600 | 53,055,320 |
| **Non-current assets [1]** | | **340,844,340** | **391,793,523** |
| | | | |
| Inventories | (21) | 79,781,852 | 60,720,986 |
| Trade receivables and other current assets | (19, 22) | 332,572,207 | 248,771,266 |
| Current contract assets | (19, 23) | 168,100,573 | 169,321,876 |
| Current lease receivables | (27) | 0 | 10,674,239 |
| Current tax receivables | | 8,120,981 | 7,815,773 |
| Other current financial assets | (19) | 1,134,741 | 1,296,408 |
| Cash and cash equivalents | (19, 24) | 138,999,728 | 169,680,040 |
| **Current assets** | | **728,710,082** | **668,280,587** |
| | | | |
| **TOTAL ASSETS [1]** | | **1,069,554,422** | **1,060,074,110** |
| | | | |
| **EQUITY** | | | |
| Share capital | (25) | 726,728 | 726,728 |
| Capital reserve | (25) | 66,222,590 | 66,222,590 |
| Retained earnings and other reserves [1] | (25) | 105,571,634 | 39,455,515 |
| **Capital and reserves attributable to equity holders of the company** | | **172,520,952** | **106,404,833** |
| Non-controlling interests [1] | (35) | 101,778,014 | 65,016,649 |
| **TOTAL EQUITY [1]** | | **274,298,966** | **171,421,482** |
| | | | |
| **LIABILITIES** | | | |
| Non-current financial liabilities | (19, 26) | 240,692,833 | 251,762,192 |
| Non-current lease liabilities | (19, 27) | 13,927,158 | 94,930,371 |
| Liabilities from post-employment benefits to employees | (29) | 75,128,549 | 68,861,116 |
| Non-current provisions | (30) | 20,323,063 | 11,766,993 |
| Non-current contract liabilities | (23) | 11,457,449 | 25,985,300 |
| Other non-current liabilities | (19, 31) | 5,872,798 | 5,172,090 |
| Deferred tax liabilities | (28) | 10,552,773 | 2,586,131 |
| **Non-current liabilities** | | **377,954,624** | **461,064,193** |
| | | | |
| Current financial liabilities | (19, 26) | 61,391,474 | 85,050,328 |
| Current lease liabilities | (19, 27) | 551,487 | 44,497,906 |
| Trade payables | (19) | 124,251,797 | 117,744,836 |
| Current contract liabilities | (23) | 53,907,246 | 33,275,155 |
| Current provisions | (30) | 34,565,801 | 37,007,081 |
| Current tax liabilities | | 16,187,644 | 13,551,018 |
| Other liabilities and deferred income | (19, 32) | 126,445,379 | 96,462,112 |
| **Current liabilities** | | **417,300,828** | **427,588,434** |
| | | | |
| **TOTAL LIABILITIES** | | **795,255,452** | **888,652,627** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **1,069,554,422** | **1,060,074,110** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.
2) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

## Consolidated statement of changes in equity.

| In EUR | Attributable to equity holders of the company | | | | Non-con-trolling interests | Total equity |
|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other reserves | Consolidated retained earnings | | |
| **Carrying amount as of March 31, 2019 [1)]** | **726,728** | **66,222,590** | **-15,370,369** | **120,942,003** | **101,778,014** | **274,298,966** |
| Adjustments due to new IFRS 16 standard | | | 120,988 | | | 120,988 |
| **Carrying amount as of April 1, 2019 adjusted** | **726,728** | **66,222,590** | **-15,249,381** | **120,942,003** | **101,778,014** | **274,419,955** |
| Effects from changes in shares and capital in subsidiaries | | | 2,284,783 | | 360,725 | 2,645,507 |
| Dividend | | | | | -7,158,254 | -7,158,254 |
| Result for the period | | | | -63,065,770 | -30,492,857 | -93,558,627 |
| Other comprehensive income for the period: | | | | | | |
| Currency translation differences | | | 625,059 | | 1,298,602 | 1,923,662 |
| Remeasurements of liabilities from post-employment benefits | | | -6,081,179 | | -769,581 | -6,850,760 |
| **Carrying amount as of March 31, 2020** | **726,728** | **66,222,590** | **-18,420,718** | **57,876,233** | **65,016,649** | **171,421,482** |
| | | | | | | |
| **Carrying amount as of March 31, 2018** | **726,728** | **66,222,590** | **-11,481,485** | **108,556,973** | **91,748,848** | **255,773,654** |
| Adjustments due to new IFRS 9 standard | | | | -6,779,718 | | -6,779,718 |
| Deferred taxes on adjustments due to new IFRS 9 standard | | | | 445,418 | | 445,418 |
| Reclassification from other reserves to retained earnings | | | -1,537,083 | 1,537,083 | | 0 |
| **Carrying amount as of April 1, 2018 adjusted** | **726,728** | **66,222,590** | **-13,018,568** | **103,759,756** | **91,748,848** | **249,439,354** |
| Capital increase at subsidiaries | | | | | 517,440 | 517,440 |
| Effects from acquisition of shares in subsidiaries [1)] | | | | | 1,935,325 | 1,935,325 |
| Effects from changes in shares and capital in subsidiaries | | | -2,626 | | 11,168 | 8,542 |
| Dividend | | | | | -7,158,254 | -7,158,254 |
| Result for the period | | | | 17,182,247 | 16,034,964 | 33,217,211 |
| Reversal of historical negative non-controlling interests | | | 602,144 | | -602,144 | 0 |
| Other comprehensive income for the period: | | | | | | |
| Currency translation differences [1)] | | | -68,576 | | -263,465 | -332,042 |
| Remeasurements of liabilities from post-employment benefits | | | -2,698,296 | | -338,891 | -3,037,187 |
| Cash flow hedges | | | -184,445 | | -106,978 | -291,423 |
| **Carrying amount as of March 31, 2019 [1)]** | **726,728** | **66,222,590** | **-15,370,369** | **120,942,003** | **101,778,014** | **274,298,966** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Details on equity are presented in note 25.

## Consolidated cash flow statement.

| In EUR | Note | 2018/19 [5] | 2019/20 [5) 6)] |
|---|---|---|---|
| **Operating result** | | **72,159,978** | **-52,725,208** |
| Scheduled depreciation and amortization | (8) | 19,294,874 | 38,594,844 |
| Impairment charge | (9) | 0 | 40,851,972 |
| Change in obligations for post-employment benefits | | 3,313,121 | -1,901,459 |
| Change in other non-current liabilities and provisions [2] | | 3,636,619 | 12,028,269 |
| Change in other non-current receivables and assets [1] | | -23,208,859 | 7,610,359 |
| Change in non-current trade receivables | | 100,251 | 0 |
| Change in non-current trade payables | | -374,865 | -673,658 |
| Net payments of income taxes | | -18,672,402 | -12,937,137 |
| Interest received | (11) | 1,679,578 | 2,554,272 |
| Interest payments | (11) | -5,873,618 | -10,068,616 |
| Other (net) | | -2,039,132 | -2,268,895 |
| **Cash flow from earnings** | | **50,015,544** | **21,064,742** |
| | | | |
| Change in net working capital: | | | |
| Change in trade receivables and other current assets [1] | | -91,218,764 | -184,567 |
| Change in inventories | | -25,014,386 | 7,189,024 |
| Change in trade payables and other current payables [2] | | 44,064,361 | 7,530,940 |
| Change in current provisions | | 6,042,245 | 19,093,099 |
| **Change in net working capital** | | **-66,126,544** | **33,628,496** |
| | | | |
| **Cash flow from operating activities** | | **-16,111,000** | **54,693,238** |
| | | | |
| Purchase of property, plant and equipment | (15) | -11,725,616 | -14,099,780 |
| Purchase of intangible assets | (16) | -5,735,260 | -6,098,759 |
| Purchase of securities, investments and other non-current financial assets | | -897,499 | -19,933,070 |
| Payments for the acquisition of entities (less cash and cash equivalents of these entities) | (34) | -1,601,148 | -146,985 |
| Payments for the acquisition of shares in at-equity-consolidated entities | (18) | -19,951,818 | -1,052,861 |
| Proceeds from the disposal of shares and liquidation of subsidiaries | | -3,672,897 | 7,656 |
| Proceeds from the disposal of property, plant and equipment and intangible assets | | 3,024,002 | 2,880,887 |
| Proceeds from the disposal of securities and other financial assets | | 12,998,882 | 441,916 |
| Dividends received from associates and joint ventures | | 507,340 | 498,878 |
| **Cash flow from investing activities** | | **-27,054,014** | **-37,502,117** |
| | | | |
| **Free cash flow [3]** | | **-43,165,014** | **17,191,121** |
| | | | |
| Contributions from shareholders in subsidiaries | | 517,440 | 0 |
| Dividends paid to non-controlling interests | | -7,158,253 | -7,158,253 |
| Payments for the acquisition of non-controlling interests | | -2,750,700 | -2,000,000 |
| Increase in non-current financial liabilities | (26) | 46,800,826 | 62,630,984 |
| Increase in current financial liabilities | (26) | -5,587,774 | 10,482,425 |
| Decrease in current financial liabilities | (26) | -53,344,945 | -16,819,863 |
| Lease payments | (27) | -548,089 | -18,578,144 |
| **Cash flow from financing activities** | | **-22,071,494** | **28,557,150** |
| | | | |
| **Cash flow from discontinued operations** | (13) | **-2,437,299** | **-9,109,420** |
| | | | |
| Cash and cash equivalents at beginning of year | | 209,296,161 | 138,999,728 |
| Changes in cash and cash equivalents [4] | | -67,673,807 | 36,638,850 |
| Exchange gains/losses | | -2,622,626 | -5,958,538 |
| **Cash and cash equivalents at end of year** | (24) | **138,999,728** | **169,680,040** |

1) Including „contract assets“
2) Including „contract liabilities“
3) Cash flow from operating activities + cash flow from investing activities
4) Free cash flow + cash flow from financing activities
5) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.
6) The new standard IFRS 16 was adopted as of April 1, 2019 using the modified retrospective approach, thus not resulting in any adjustment of comparative figures for the previous financial year 2018/19.

# Notes to the Consolidated Financial Statements.

## Overview.

# 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. 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)
> Enterprise (speech, data and IT solutions for business customers including public authorities)
> Others

The segments *Carrier* (communication solutions for railway operators) and *Public Transport* (intelligent infrastructure solutions for public transport operators) were sold on May 31, 2019 and are shown as discontinued operations for financial year 2019/20 as well as the previous financial year 2018/19.

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

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, 2019 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).

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

## 1.2 Group structure and consolidated group.

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

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, 2020 the Group holds a share of 63.3% in Kapsch TrafficCom AG, Vienna (March 31, 2019: 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.

With the sale of all companies in the segment *Carrier* and all operational companies in the segment *Public Transport* (only the parent company of this subgroup Kapsch Public Transport GmbH remains in the Kapsch Group) to S&T AG on May 31, 2019, these areas were presented as discontinued operations in accordance with IFRS 5.

Interests in subsidiaries as well as change in consolidated entities can be found in note 34.

## 1.3 Accounting and valuation principles.

The consolidated financial statements as of March 31, 2019 are prepared under the historical cost concept, with the exception of financial instruments measured at fair value according to IFRS 9 as well as plan assets measured at fair value according to IAS 19, which were measured accordingly at the balance sheet date. Pertinent explanations can be found within the scope of the corresponding 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 guidelines applicable from the financial year.

Note 39 provides a detailed description of all accounting and valuation principles, including new accounting and valuation principles to be applied.

### 1.4 Material accounting estimates and assumptions.

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. 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 the following areas have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 1.4.1 Revenue recognition for contract work.

The Group applies the rules of IFRS 15. Revenue for implementation projects, that fulfill the criteria of IFRS 15.35 for revenue recognition over time, is recognized in accordance with the corresponding stage of completion, with an expected profit margin already being assumed. The stage of completion is determined by an input orientated method using the ratio between the costs already incurred and the expected total costs of the corresponding contract. This requires to continuously estimate and update the planned costs arising from the contract as well as the risks arising from project management. This may result from technical difficulties, delays in the schedule or difficulties with sub-suppliers or other external general conditions, and which influence the profit margin of the project. Furthermore, these projects may also lead to damages or penalties that are to be considered during the project evaluation and which require an assessment of risks. For most contracts, contract revenue is defined and includes fixed elements and partly variable elements that are assessed by probability as to their amounts and timing. The total contract amount is also estimated for service concession arrangements that are remunerated based on the use of a service. Large-scale orders of the Group are usually technically complex individual orders based on specific terms and conditions which therefore are to be critically assessed with regard to revenue recognition and project risks on an individual basis. Details to the revenue recognition are included in note 39.3 and sensitivity analysis is included in note 23.

#### 1.4.2 Estimated impairment of goodwill.

In accordance with the accounting policy stated in note 16 and 39, 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.

#### 1.4.3 Other estimates and assumptions.

Further areas where assumptions and estimates are significant to the consolidated financial statements include impairment of inventories, recoverability of deferred tax assets/liabilities, assumption of useful lives for intangible assets and property, plant and equipment, assumptions and interest rates related to investment properties, assumptions and interest rates related to liabilities from post-employment benefits to employees, assumptions and interest rates related to leasing contracts, as well as provisions for warranties and losses for onerous contracts. Sensitivity analyses of the assumptions made by the Group are included in the respective notes.

## 2 German infrastructure charge.

In 2018 the joint venture autoTicket GmbH (autoTicket), Germany, was commissioned to levy the German infrastructure charge („passenger vehicle toll“). Moreover in a separate contract the Group company MTS Maut & Telematik Services GmbH (MTS), Germany, had been awarded the contact for the automatic control of the passenger vehicle toll.

On June 18, 2019, the European Court of Justice (ECJ) ruled contrary to expectations that the passenger vehicle toll in its planned form, where in Germany accredited vehicles receive a tax relief simultaneously, violates the principles of the European Union. The customer terminated on the following day the contracts for the implementation and operation of the passenger vehicle toll effective September 30, 2019. The projects relating to the passenger vehicle toll would have been among the largest projects in the history of Kapsch TrafficCom.

**autoTicket GmbH, Germany – project „toll collection“.**
As of August 13, 2018 the company autoTicket was acquired as a shell company together with the partner CTS EVENTIM AG & Co. KGaA (CTS EVENTIM). Kapsch TrafficCom holds shares of 50% and accounts the company as a joint venture using the equity method. As the activities and strategies of this company are part of the core business of Kapsch TrafficCom, the proportional results are reported separately in the operating result (2019/20: EUR -4.578 k, in the position: “Proportional result of associates and joint ventures”). The carrying amount as of March 31, 2020 was EUR 24.045 k (March 31, 2019: EUR 10.766 k).

The financial data of the entity is as follows:

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Non-current assets | 18,426 | 51,757 |
| Current assets | 20,694 | 1,560 |
| Non-current liabilities | -2,231 | 0 |
| Current liabilities | -15,360 | -5,231 |
| **Net assets** | **21,529** | **48,086** |
| | | |
| Cash and cash equivalents | 18,730 | 1,480 |
| Financial liabilities (non-current and current) | 0 | -2,161 |
| | | |
| | **2018/19** | **2019/20** |
| Revenues | 16,840 | 31,789 |
| Result for the period | 1,505 | -9,157 |
| Other comprehensive income | 0 | 0 |
| **Total comprehensive income** | **1,505** | **-9,157** |

| **Reconciliation** | **March 31, 2019** | **March 31, 2020** |
|---|---|---|
| Net assets at beginning of financial year | 25 | 21,530 |
| Increase of nominal capital and capital reserve | 20,000 | 35,714 |
| Total comprehensive income | 1,505 | -9,157 |
| **Net assets as of March 31 of financial year** | **21,530** | **48,088** |
| | | |
| Share of Kapsch TrafficCom (50%) | 10,766 | 24,045 |
| **Carrying amount as of March 31 of financial year** | **10,766** | **24,045** |

Until termination of the contracts, autoTicket was performing the contracted services. Those were accounted for using the percentage-of-completion method according to IFRS 15. Kapsch TrafficCom operated as a subcontractor of autoTicket and realized revenues amounting to EUR 23,594 k in financial year 2019/20. As of March 31, 2020 those revenues were billed and paid (see note 36).

In connection with the termination of the contract, Kapsch TrafficCom had to impair costs to obtain a contract amounting to EUR 4.100 k (see note 9). The termination of the contract led on the level of autoTicket to a negative result of the period. This reflects the compensation for non-acceptance of a syndicated loan amounting to EUR 3.400 k and increased legal and consulting fees. The negative proportional result of autoTicket is included in the operating result of Kapsch Group amounting to EUR -4.578 k.

The operating parties of the terminated contract for the project "Toll collection" are Kapsch TrafficCom, CTS EVENTIM and autoTicket. In December 2019, they jointly asserted claims in the amount of around EUR 560,000 k against the Federal Republic of Germany. The responsible minister is disputing this claim. This matter will therefore need to be resolved before an arbitration tribunal. Such proceedings can last several years. Due to confidentiality obligations more details on the disputes cannot be disclosed.

The financial claims that the operating parties have against the Federal Republic of Germany and the resulting claims that Kapsch TrafficCom has against autoTicket on the basis of both contractual services and the position as shareholder will be clarified in arbitration proceedings and are not capitalized on the balance sheet date as they represent a contingent asset in accordance with IAS 37. An exception to this is the recognition of the share in autoTicket, which is reported in accordance with the equity method.

A temporarily existing joint and several liability of autoTicket for claims of the financing banks for EUR 175,000 k in connection with the syndicated loan agreement no longer existed on the balance sheet date as of March 31, 2020. In the operating agreement, the shareholders of autoTicket issued a limited-term joint and several liability declaration for an amount of around EUR 300,000 k to the Federal Republic of Germany, represented by the German Federal Motor Transport Authority („Kraftfahrtbundesamt"). A claim is not expected on account of the current state of proceedings and a legal appraisal. To finance autoTicket, a capital increase of EUR 35,714 k (EUR 17,857 k per shareholder) was carried out in financial year 2019/20. Furthermore, a financing facility for a total of EUR 15,000 k (EUR 7,500 k per shareholder) was agreed with autoTicket after the balance sheet date, whereas drawing on the facility requires the approval of the shareholders.

**MTS Maut & Telematik Services GmbH, Germany – project „Automatic control of the toll".**
MTS is fully consolidated and a 100% subsidiary of Kapsch TrafficCom AG. As a result of the termination of the contract for the automatic control of the toll, the parties of the contract (Kapsch TrafficCom AG and MTS) asserted claims against the Federal Republic of Germany.

## 3 Segment information.

An operating segment is a component of an entity that engages in business activities from which it may earn 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 segments Carrier and Public Transport were sold on May 31, 2019 and are shown as discontinued operations (see note 13). The parent company of former segment Kapsch PublicTransportCom GmbH remains in the Kapsch Group and is shown in segment „Others“.

The Executive Board has identified following reportable segments (excluding discontinued operations):

> Traffic
> Enterprise
> Others

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

The segment results for the financial year ended March 31, 2020 are as follows:

| | Traffic | Enterprise | Others | Group |
|---|---|---|---|---|
| Revenues | 731,184 | 408,563 | 29,023 | 1,168,769 |
| Implementation | 292,873 | 261,908 | 0 | 554,781 |
| Operations and other services (including intercompany charges) | 319,302 | 146,655 | 29,023 | 494,980 |
| Components | 119,009 | 0 | 0 | 119,009 |
| Inter-segment revenues | -2,250 | -7,040 | -21,531 | -30,821 |
| Revenues from external customers | 728,934 | 401,523 | 7,491 | 1,137,949 |
| Operating result (EBIT) | -64,268 | 8,922 | 2,621 | -52,725 |
| EBIT margin in % | -8.8 | 2.2 | 35.0 | -4.6 |

The segment results for the financial year ended March 31, 2019 are as follows:

| | Traffic | Enterprise | Others | Group |
|---|---|---|---|---|
| Revenues | 737,795 | 380,046 | 26,543 | 1,144,384 |
| Implementation | 271,336 | 235,881 | 0 | 507,217 |
| Operations and other services (including intercompany charges) | 350,772 | 144,166 | 26,543 | 521,481 |
| Components | 115,686 | 0 | 0 | 115,686 |
| Inter-segment revenues | -7,262 | -19,705 | -23,640 | -50,607 |
| Revenues from external customers | 730,532 | 360,342 | 2,902 | 1,093,777 |
| Operating result (EBIT) | 57,028 | 13,966 | 1,166 | 72,160 |
| EBIT margin in % | 7.8 | 3.9 | 40.2 | 6.6 |

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

The segment assets and liabilities as of March 31, 2020 as well as capital expenditure, depreciation, amortization and impairment and other non-cash-effective positions for the period then ended, are as follows:

| | Traffic | Enterprise | Others | Eliminations | Group |
|---|---|---|---|---|---|
| Segment assets | 490,436 | 196,105 | 36,017 | -27,073 | 695,485 |
| Interests in associates and joint ventures | 32,635 | 4,016 | 0 | 0 | 36,651 |
| | | | | | |
| Segment liabilities | 317,061 | 205,438 | 56,874 | -30,120 | 549,254 |
| | | | | | |
| Capital expenditure | 43,982 | 12,766 | 4,761 | -54 | 61,455 |
| Depreciation, amortization and impairment | 67,902 | 10,048 | 1,498 | -0 | 79,447 |
| Other non-cash-effective positions | 10,599 | 329 | 1 | -39 | 10,889 |

The adjusted segment assets and liabilities as of March 31, 2019 as well as capital expenditure, depreciation, amortization and impairment and other non-cash-effective positions for the period then ended, are as follows:

| | Traffic | Enterprise | Others | Discontinued operations | Eliminations | Group |
|---|---|---|---|---|---|---|
| Segment assets [1] | 477,217 | 143,050 | 12,542 | 107,690 | -21,088 | 719,412 |
| Interests in associates and joint ventures | 19,973 | 3,429 | 0 | 60 | 0 | 23,462 |
| | | | | | | |
| Segment liabilities | 244,656 | 120,102 | 40,158 | 94,818 | -31,594 | 468,140 |
| | | | | | | |
| Capital expenditure | 13,584 | 4,727 | 129 | 1,230 | -979 | 18,691 |
| Depreciation, amortization and impairment | 14,512 | 4,918 | 418 | 2,885 | -554 | 22,179 |
| Other non-cash-effective positions | -616 | 68 | 0 | 686 | 0 | 138 |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

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

The segment assets include property, plant and equipment, intangible assets (excluding goodwill), other non-current assets, non-current and current contract assets, non-current and current lease receivables, inventories, trade receivables and other current assets, as well as current tax receivables.

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

Amounts after initial application of IFRS 16 are included in segment assets and segment liabilities in financial year 2019/20.

In financial year 2019/20 as well as in financial year 2018/19 no customer contributed more than 10% to group revenues.

**Information by region.**
In addition to the reportable segments, the revenues and non-current non-financial assets are presented 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 financial year ended March 31, 2020 and March 31, 2019 are as follows:

| | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| | Revenues [2] | Non-current non-financial assets | Revenues [2] | Non-current non-financial assets |
| Austria | 318,049 | 97,022 | 342,373 | 175,991 |
| Central and Eastern Europe (excluding Austria) | 238,616 | 27,989 | 213,035 | 5,129 |
| Western Europe | 153,328 | 26,733 | 180,880 | 52,901 |
| Rest of the World [1] | 383,784 | 86,197 | 401,661 | 43,425 |
| **Total** | **1,093,777** | **237,941** | **1,137,949** | **277,447** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.
2) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

## 4 Other operating income.

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| Exchange rate gains from operating activities | 7,654 | 9,771 |
| Income from recharged costs | 757 | 1,489 |
| Income from research tax credits | 2,073 | 904 |
| Income from sale of non-current assets | 742 | 403 |
| Income from insurance refunds | 416 | 237 |
| Operating gains from fair value change from derivative financial instruments | 6,268 | 176 |
| Sundry operating income | 5,041 | 5,621 |
| **Total** | **22,950** | **18,602** |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

Operating exchange rate gains mainly related to exchange rate fluctuations of the currencies Argentine peso and Canadian dollar in respect to US dollar and to euro as well as Swedish krona in respect to euro.

Operating gains from fair value changes from derivative financial instruments related to forward exchange contracts.

Sundry operating income in financial year 2019/20 included income of recharged costs to autoTicket GmbH, Germany, that did not relate to costs or services to fulfill the customer contract. In financial year 2018/19 income from the joint operation MoKA SAS, France, reversals of earnout liabilities, and other tax income in Brazil were included.

## 5 Changes in finished and unfinished goods and work in progress.

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| Change in unfinished goods and work in progress | 1,821 | -901 |
| Change in finished goods | 20,829 | -5,166 |
| **Total** | **22,650** | **-6,068** |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

Details on inventories and the decrease in inventories can be found in note 21.

## 6 Cost of materials and other production services.

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| Cost of materials | 321,119 | 324,819 |
| Cost of purchased services | 232,061 | 274,323 |
| **Total** | **553,180** | **599,141** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

The increase in cost of materials and other production services can be explained by the increase in revenues and by additional costs for projects in the segment Traffic. Especially valuation effects of these projects in the USA are included.

## 7 Staff costs.

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| Wages, salaries, and other remunerations | 292,191 | 318,262 |
| Expenses for social security and payroll-related taxes and contributions | 54,398 | 57,196 |
| Expenses for termination benefits | 2,710 | 1,154 |
| Expenses for pensions | 559 | 551 |
| Contributions to pension funds and other external funds | 3,351 | 4,064 |
| Fringe benefits | 11,662 | 10,808 |
| **Total** | **364,871** | **392,034** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

As of March 31, 2020, the number of staff amounted to 6,673 employees (March 31, 2019 adjusted: 6,422 employees) and averaged 6,676 employees in financial year 2019/20 (2018/19 adjusted: 6,568 persons).

The number of staff of the previous year was adjusted by staff of discontinued operations (segments Carrier and Public Transport). The number of staff has increased especially in the USA, Austria and Poland compared to the adjusted number of the previous year. Staff costs increased as the number of employees grew, particularly in the USA, where personnel costs were relatively high. Listed fringe benefits mainly refers to benefits in the USA.

## 8 Expenses for amortization and depreciation.

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| Depreciation of property, plant and equipment | 10,056 | 28,689 |
| Amortization of intangible assets | 8,924 | 9,789 |
| Depreciation of investment properties | 216 | 216 |
| Amortization of costs to obtain a contract | 99 | -99 |
| **Total** | **19,295** | **38,595** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

In financial year 2019/20 depreciation of property, plant and equipment included EUR 19,347 k from depreciation of right-of-use assets from leases due to initial application of standard IFRS 16. Details can be found in note 15.

## 9 Impairment charge.

| | 2018/19 | 2019/20 |
|---|---:|---:|
| Impairment on intangible assets | 0 | 36,670 |
| Impairment on tangible assets | 0 | 17 |
| Impairment on right-of-use assets from leases | 0 | 65 |
| Impairment on costs to obtain or fulfil a contract | 0 | 4,100 |
| **Total** | **0** | **40,852** |

In financial year 2019/20 the impairment on intangible assets related to the service concession agreement and other intangible assets in Zambia (EUR 13,759 k) as well as the impairment of the goodwill (EUR 22,911 k) of the cash-generating units IMS-EMEA, ETC-EMEA and Enterprise.

The impairment on property, plant and equipment as well as the impairment of right-of-use assets from leases related to the company in Zambia too. The impairments in Zambia were made due to the updated assessments of business developments (see note 16).

As a result of the early termination of the passenger vehicle toll projects in Germany, there was an impairment of costs to obtain a contract amounting EUR 4,100 k (see note 2).

## 10 Other operating expenses.

| | 2018/19 [1] | 2019/20 [1] |
|---|---:|---:|
| Communication and IT expenses | 12,517 | 22,523 |
| Legal and consulting fees | 21,018 | 15,605 |
| Travel expenses | 14,705 | 14,771 |
| Exchange rate losses from operating activities | 4,281 | 8,982 |
| Automobile expenses | 11,740 | 8,185 |
| Marketing and advertising expenses | 9,800 | 8,173 |
| Rental expenses | 22,460 | 7,903 |
| Allowance and write-off of receivables and contract assets | -429 | 7,609 |
| Maintenance | 6,179 | 7,071 |
| Office expenses | 3,234 | 5,032 |
| Taxes and charges | 5,493 | 4,834 |
| Insurance costs | 5,229 | 3,812 |
| Training costs | 1,917 | 1,864 |
| License and patent expenses | 1,869 | 1,854 |
| Damages | 40 | 1,808 |
| Bank charges | 2,235 | 1,799 |
| Transport costs | 2,102 | 1,640 |
| Operating losses from changes in the fair value of derivative financial instruments | 233 | 280 |
| Other | 6,714 | 4,202 |
| **Total** | **131,336** | **127,947** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

The application of IFRS 16 led to a decrease of EUR 14,557 k in rental expenses as well as a decrease of EUR 3,556 k in automobile expenses. Starting from financial year 2019/20 these expenses were shown as depreciation of right-of-use assets from leases. The decrease of EUR 5,412 k in legal and consulting fees caused by higher costs in financial year 2018/19 mainly due to legal assistance and legal representation in the USA, Austria, Germany and Australia. Write-off and allowance of receivables and contract assets increased by EUR 8,038 k and relates to the reassessment of the business development in Zambia (EUR 5,939 k) as well as relevant depreciations and impairments in the USA (EUR 1,138 k). Damages in financial year 2019/20 mainly related to South African entities. The increase in communication and IT expenses (EUR 10,006 k) is mainly due to the fact that since financial year 2019/20 IT expenses within the Kapsch Group are charged by the associated company Kapsch Financial Services GmbH, Vienna and previously by the affiliated company Kapsch BusinessCom AG, Vienna.

Operating foreign exchange losses of EUR 8,982 k were significantly higher than in the adjusted previous year (EUR 4,281 k) and were primarily due to exchange rate fluctuations of the currencies South African rand and US dollar in respect to euro.

## 11 Financial result.

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| **Finance income** | **9,914** | **5,738** |
| Interest income | 1,535 | 1,771 |
| Interest income from leases | 0 | 702 |
| Income from securities, recognized at fair value through profit or loss | 148 | 81 |
| Income from other investments, recognized at fair value through profit or loss | 789 | 0 |
| Income from interest accretion of non-current receivables | 22 | 1 |
| Gains from the disposal of financial assets, recognized at fair value through profit or loss | 5,116 | 1 |
| Gains from the change of the fair value of derivative financial instruments | 1,092 | 322 |
| Income from hyperinflation adjustment | 0 | 285 |
| Exchange rate gains from financing activities | 1,213 | 2,575 |
| | | |
| **Finance cost** | **-16,395** | **-32,923** |
| Interest expense | -7,957 | -7,149 |
| Interest expenses from leases | 0 | -2,358 |
| Expense from securities, recognized at fair value through profit or loss | -17 | -611 |
| Expense from other investments, recognized at fair value through profit or loss | -1 | -5,655 |
| Expense from interest accretion of non-current liabilities | -110 | -101 |
| Expense from change in fair value of derivative financial instruments | -729 | -1,830 |
| Exchange rate losses from financing activities | -6,434 | -11,565 |
| Expense from hyperinflation adjustment | 0 | -2,598 |
| Interest expense from liabilities from post-employment benefits to employees | -1,019 | -975 |
| Interest expense from liabilities from anniversary bonuses to employees | -128 | -82 |
| | | |
| **Financial result** | **-6,481** | **-27,185** |

[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

The exchange rate gains and losses resulted mainly from foreign currency fluctuations on intercompany financing, in particular of the subsidiaries in North America (US dollar vs. euro) and South Africa (South African rand against euro) and Zambia (Zambian kwacha against euro).

Expenses from other investments, recognized at fair value through profit or loss, mainly related to the investment in Q-Free ASA, Norway (EUR -5,655 k, previous year: EUR +789 k). Gains from the disposal of financial assets, recognized at fair value through profit or loss, related to the sale of the investment in ParkJockey Global Inc., USA, in financial year 2018/19.

Argentina is classified as a hyperinflationary country and the effects are shown in the financial result.

## 12 Income taxes.

| | 2018/19 [1] | 2019/20 [1] |
|---|---:|---:|
| Current income taxes | -15,062 | -10,487 |
| Deferred taxes | 855 | 19,590 |
| **Total** | **-14,207** | **9,104** |
| thereof income/expense from group taxation | -236 | 13 |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

For financial year 2019/20, the applicable income tax rate is at 25% (2018/19: 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. financial 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:

| | 2018/19 [1] | 2019/20 [1] |
|---|---:|---:|
| **Result before income taxes** | **65,432** | **-80,554** |
| Arithmetic tax expense/income | -16,358 | 20,138 |
| Effects of different tax rates in the Group | 2,483 | 2,688 |
| Unrecognized deferred tax assets on current tax losses and impairment of previously recognized tax losses | -2,754 | -7,971 |
| Recognition of deferred tax assets for unrecognized previous-year tax losses | 4,951 | 452 |
| Tax allowances claimed and other permanent tax differences | -1,309 | -3,263 |
| Income and expenses not subject to tax and other differences | -1,966 | -3,626 |
| Adjustment in respect to previous year | 747 | 685 |
| **Recognized tax expense/income** | **-14,207** | **9,104** |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

Unrecognized deferred tax assets on current tax losses and impairment of previously recognized tax losses mainly related to the impairment in South Africa and Zambia, which cannot be used based on the plans for the next few years. Deferred tax assets for previously unrecognized losses in financial year 2019/20 mainly related to tax loss carry-forwards in Spain. In financial year 2018/19 it was mainly related to tax loss carry-forwards in the USA and Brazil. The tax effects from previous periods related to adjustments of 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 28.

## 13 Discontinued operations.

On May 23, 2019, a purchase agreement between KAPSCH-Group Beteiligungs GmbH, Vienna, as well as Kapsch PublicTransportCom GmbH, Vienna and the IT service provider and system integrator S&T AG, Linz, was signed. This contract contained the transfer of the entire Kapsch CarrierCom Group and the operational division of Kapsch PublicTransportCom GmbH, Vienna, and affected the Carrier and Public Transport segments. The economic transition took place on May 31, 2019.

For financial year 2019/20 as well as the previous financial year 2018/19 these segments were presented separately as discontinued operations in the consolidated statement of comprehensive income as well as in the consolidated cash flow statement.

The information presented refers to the period of two months from April 1, 2019 to May 31, 2019 and in the previous year to the whole financial year 2018/19.

| | 2018/19 | 2019/20 |
|---|---|---|
| Revenues | 118,124 | 10,046 |
| Other operating income | 6,313 | 4,033 |
| Changes in finished and unfinished goods and work in progress | -2,060 | 112 |
| Cost of materials and other production services | -75,764 | -5,238 |
| Staff costs | -45,288 | -8,495 |
| Amortization and depreciation | -2,884 | -459 |
| Other operating expenses | -19,712 | -21,989 |
| **Operating result** | **-21,271** | **-21,990** |
| Finance income | 1,060 | 211 |
| Finance costs | -846 | -239 |
| **Financial result** | **214** | **-28** |
| **Result before income taxes** | **-21,056** | **-22,019** |
| Income taxes | 3,048 | -90 |
| **Result for the period of discontinued operations** | **-18,008** | **-22,108** |
| thereof attributable to equity holders of the company | -18,008 | -22,108 |
| thereof attributable to non-controlling interests | 0 | 0 |
| | | |
| **Other comprehensive income for the period** | | |
| Currency translation differences | 44 | -69 |
| **Total items subsequently to be reclassified to the result for the period** | **44** | **-69** |
| Remeasurements of liabilities from post-employment benefits | 403 | 0 |
| Income tax relating to items subsequently not to be reclassified to the result for the period | -95 | 0 |
| **Total items subsequently not to be reclassified to the result for the period** | **308** | **0** |
| **Other comprehensive income for the period net of tax of discontinued operations** | **352** | **-69** |
| | | |
| **Total comprehensive income for the period of discontinued operations** | **-17,656** | **-22,178** |
| thereof attributable to equity holders of the company | -17,656 | -22,178 |
| thereof attributable to non-controlling interests | 0 | 0 |
| | | |
| **Cash flow from discontinued operations** | **2018/19** | **2019/20** |
| Cash flow from operating activities of discontinued operations | -4,518 | 894 |
| Cash flow from investing activities of discontinued operations | 4,675 | -10,547 |
| Cash flow from financing activities of discontinued operations | -2,594 | 544 |
| **Net increase/decrease in cash and cash equivalents of discontinued operations** | **-2,437** | **-9,109** |
| | | |
| **Carrying amounts of assets and liabilities** | **March 31, 2019** | **May 31, 2019** |
| Non-current assets | 44,049 | 44,385 |
| Current assets | 106,612 | 95,175 |
| **Total assets** | **150,661** | **139,560** |
| | | |
| Non-current liabilities | 28,194 | 27,981 |
| Current liabilities | 102,126 | 115,841 |
| **Total liabilities** | **130,320** | **143,821** |
| Total equity | 20,341 | -4,261 |
| **Total equity and liabilities** | **150,661** | **139,560** |
| | | |
| **Contingent liabilities** | | |
| Spain (GSM-R project) | 30,000 | 0 |
| Germany (GSM-R project) | 16,490 | 0 |
| Ireland (GSM-R project) | 18,300 | 0 |
| Guarantees against third parties for subsidiaries | 5,887 | 0 |
| **Total** | **70,677** | **0** |

Bank guarantees amounting to EUR 21,130 k were assigned to discontinued operations.

The gains from sale of discontinued operations resulted as follows:

| | 2019/20 |
|---|---|
| Consideration received | 0 |
| Carrying amount of net assets sold | -4,261 |
| **Gains from sale of entities** | **4,261** |

## 14 Other comprehensive income.

| | 2018/19 [2] | | | 2019/20 [2] | | |
|---|---|---|---|---|---|---|
| | Before taxes | Tax expense/ income | After taxes | Before taxes | Tax expense/ income | After taxes |
| Remeasurements of liabilities from post-employment benefits | -3,909 | 872 | -3,037 | -8,836 | 1,985 | -6,851 |
| Currency translation differences [1] | -3,351 | 0 | -3,351 | 1,011 | 0 | 1,011 |
| Currency translation differences from net investments in a foreign operation | 4,026 | -1,006 | 3,019 | 1,217 | -304 | 913 |
| Cash flow hedges | -291 | -0 | -291 | 0 | 0 | 0 |
| **Fair value changes recognized in equity** | **-3,527** | **-134** | **-3,661** | **-6,608** | **1,681** | **-4,927** |

[1] Due to the finalization purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.
[1] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

In financial year 2013/14, two USD loans granted by Kapsch TrafficCom AG to subsidiaries in the USA, were classified as net investments in a foreign operation in accordance with IAS 21, as the management board of Kapsch TrafficCom AG does not plan to repay these loans in the foreseeable future and repayment is not probable. Exchange differences arising on these loans are recognized in other comprehensive income.

The item “Cash flow hedges” refers to the effective portion of changes in the fair value of derivatives designated as cash flow hedges. In financial year 2019/20 there were no cash flow hedges.

## 15 Property, plant and equipment.

| | Land and buildings | Technical equipment and machinery | Construction in progress | Other equipment, factory and office equipment | Total |
|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2019** | **25,657** | **10,159** | **2,753** | **14,437** | **53,006** |
| Adjustment due to initial application of IFRS 16 | 66,576 | 0 | 0 | 9,868 | 76,444 |
| **Carrying amount as of April 1, 2019** | **92,233** | **10,159** | **2,753** | **24,305** | **129,450** |
| Currency translation differences | -1,330 | -234 | 29 | -211 | -1,747 |
| Reclassification | 1,360 | 102 | -2,682 | 1,362 | 141 |
| Additions from business combinations | 0 | 12 | 0 | 10 | 22 |
| Additions | 36,186 | 3,066 | 3,572 | 12,504 | 55,329 |
| Disposals relating to discontinued operations | -2,537 | -1,159 | -17 | -2,346 | -6,059 |
| Disposals | -8,589 | -919 | -2,508 | -1,652 | -13,668 |
| Scheduled depreciation and impairment | -16,549 | -3,042 | 0 | -9,517 | -29,108 |
| **Carrying amount as of March 31, 2020** | **100,774** | **7,984** | **1,147** | **24,455** | **134,360** |
| | | | | | |
| Acquisition/production costs | 136,942 | 40,672 | 1,147 | 75,482 | 254,242 |
| Accumulated depreciation | -36,167 | -32,688 | 0 | -51,027 | -119,882 |
| **Carrying amount as of March 31, 2020** | **100,774** | **7,984** | **1,147** | **24,455** | **134,360** |

The following right-of-use assets from leases (due to the initial application of IFRS 16) are capitalized under property, plant and equipment:

| | Right-of- use from leases of buildings | Right-of-use from leases of cars and other vehicles | Right-of- use from leases of IT-equipment | Right-of-use from other leases | Total |
|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2019** | **14,405** | **0** | **0** | **0** | **14,405** |
| Adjustment due to initial application of IFRS 16 | 66,576 | 7,415 | 721 | 1,732 | 76,444 |
| **Carrying amount as of April 1, 2019** | **80,981** | **7,415** | **721** | **1,732** | **90,849** |
| Currency translation differences | -1,328 | -168 | 8 | 17 | -1,470 |
| Additions | 35,512 | 5,083 | 179 | 350 | 41,124 |
| Disposals | -8,567 | -255 | -472 | -0 | -9,295 |
| Scheduled depreciation and impairment | -15,078 | -3,443 | -167 | -723 | -19,412 |
| **Carrying amount as of March 31, 2020** | **91,520** | **8,632** | **269** | **1,376** | **101,797** |
| | | | | | |
| Acquisition/production costs | 114,253 | 11,958 | 345 | 2,102 | 128,658 |
| Accumulated depreciation | -22,733 | -3,325 | -76 | -726 | -26,861 |
| **Carrying amount as of March 31, 2020** | **91,520** | **8,632** | **269** | **1,376** | **101,797** |

Right-of-use from leases of buildings are included in the item „Land and buildings“, all other right-of-use assets are included in the item „Other equipment, factory and office equipment“. Lease liabilities are presented in note 27. As of March 31, 2019 property, plant and equipment is shown as follows:

| | Land and buildings | Technical equipment and machinery | Construction in progress | Other equipment, factory and office equipment | Total |
|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2018** | **27,486** | **8,241** | **3,907** | **15,827** | **55,461** |
| Currency translation differences | -6 | 133 | 73 | -144 | 56 |
| Reclassification | 1,086 | 1,712 | -3,288 | 490 | 0 |
| Additions from business combinations | -0 | 0 | 0 | 155 | 155 |
| Additions | 501 | 3,362 | 3,954 | 4,558 | 12,375 |
| Disposals | -232 | -10 | -1,893 | -323 | -2,458 |
| Scheduled depreciation | -3,178 | -3,278 | 0 | -6,126 | -12,583 |
| **Carrying amount as of March 31, 2019** | **25,657** | **10,159** | **2,753** | **14,437** | **53,006** |
| | | | | | |
| Acquisition/production costs | 53,469 | 56,273 | 2,753 | 74,768 | 187,264 |
| Accumulated depreciation | -27,812 | -46,114 | 0 | -60,331 | -134,258 |
| **Carrying amount as of March 31, 2019** | **25,657** | **10,159** | **2,753** | **14,437** | **53,006** |

As of March 31, 2019 there were right-of-use assets from leases of buildings amounting to EUR 14,405 k.

## 16 Intangible assets.

| | Capitalized development costs | Concessions and rights | Goodwill | Intangible assets on completion | Intangible assets from service concession arrangements | Total |
|---|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2019** [1] | **5,550** | **27,325** | **115,473** | **2,507** | **10,617** | **161,473** |
| Currency translation differences | 12 | -455 | -25 | 15 | -844 | -1,297 |
| Reclassification | 464 | 2,860 | -0 | -3,464 | 0 | -141 |
| Additions from business combinations | 0 | 1 | 872 | 0 | 0 | 872 |
| Additions | 325 | 3,206 | 0 | 1,154 | 1,441 | 6,126 |
| Disposals relating to discontinued operations | -3,585 | -1,100 | -9,360 | 0 | 0 | -14,046 |
| Disposals | -36 | -0 | 0 | 0 | 0 | -36 |
| Impairment | 0 | -2,838 | -22,911 | 0 | -10,921 | -36,670 |
| Scheduled amortization | -803 | -8,750 | 0 | 0 | -293 | -9,846 |
| **Carrying amount as of March 31, 2020** | **1,926** | **20,249** | **84,048** | **212** | **0** | **106,436** |
| | | | | | | |
| Acquisition/production costs | 12,111 | 133,431 | 84,048 | 212 | 10,309 | 240,111 |
| Accumulated amortization | -10,185 | -113,182 | 0 | 0 | -10,309 | -133,675 |
| **Carrying amount as of March 31, 2020** | **1,926** | **20,249** | **84,048** | **212** | **0** | **106,436** |

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

| | Capitalized development costs | Concessions and rights | Goodwill | Intangible assets on completion | Intangible assets from service concession arrangements | Total |
|---|---|---|---|---|---|---|
| **Carrying amount as of March 31, 2018** | **6,391** | **24,765** | **110,067** | **1,934** | **0** | **143,157** |
| Currency translation differences | 74 | -429 | 2 | 119 | -919 | -1,154 |
| Reclassification | -20 | 758 | 0 | -738 | 0 | 0 |
| Additions from business combinations [1] | 884 | 6,598 | 5,404 | 0 | 10,503 | 23,387 |
| Additions | 437 | 3,310 | 0 | 1,206 | 1,362 | 6,316 |
| Disposals | -1,781 | 842 | 0 | -14 | 0 | -953 |
| Scheduled amortization | -434 | -8,519 | 0 | 0 | -328 | -9,281 |
| **Carrying amount as of March 31, 2019** [1] | **5,550** | **27,325** | **115,473** | **2,507** | **10,617** | **161,473** |
| | | | | | | |
| Acquisition/production costs | 44,481 | 173,274 | 115,473 | 2,507 | 10,935 | 346,670 |
| Accumulated amortization | -38,932 | -145,948 | 0 | 0 | -318 | -185,198 |
| **Carrying amount as of March 31, 2019** | **5,550** | **27,325** | **115,473** | **2,507** | **10,617** | **161,473** |

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Intangible assets from service concession arrangements relate to assets from a service concession arrangement in Zambia, that is included according to the interpretation IFRIC 12. The contract consists of an implementation and an operations phase and is concluded over a contract term of 17 years, until October 2034. The concession covers the design, construction and operation of nation-wide systems and solutions for traffic monitoring, vehicle speed enforcement and vehicle inspection as well as vehicle registration. At the end of the concession period, the project infrastructure and related rights are transferred to the concessionaire. During the implementation phase of the project, an intangible asset is built up, which is amortized over the operation phase of the project. In financial year 2019/20 revenues amounting to EUR 1,441 k were recognized in the statement of comprehensive income. The additions are included in the cash flow from investing activities. As part of the implementation is already finalized and operations started, amortization amounting to EUR 293 k was recognized in financial year 2019/20. The recoverability of intangible assets is tested annually until their completion and afterwards in case of any indications of impairment.

### 16.1 Recoverability of intangible assets with finite useful lives.

Intangible assets (excluding intangible assets with indefinite useful lives) are allocated to the individual companies and are tested for impairment at this level if there are any indications of impairment. Due to the updated assessment of the business development in Zambia and the project in Intelligent Mobility Solutions Ltd, Zambia, activities in this country were largely discontinued. This change in assessment resulted in an impairment test of intangible assets and property, plant and equipment in Intelligent Mobility Solutions Ltd, Zambia. As of March 31, 2020, the service concession arrangement was impaired by EUR 10,921 k, software by EUR 2,838 k and property, plant and equipment by EUR 82 k. They were allocated to the IMS segment. The discount rate was 13.63%.

### 16.2 Recoverability of goodwill.

Goodwill is allocated to the following six groups of cash-generating units (CGUs) and is tested for impairment at this level:

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| CGU **ETC-Americas**: Electronic Toll Collection, Americas | 21,386 | 21,386 |
| CGU **ETC-EMEA**: Electronic Toll Collection, Europe, Middle East and Africa | 37,184 | 24,184 |
| CGU **ETC-APAC**: Electronic Toll Collection, Asia and Pacific | 13,436 | 13,436 |
| **Electronic Toll Collection (ETC)** | **72,006** | **59,006** |
| CGU **IMS Americas**: Intelligent Mobility Solutions, Americas | 6,340 | 6,340 |
| CGU **IMS-EMEA**: Intelligent Mobility Solutions, Europe, Middle East and Africa [1)] | 9,040 | 0 |
| CGU **IMS-APAC**: Intelligent Mobility Solutions, Asia and Pacific | 434 | 434 |
| **Intelligent Mobility Solution (IMS)** | **15,814** | **6,774** |
| **Traffic** | **87,820** | **65,780** |
| Enterprise (CGU EN) | 18,268 | 18,268 |
| Carrier (CGU MCN, discontinued operations) | 9,386 | 0 |
| **Total** | **115,474** | **84,048** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Due to the sale of the segment Carrier in financial year 2019/20 the goodwill in this CGU was disposed.

The Group has performed an impairment test for each group of CGUs to test the impairment of the goodwill. Due to the impairment test and the calculated value in use the goodwill of CGU IMS-EMEA has been fully impaired and the goodwill of CGU ETC-EMEA has been impaired by EUR 13,000 k in financial year 2019/20.

**Key assumptions for impairment testing.**

The following key assumptions for determining of the recoverable amount of the cash-generating units were made:

| | 2018/19 | 2019/20 |
|---|---|---|
| Determination of recoverable amount | Value in use | Value in use |
| Detailed planning period | 4 years | 4 years |
| Terminal value growth rate | 2.0% | 2.0% |
| Market risk premium | 7.3% | 8.49% |
| Risk-free rate | 0.9% | 0.01% |

**Key assumptions for segment Traffic.**

In the case of all cash-generating units of the subgroup, the market side is generally based on a project business in which the Group is commissioned to set up an ETC or IMS system. In connection with this, long-term operation business can often be generated. In addition, system extensions (e.g. through additional routes or additional applications) and/or further ongoing component deliveries for these customers can also be provided within the framework of such long-term contracts. This characteristic of the project business is also reflected in the market planning process of the individual cash-generating units. The subgroup plans each customer project as carefully as possible for each performance obligation in its project planning tool. Projects can be planned very reliable, in which systems have already been implemented and where there are still medium- and long-term service transactions and several years of experience with customers associated with. In these cases, the further development and the potential for additional business can usually be planned very reliably over the entire remaining term. For new implementation projects, the uncertainties regarding technical implementation, timing and quantities are higher. In general, the closer the award dates of such implementation projects are, the more reliable planning is in this respect. Implementation projects for which the Group has already been selected as a supplier or which are even already in the implementation phase can also be planned with particular accuracy. Projects, which are unlikely to be won or executed at the time of budgeting are not included in the budget or medium-term planning. Uncertainties, delays and deviations can never be completely ruled out in the project business, however such risks are minimized in the best possible way by professional project management and controlling. Furthermore, planning includes the sale of components that are not related to construction projects. This, too, can generally be estimated very well on the basis of many years of experience.

The effects resulting from the implementation of the new leasing standard IFRS 16 are included in the impairment testing of financial year 2019/20. The previous year was planned without IFRS 16 effects.

The impacts of the COVID-19-pandemic were taken into account in the impairment test, whereby for some of the customer orders postponements to the next few years were planned. Defaults on customer contracts are only planned to a small extent.

Key assumptions for determining expected cash flows of the cash-generating units:

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 revenues.

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, Switzerland, Poland and the Republic of Belarus as well as the ongoing implementation in Bulgaria and in France, 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 public invitations to tender are in preparation or already in progress.

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 revenues.

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, 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-Americas is based especially on road safety and traffic monitoring systems.

CGU: IMS-EMEA.
Management has based its determination on the assumption that demand for intelligent mobility solutions, particularly road telematics solutions will continue to rise in Spain, Austria and Saudi Arabia, also taking into consideration the ongoing implementation in Great Britain and the Netherlands. 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.

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.

In addition to Kapsch TrafficCom AG, the peer group assumed for the impairment test comprises another eleven peer companies, of which only nine companies in financial year 2019/20 were relevant for determining the parameters (2018/19: seven companies). The composition of the companies in the peer group has not changed since the previous year. The debt/equity ratio of the peer group in financial year 2019/20 was 18.3% (2018/19: 12.6%); the unlevered beta factor was 0.6 (2018/19: 0.6). Effects resulting from the initial application of IFRS 16 were included in the unlevered beta factor and the debt/equity ratio.

**Key assumptions segment Enterprise.**

This cash-generating unit is expected to broaden the scope of business with existing customers. In Austria, the strong position in the field of ICT infrastructure was further expanded. The strategy adopted by the management in conjunction with corresponding acquisitions is proving to be correct and will continue to be pursued in the following financial years. The effects of the COVID-19-pandemic were not yet felt in the past financial year. However, at the beginning of the new financial year 2020/21, management has already taken measures to reduce the impact on the company. Managing the pandemic is the biggest challenge for management and Kapsch BusinessCom Group is well positioned for its customers with its portfolio and digitization strategy. Based on a sharpened IT strategy, Kapsch is positioning itself as an attractive service partner for ICT solutions. The management assumes that the revenue potential in the IT area will continue to grow, although a “dent” must also be expected in financial year 2020/21 as a result of the COVID-19 measures. In the following financial year, however, the original growth path should be reached again.

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 solutions for customers from various sectors such as industry, finance, healthcare or the public sector.

The extensive portfolio of this CGU 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.

Digitization affects all sectors, whether service companies, trade, industry or the health and financial sectors. New technologies are not only used to improve existing processes, but also to open up new business opportunities. Since the basic principles of digitization 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 know-how in the area of Big Data or security, as well as providing the necessary human resources to implement large projects.

On the one hand, ongoing cost optimization and internal digitization projects will lead to efficiency gains, while on the other hand these optimizations will result in a disproportionately low increase in costs (especially personnel expenses) in relation to the increase in revenues.

**Results of the impairment test.**

| | | ETC- | | | IMS- | | EN |
|---|---|---|---|---|---|---|---|
| **2019/20** | **Americas** | **EMEA** | **APAC** | **Americas** | **EMEA** | **APAC** | |
| Carrying amount of goodwill allocated to the CGU | 21,386 | 24,184 | 13,436 | 6,340 | 0 | 434 | 18,268 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill) | 0 | 212 | 0 | 0 | 0 | 0 | 0 |
| Value in use of the CGU | 472,310 | 110,303 | 203,842 | 66,506 | 19,830 | 24,093 | 115,196 |
| Carrying amount of the CGU | 149,313 | 110,303 | 19,308 | 40,203 | 19,830 | 2,513 | 78,276 |
| Discount rate | 6.1% | 9.1% | 5.4% | 7.3% | 8.2% | 5.4% | 7.2% |
| Discount rate before tax | 8.1% | 11.8% | 7.0% | 9.9% | 10.6% | 7.2% | 9.6% |
| Break-even discount rate before tax | 29.9% | 11.8% | 79.7% | 19.5% | 10.6% | 174.0% | 12.7% |

| | | ETC- | | | IMS- | | EN | MCN |
|---|---|---|---|---|---|---|---|---|
| **2018/19** | **Americas** | **EMEA** | **APAC** | **Americas** | **EMEA** | **APAC** | | |
| Carrying amount of goodwill allocated to the CGU [1)] | 21,386 | 37,184 | 13,436 | 6,340 | 9,040 | 434 | 18,268 | 9,386 |
| Carrying amount of intangible assets with indefinite useful life allocated to the CGU (excl. goodwill) | 0 | 874 | 0 | 1,348 | 285 | 0 | 0 | 0 |
| Value in use of the CGU | 397,835 | 462,193 | 285,437 | 176,424 | 99,332 | 64,092 | 96,694 | 39,976 |
| Carrying amount of the CGU [1)] | 91,898 | 166,795 | 25,676 | 27,893 | 35,565 | 1,289 | 76,624 | 38,725 |
| Discount rate | 5,4 % | 8,6 % | 4,9 % | 5.9 % | 8.3 % | 5,0 % | 7,6 % | 7,9 % |
| Discount rate before tax | 7,2 % | 11,1 % | 6,4 % | 7.8 % | 11.0 % | 6,7 % | 10,3 % | 10,1 % |
| Break-even discount rate before tax | 28,7 % | 35,6 % | 86,7 % | 64.3 % | 21.5 % | 513.8 % | 12,4 % | 10,4 % |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

**Sensitivity analyses with impact of changes to the value in use of the CGUs:**

| 2019/20 | ETC- Americas | ETC- EMEA | ETC- APAC | IMS- Americas | IMS- EMEA | IMS- APAC | EN |
|---|---|---|---|---|---|---|---|
| Discount rate, +10% | -49,590 | -10,855 | -26,164 | -5,101 | -4,004 | -2,885 | -15,589 |
| Revenue growth, +10% | 3,643 | 613 | 1,386 | 337 | 326 | 367 | 1,049 |
| EBITDA margin, +10% | 9,246 | 4,316 | 3,254 | 1,238 | 1,099 | 325 | 4,538 |
| Terminal value growth rate, +0,5%p | 45,465 | 5,481 | 29,318 | 3,348 | 2,443 | 3,244 | 11,509 |
| | | | | | | | |
| Discount rate, -10% | 66,561 | 13,944 | 36,014 | 6,603 | 5,223 | 3,974 | 20,629 |
| Revenue growth, -10% | -3,545 | -607 | -1,351 | -331 | -323 | -337 | -1,036 |
| EBITDA margin, -10% | -9,246 | -4,316 | -3,254 | -1,238 | -1,099 | -325 | -4,538 |
| Terminal value growth rate, -0,5%p | -35,524 | -4,764 | -21,770 | -2,774 | -2,078 | -2,407 | -9,495 |

| 2018/19 | ETC- Americas | ETC- EMEA | ETC- APAC | IMS- Americas | IMS- EMEA | IMS- APAC | EN | MCN |
|---|---|---|---|---|---|---|---|---|
| Discount rate, +10% | -50,358 | -45,293 | -37,908 | -20,434 | -13,375 | -8,315 | -11,945 | -5,774 |
| Revenue growth, +10% | 4,291 | 533 | 1,813 | 589 | 1,723 | 1,085 | 477 | 2,396 |
| EBITDA margin, +10% | 8,570 | 10,013 | 3,880 | 2,958 | 5,157 | 1,152 | 3,200 | 1,494 |
| Terminal value growth rate, +0,5%p | 56,181 | 25,456 | 49,459 | 19,854 | 7,830 | 10,571 | 8,211 | 4,058 |
| | | | | | | | | |
| Discount rate, -10% | 69,237 | 58,662 | 53,274 | 27,652 | 17,338 | 11,640 | 15,751 | 7,568 |
| Revenue growth, -10% | -4,153 | -532 | -1,763 | -583 | -1,708 | -1,032 | -473 | -2,347 |
| EBITDA margin, -10% | -8,570 | -10,013 | -3,880 | -2,958 | -5,157 | -1,152 | -3,200 | -1,494 |
| Terminal value growth rate, -0,5%p | -41,716 | -21,867 | -34,860 | -15,343 | -6,676 | -7,520 | -6,875 | -3,424 |

### 16.3 Capitalized development costs.

Development costs relate to expenses which, in accordance with IAS 38, are capitalized and amortized over 3 to 15 years once the assets are available for commercial use. In financial year 2019/20 they mainly relate to development projects for software solutions of Kapsch TrafficCom Group (2018/19 development projects for software solutions of Kapsch CarrierCom Belgium NV, Belgium as well as Kapsch TrafficCom Group).

Additional research and development costs of the Group in financial year 2019/20 amounted to EUR 134.842 k (2018/19 adjusted: EUR 114.674 k). The definition of which expenses are to be allocated to research and development, was revised. The amount of the previous year´s figures had to be adjusted accordingly. The change compared to the previous year is that expenses for IPR management are no longer included and discontinued operations are excluded. EUR 69,860 k related to project-specific development costs charged to the customer in financial year 2019/20 (2018/19 adjusted: EUR 51,361 k). The remaining amount of EUR 64,982 k (2018/19 adjusted: EUR 63,313 k) was recognized as an expense.

## 17 Investment properties.

| | 2018/19 | 2019/20 |
|---|---|---|
| **Carrying amount as of March 31 of previous year** | **3,507** | **3,292** |
| Additions | 0 | 0 |
| Scheduled depreciation | -216 | -216 |
| **Carrying amount as of March 31 of financial year** | **3,292** | **3,076** |
| | | |
| Acquisition/production costs | 4,316 | 4,316 |
| Accumulated depreciation | -1,025 | -1,241 |
| **Carrying amount as of March 31 of financial year** | **3,292** | **3,076** |

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, 2020 amounts to EUR 6,629 k (March 31, 2019: EUR 6,495 k).

**Parameters of the capitalized earnings method.**

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Interest rate for property | 6.00% | 6.00% |
| Remaining useful life in years | 36 | 35 |
| Multiplying factor | 14.62 | 14.50 |

The gross income from the rental of investment property as of March 31, 2020 amounts to EUR 594 k (March 31, 2019: EUR 564 k).

The operating expenses from investment properties are as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period | -322 | -275 |
| 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 EUR 107 k (2018/19: EUR 103 k).

## 18 Interests in associates and joint ventures.

The associated companies include Traffic Technology Services Inc., USA, and LLC National operator of telematic services, Russia, Kapsch Financial Services GmbH, Vienna, CALPANA business consulting GmbH, Linz and Sensor Network Services GmbH, Vienna. KAPSCH-Group Beteiligungs GmbH accounts for these companies using the equity method. Proportional results are reported in result before income taxes after financial result.

The joint ventures comprise autoTicket GmbH, Germany, Copiloto Colombia S.A.S., Colombia, and the Consortium MyConsorzio, Italy. These companies are also accounted for using the equity method. As the activities and strategies of autoTicket GmbH, Germany, and Copiloto Colombia S.A.S., Colombia, are part of the core business of Kapsch TrafficCom, the proportional results are reported under result from operations.

Interests in associates and joint ventures developed as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| **Carrying amount as of March 31 of previous year** | **9,058** | **23,462** |
| Disposals relating to discontinued operations | 0 | -60 |
| Additions | 20,293 | 19,366 |
| Reclassification of other investments due to additional purchase of shares | 2,897 | 0 |
| Disposal | -4,135 | -1 |
| Proportional result of the period from core business | 942 | -4,639 |
| Adjustments for elimination of intercompany transactions | 0 | -199 |
| Loss from revaluation of shares due to business combination | -47 | 0 |
| Gain from revaluation of shares due to business combination | 523 | 0 |
| Disposal due to business combination | -5,360 | 0 |
| Proportional result of the period from financial investments | -120 | -644 |
| Impairment | -81 | 0 |
| Dividend payments | -507 | -499 |
| Currency translation differences | 0 | -136 |
| **Carrying amount as of March 31 of financial year** | **23,462** | **36,651** |
| thereof interests in associates | 12,509 | 11,929 |
| thereof interests in joint ventures | 10,953 | 24,722 |

The conversion of borrowed capital into equity at **autoTicket GmbH, Germany**, resulted in an addition to the carrying amount of EUR 17,857 k in 2019/20. As this amount was not converted until the end of the financial year, it is reported in cash flow under „Purchase of securities, investments and other non-current financial assets". Furthermore, Copiloto Colombia S.A.S., Colombia, in which Kapsch TrafficCom holds a 50% share, was founded together with a partner. The addition for this company amounted to EUR 947 k, half of which was made as a contribution in kind.

As described under „Business Combinations" (Note 34.2), **Intelligent Mobility Solutions Ltd, Zambia**, was fully consolidated in the financial year 2018/19. The revaluation of the shares due to business combination and the disposal due to business combination related to this company.

As of October 1, 2019, Kapsch BusinessCom AG, Vienna acquired the remaining shares in **evolaris next level GmbH, Graz**, holding 100% in that entity. Starting with the third quarter in financial year 2019/20 the entity starts to be accounted for as an affiliated company (fully consolidated). Until then the interests in this associate were accounted for using the equity method. The carrying amount of the interests as of September 30, 2019 amounted to EUR 0 k (March 31, 2019: EUR 0 k). Proportional results from this associate until September 30, 2019 were reported in the result before income taxes after the financial result.

Due to the sale of Kapsch CarrierCom sub-group, the joint venture **Rail Telecom SPA, Algeria**, were the Group held 49% of the shares, was disposed in the first quarter of the financial year 2019/20. In April and May of the current financial year the Algerian joint venture was accounted for using the equity method. The carrying amount of the interest as of May 31, 2019 amounted to EUR 60 k (March 31, 2019: EUR 60 k).

### 18.1 Interests in associates.

**Kapsch Financial Services GmbH, Vienna.**
As of March 31, 2020 the Group holds an interest of 49% in Kapsch Financial Services GmbH, Vienna (March 31, 2019: 49%). The carrying amount of the interests as of March 31, 2020 amounted to EUR 2,563 k (March 31, 2019: EUR 2,538 k). Proportional results from this associate are reported in the result before income taxes after the financial result. In financial year 2019/20 the proportional dividends amounted to EUR 287 k.

The financial data of the entity as of the latest balance sheet date is as follows:

| | September 30, 2018 | September 30, 2019 |
|---|---|---|
| Non-current assets | 34,876 | 46,399 |
| Current assets | 1,353 | 3,991 |
| Non-current liabilities | -454 | -24,466 |
| Current liabilities | -33,414 | -23,657 |
| **Net assets** | **2,362** | **2,267** |
| Revenues | 32,989 | 41,893 |
| Result for the period | 1,034 | 592 |
| Other comprehensive income | -6 | -7 |
| **Total comprehensive income** | **1,028** | **585** |

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.

**Sensor Network Services GmbH, Vienna.**

As of March 31, 2020 the Group holds an interest of 37.5% in the company Sensor Network Services GmbH, (March 31, 2019: 37.5%). The interests are accounted for using the equity method. The carrying amount of the interests in financial year 2019/20 amounted to EUR 1,106 k (March 31, 2019: EUR 544 k). The addition of the carrying amount of EUR 563 k is due to a capital increase. 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 is as follows:

| | December 31, 2018 | December 31, 2019 |
|---|---|---|
| Non-current assets | 558 | 927 |
| Current assets | 839 | 843 |
| Non-current liabilities | -1 | 0 |
| Current liabilities | -295 | -261 |
| **Net assets** | **1,100** | **1,509** |
| Revenues | 25 | 197 |
| Result for the period | -348 | -1,090 |
| Other comprehensive income | 0 | 0 |
| **Total comprehensive income** | **-348** | **-1,090** |

**CALPANA business consulting GmbH, Linz.**

The Group held 40% of the shares in CALPANA business consulting GmbH, Linz as of March 31, 2020 (March 31, 2019: 40%). The interests are accounted for using the equity method. The carrying amount of the interests as of March 31, 2020 amounted to EUR 347 k (March 31, 2019: EUR 347 k). Proportional results from this associate are reported in the result before income taxes after the financial result. The proportional dividend in financial year 2019/20 amounted to EUR 212 k.

The financial data of the entity as of the latest balance sheet date is as follows:

| | March 31, 2018 | March 31, 2019 |
|---|---|---|
| Non-current assets | 32 | 221 |
| Current assets | 2,427 | 1,825 |
| Non-current liabilities | -742 | 0 |
| Current liabilities | -650 | -1,473 |
| **Net assets** | **1,068** | **573** |
| Revenues | 3,564 | 3,477 |
| Result for the period | 889 | 526 |
| Other comprehensive income | 0 | 0 |
| **Total comprehensive income** | **889** | **526** |

**LLC National operator of telematic services, Russia.**
On December 3, 2015, together with a partner, the Kapsch TrafficCom founded the Russian company LLC National operator of telematic services and holds an interest of 49%. As of March 31, 2020, the carrying amount and the proportional result amounted to EUR 0 k (March 31, 2019: EUR 0 k).

**Traffic Technology Services Inc., USA.**
As of 31 March 2020, the Group held 41.56% in the entity. The carrying amount of the share as of March 31, 2020 was EUR 7,913 k. (March 31, 2019: EUR 9,080 k). In financial year 2019/20, the proportional result of this associate amounted to EUR -1,167 k (2018/19: EUR -253 k).

The financial data of the entity as of the latest balance sheet date is as follows:

| | **March 31, 2019** | **March 31, 2020** |
|---|---:|---:|
| Non-current assets | 8,660 | 10,118 |
| Current assets | 3,912 | 353 |
| Non-current liabilities | -1,511 | -1,637 |
| Current liabilities | -262 | -469 |
| **Net assets** | **10,799** | **8,365** |
| | | |
| | **2018/19** | **2019/20** |
| Revenues | 335 | 1,290 |
| Result for the period | -770 | -2,809 |
| Other comprehensive income | 0 | 0 |
| **Total comprehensive income** | **-770** | **-2,809** |

## 18.2 Joint Ventures.

**autoTicket GmbH, Germany.**
Information as well as the summary of the financial data for autoTicket GmbH, Germany, is included in note 2. The proportional result of financial year 2019/20 amounted to EUR -4,578 k (2018/19: EUR 754 k). The carrying amount as of March 31, 2020 amounted to EUR 24,045 k (March 31, 2019: EUR 10,766 k).

**Copiloto Colombia S.A.S., Colombia.**
In financial year 2019/20, the company Copiloto Colombia S.A.S., Colombia, was established with a partner in equal shares (50%). The proportional result in financial year 2019/20 amounted to EUR -60 k. The carrying amount as of March 31, 2020 amounted to EUR 551 k.

The financial data of the entity as of March 31 is as follows:

| | **March 31, 2019** | **March 31, 2020** |
|---|---:|---:|
| Non-current assets | n.a. | 540 |
| Current assets | n.a. | 952 |
| Non-current liabilities | n.a. | -20 |
| Current liabilities | n.a. | -2 |
| **Net assets** | **n.a.** | **1,470** |
| | | |
| Cash and cash equivalents | n.a. | 883 |
| Financial liabilities (non-current and current) | n.a. | 0 |
| | | |
| | **2018/19** | **2019/20** |
| Revenues | n.a. | 0 |
| Result for the period | n.a. | -121 |
| Other comprehensive income | n.a. | 0 |
| **Total comprehensive income** | **n.a.** | **-121** |

| Reconciliation | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Net assets at beginning of financial year | n.a. | 0 |
| Increase of nominal capital and capital reserve | n.a. | 1,603 |
| Total comprehensive income | n.a. | -121 |
| **Net assets as of March 31 of financial year** | **n.a.** | **1,501** |
| | | |
| Share (50%) | n.a. | 750 |
| Adjustments for elimination of intercompany transactions | n.a. | -199 |
| **Carrying amount as of March 31 of financial year** | **n.a.** | **551** |

**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 (2019/20: EUR 0 k) 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. On March 31, 2020, tolltickets GmbH, Germany, resigned from the Consorzio 4trucks consortium. In return, Kapsch TrafficCom received a compensation in the amount of EUR 38 k in May 2020.

As of March 31, 2020, the carrying amount of the shares in the consortium MyConsorzio amounted to EUR 1 k (March 31, 2019 both consortia summarized: EUR 1 k). The financial data of the entities as of the latest balance sheet date is as follows:

| | December 31, 2018 | December 31, 2019 |
|---|---|---|
| Non-current assets | 19 | 17 |
| Current assets | 559 | 590 |
| Non-current liabilities | -17 | -20 |
| Current liabilities | -560 | -611 |
| **Net assets** | **1** | **-23** |
| | | |
| | **2018/19** | **2019/20** |
| Revenue | 2,852 | 4,986 |
| Result for the period | 1 | -13 |
| Other comprehensive income | 1 | 0 |
| **Total comprehensive income** | **2** | **-13** |

### 18.3 Joint Operations.

The Group had several joint arrangements in financial year 2019/20, mainly for implementation and maintenance projects, for example a traffic-management system in Lima, Peru. These joint arrangements are classified as joint operations. The company MoKA SAS, France, is also included in the Group as a joint operation. None of the joint operations is material individually to the Group in financial year 2019/20. Proportional revenues in the amount of EUR 10,493 k (2018/19: EUR 15,496 k) and proportional results in the amount of EUR -645 k (2018/19: EUR 484 k) were included in the respective items in the consolidated financial statements.

## 19 Financial instruments.

| Financial instruments by category at carrying amount | March 31, 2019 | March 31, 2020 |
|---|---|---|
| **Trade receivables and other current assets** | **332,572** | **248,771** |
| **At amortized cost** | **257,686** | **196,907** |
| Trade receivables | 257,686 | 196,907 |
| **At fair value through profit or loss** | **50** | **0** |
| Derivative financial instruments (Fair value level 2) | 50 | 0 |
| **Other non-financial assets [1]** | **74,836** | **51,864** |
| | | |
| **Contract assets (non-current and current) at amortized cost** | **189,107** | **183,100** |
| | | |
| **Other financial assets and investments (non-current and current)** | **23,656** | **18,080** |
| **At fair value through profit or loss** | **21,001** | **15,473** |
| Securities (Fair value level 1) | 9,497 | 9,062 |
| Current securities (Fair value level 1) | 0 | 96 |
| Derivative financial instruments (Fair value level 2) | 79 | 59 |
| Investments (Fair value level 1) | 11,389 | 5,734 |
| Investments (Fair value level 3) | 37 | 521 |
| **At amortized cost** | **2,655** | **2,607** |
| Other financial assets and loans (non-current) | 1,520 | 1,406 |
| Other financial assets and loans (current) | 1,135 | 1,200 |
| | | |
| **Cash and cash equivalents at amortized cost** | **139,000** | **169,680** |
| | | |
| **Financial liabilities (non-current and current) at amortized cost** | **302,084** | **336,813** |
| Promissory note bond (Fair value level 2) | 74,794 | 75,160 |
| Project financing non-current (Fair value level 2) | 50,000 | 37,500 |
| Operating loans non-current (Fair value level 2) | 46,492 | 96,718 |
| Other financial liabilities (Fair value level 2) | 130,798 | 127,435 |
| | | |
| **Lease liabilities (non-current and current) at amortized cost [2]** | **14,479** | **139,428** |
| | | |
| **Trade payables at amortized cost** | **124,252** | **117,745** |
| | | |
| **Other liabilities and deferred income (non-current and current)** | **132,319** | **101,634** |
| **At amortized cost** | **7,083** | **4,089** |
| Variable purchase price components (earn-out, fair value level 3) | 5,737 | 3,573 |
| Other financial liabilities | 1,346 | 515 |
| **At fair value through profit or loss** | **1,237** | **1,110** |
| Derivative financial instruments (Fair value level 2) | 1,237 | 1,110 |
| **Other non-financial liabilities [1]** | **123,999** | **96,435** |

[1] Non-financial receivables and liabilities are only included for reconciliation with the respective balance sheet item.
[2] Lease liabilities belong to financial liabilities, but do not underly the disclosure requirements of IFRS 7.

**Changes and fair value.**
No reclassifications between the hierarchy levels were made in financial year 2019/20.

As in the previous year, the securities as of March 31, 2020 relate to government and bank bonds as well as shares in investment funds. Kapsch used the option according to IFRS 9 to recognize one debt instrument at fair value through profit and loss instead of amortized costs.

As of March 31, 2020 the 15.4% investment (March 31, 2019: 15.4%) in the listed Q-Free ASA, Norway, recognized at fair value through profit and loss amounted to EUR 5,734 k.

The carrying amount of “trade receivables and other current assets”, “contract assets”, “other current financial assets and loans”, “cash and cash equivalents”, “trade payables” and “other liabilities and deferred income”, which are valued at amortized cost, is a reasonable approximation of the fair value in accordance with IFRS 7.29. These positions are attributable to level 3.

The fair value of non-current and current financial liabilities amounted to EUR 76,437 k for the promissory note bond (March 31, 2019: EUR 72,818 k), EUR 37,344 k for the project financing (March 31, 2019: EUR 47,194 k), EUR 96,685 k for the non-current operating loans (March 31, 2019: EUR 44,429 k) and EUR 128,338 k for other financial liabilities (March 31, 2019: EUR 127,915 k). The fair value of other non-current financial assets and loans amounted to EUR 1,594 k (March 31, 2019: EUR 766 k) and of other non-current financial liabilities amounted to EUR 498 k (March 31, 2019: EUR 1,302 k). Details on the level 3 earn-out liabilities can be found in note 32. The fair values of investment properties can be found in note 17.

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

Level 1: There are quoted prices in active markets for identical assets and liabilities. In the Group, the investment in Q-Free ASA, Norway, as well as listed equity instruments 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 securities that are not regularly traded on a stock market, derivative financial instruments and financial liabilities.

Specific valuation techniques used to value financial instruments include:
> Quoted market prices are used 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.
> The fair value of financial liabilities classified as level 2 was derived through discounting the gross cash flows over the contracted term at a risk-adjusted interest rate.
> 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 this category. Variable purchase price components (earn-out) fall into this category, for example. They are based on agreed conditions and the expectation of the future sales/earnings development of the respective subsidiaries. Long-term purchase price components are discounted using a risk-adjusted interest rate.

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

| | 2018/19 [1] | 2019/20 [1] |
|---|---|---|
| Loans and receivables recognized at (amortized) cost | -3,664 | -8,829 |
| Financial liabilities recognized at (amortized) cost | -8,068 | -9,607 |
| At fair value through profit or loss | 6,269 | -7,773 |
| **Total** | **-5,462** | **-26,209** |

2) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

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

The table in this note shows the balance sheet values. The operating gains/losses from the change in the fair value of derivative financial instruments amounted to EUR 176 k and EUR -280 k respectively (2018/19: EUR 6,268 k and EUR -233 k). The gains and losses included in the financial result are shown in note 11.

To hedge the foreign currency risk, certain derivative financial instruments are designated as cash flow hedges to an insignificant extent. These are forward exchange contracts with different maturities and currencies. Changes to cash flow hedges are shown in other comprehensive income. As in the previous year, there were no hedges designated as cash flow hedges as of March 31, 2020.

## 20 Other non-current assets.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Costs to obtain a contract [1] | 4,200 | 0 |
| Other non-current receivables | 4,877 | 1,083 |
| **Total** | **9,077** | **1,083** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

In financial year 2019/20 the purchase price allocation for the business combination in Zambia was finalized and therefore the costs to obtain a contract were corrected as of March 31, 2019 (see note 34.2). With regard to the early termination of the passenger vehicle toll projects in Germany the costs to obtain a contract were impaired by EUR 4,100 k.

Other non-current receivables include rental guarantees for buildings. In the previous financial year other non-current receivables mainly consist of tax refunds in France in the amount of EUR 3,631 k that were disposed due to the sale of segments Carrier and Public Transport.

As in the previous year, the remaining term is more than 1 year but less than 5 years from the balance sheet date. Gross cash flows of other non-current assets up to 2 years amount to EUR 50 k (March 31, 2019: EUR 950 k), between 2 and 3 years EUR 289 k (March 31, 2019: EUR 1,152 k) and more than 3 years EUR 864 k (March 31, 2019: EUR 2,927 k).

## 21 Inventories.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Purchased parts and merchandise, at acquisition cost | 40,270 | 28,018 |
| Unfinished goods and work in progress, at production cost | 5,070 | 4,356 |
| Finished goods, at production cost | 32,627 | 27,385 |
| Prepayments on inventories | 1,815 | 962 |
| **Total** | **79,782** | **60,721** |

On one hand the inventories for projects decreased especially in Austria, Bulgaria and Canada and on the other hand the inventories for projects increased in the USA. Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to EUR 23,385 k as at March 31, 2020 (March 31, 2019: EUR 25,869 k). In the reporting period EUR 2,484 k were recognized in the statement of comprehensive income (2018/19: EUR 1,454 k).

In case the assumptions made for the impairment of inventories would change by 10%, the effect would be slightly different with an amount of approximately EUR -5,975 k or EUR +5,528 k (March 31, 2019: EUR -7,797 k or EUR +7,139 k).

## 22 Trade receivables and other current assets.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Trade receivables | 264,424 | 205,319 |
| Allowance for bad debt | -6,738 | -8,412 |
| **Trade receivables – net** | **257,686** | **196,907** |
| Receivables from tax authorities (other than income tax) | 28,349 | 17,353 |
| Other receivables and prepaid expenses | 46,538 | 34,511 |
| **Total trade receivables and other current assets** | **332,572** | **248,771** |

Allowance for bad debt developed as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| **Balance as of March 31 of previous year** | **-9,697** | **-6,738** |
| Adjustment due to initial application of IFRS 9 | -3,037 | - |
| **Balance as of April 1 of previous year** | **-12,733** | **-6,738** |
| Disposals relating to discontinued operations | -62 | 771 |
| Additions relating to specific bad debt reserve | -836 | -4,650 |
| Utilization relating to specific bad debt reserve | 6,408 | 380 |
| Disposals relating to specific bad debt reserve | 692 | 488 |
| Expected credit losses according to IFRS 9 | -158 | 592 |
| Currency translation differences | -50 | 746 |
| **Balance as of March 31 of financial year** | **-6,738** | **-8,412** |

Maturity structure of trade receivables:

| | 2018/19 | 2019/20 |
|---|---|---|
| Not yet due | 187,918 | 115,052 |
| Overdue | | |
| 1-30 days | 31,555 | 60,083 |
| 31-60 days | 4,919 | 5,728 |
| 61-90 days | 5,743 | 1,629 |
| 91-180 days | 17,795 | 8,649 |
| 181-270 days | 2,769 | 1,624 |
| More than 271 days | 13,726 | 12,554 |
| **Total** | **264,424** | **205,319** |

Total trade receivables are with 85,3% not due or overdue within 1-30 days (previous year: 83,0 %). There is no concentration of credit risk with respect to trade receivables, except for the toll collection project in Bulgaria, as the Group generally has a large number of customers worldwide. Trade receivables relating to the toll collection project in Bulgaria amounted to EUR 27,610 k (March 31, 2019: EUR 46,016 k) whereas the trade receivables of the previous year (EUR 46,016 k) were fully paid.

## 23 Contract assets and contract liabilities.

Contract assets and liabilities are composed as follows:

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Current contract assets | 168,796 | 171,037 |
| Allowance on current contract assets | -695 | -1,715 |
| **Total current contract assets** | **168,101** | **169,322** |
| Non-current contract assets | 21,151 | 14,990 |
| Allowance on non-current contract assets | -144 | -1,212 |
| **Total non-current contract assets** | **21,007** | **13,778** |
| **Total contract assets** | **189,107** | **183,100** |
| | | |
| Current contract liabilities | 53,907 | 33,275 |
| Non-current contract liabilities | 11,457 | 25,985 |
| **Total contract liabilities** | **65,365** | **59,260** |

Impairment on contract assets amounted to EUR 2,927 k as of March 31, 2020 (March 31, 2019: EUR 840 k). Beside the expected credit loss on contract assets due to IFRS 9, there were allowances on contract assets due to the project in Zambia as well as of a project in the USA. In financial year 2019/20 allowances amounting to EUR 2,267 k (2018/19: EUR 428 k) were included in the statement of comprehensive income.

An amount of EUR 29,907 k of the contract liabilities in total amounting to EUR 65,365 k as of March 31, 2019 was recognized in revenues in financial year 2019/20 (2018/19: EUR 33,375 k).

In case the margins would change by 10% compared to the assumptions made, the sensitivity analysis indicates that operating profits would change with an increase of margins and a decrease of margins by approximately EUR 9,666 k and EUR -10,775 k respectively. The assumptions made in the past showed that the estimates were largely reliable up to now.
The future revenues from performance obligations that are unsatisfied are as follows:

| | 2018/19 [1)] | 2019/20 [1)] |
|---|---|---|
| **Future revenues** | **2,722,221** | **1,936,171** |
| Total up to 1 year | 875,928 | 678,297 |
| Between 1 and 2 years | 525,149 | 344,960 |
| Between 2 and 3 years | 225,982 | 212,370 |
| Between 3 and 4 years | 183,675 | 162,988 |
| Between 4 and 5 years | 98,520 | 124,667 |
| More than 5 years | 812,967 | 412,890 |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

## 24 Cash and cash equivalents.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Cash on hand | 133 | 142 |
| Deposits held with banks | 138,867 | 169,538 |
| **Total** | **139,000** | **169,680** |

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.

## 25 Equity.

**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 as well as reserves from other comprehensive income, for example reserves for currency translation differences, remeasurements of liabilities from post-employment benefits after deduction of deferred taxes as well as in the previous year changes of the cash flow hedge reserve after deduction of deferred taxes. In 2018/19 effects from the release of historical negative non controlling-interests were included.

**Consolidated retained earnings.** Retained earnings include the net result for the financial 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.

**Changes of shares and capital in subsidiaries.**
The effects from changes of shares and capital in subsidiaries in financial year 2019/20 mainly resulted from the adjustment of the non-controlling interest in Streetline Inc., USA, as well as remeasurements of liabilities from post-employment benefits after deduction of deferred taxes. The effects from changes of shares and capital in subsidiaries in the financial year 2018/19 resulted from shifts of shares between subgroups of Kapsch Group which led to shifts in shareholdings and the effects from deconsolidation of subsidiaries from the liquidation of various subsidiaries

**Acquisition of shares in subsidiaries.**
The effects from acquisition of shares in subsidiaries in the financial year 2018/19 essentially resulted from the full consolidation of Intelligent Mobility Solutions Ltd., Zambia (see note 34.2) and were adjusted as of March 31, 2019 due to the final purchase price allocation.

**Capital increase at subsidiaries.**
The effects of capital increases at subsidiaries in the financial year 2018/19 relate to capital subsidies, which were paid proportionately by the shareholders of tolltickets GmbH, Germany, and FLUIDTIME Data Services GmbH, Austria.

## 26 Current and non-current financial liabilities.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Non-current financial liabilities | 240,693 | 251,762 |
| Current financial liabilities | 61,391 | 85,050 |
| **Total** | **302,084** | **336,813** |

Movements are as follows:

| | March 31, 2019 | Disposals relating to discontinued operations | Reclassi-fication | Additions | Repay-ment | Currency translation differences and interest accrued | March 31, 2020 |
|---|---|---|---|---|---|---|---|
| Promissory note bond | 74,794 | 0 | 0 | 0 | 0 | 365 | 75,160 |
| Loans for acquisitions | 21,976 | 0 | -6,649 | 0 | 0 | 0 | 15,327 |
| Loans for project financing | 50,000 | 0 | -12,500 | 0 | 0 | 0 | 37,500 |
| Operating loans | 46,492 | 0 | -11,941 | 62,631 | 0 | -464 | 96,718 |
| Other non-current loans | 47,430 | -383 | -19,990 | 0 | 0 | 0 | 27,057 |
| **Non-current financial liabilities** | **240,693** | **-383** | **-51,080** | **62,631** | **0** | **-98** | **251,762** |
| Loans for acquisitions | 8,316 | 0 | 6,649 | 0 | -8,316 | 0 | 6,649 |
| Loans for project financing | 7,078 | -6,660 | 12,500 | 606 | -294 | 105 | 13,336 |
| Operating loans | 35,622 | -15,197 | 17,187 | 6,828 | -2,516 | -13 | 41,911 |
| Other current loans | 10,376 | 0 | 14,744 | 3,048 | -5,150 | 137 | 23,155 |
| **Current financial liabilities** | **61,391** | **-21,857** | **51,080** | **10,482** | **-16,276** | **230** | **85,050** |
| **Total** | **302,084** | **-22,240** | **0** | **73,113** | **-16,276** | **131** | **336,813** |

| | March 31, 2018 | Addition resulting from business combinations | Reclassi-fication | Additions | Repay-ment | Currency translation differences and interest accrued | March 31, 2019 |
|---|---|---|---|---|---|---|---|
| Promissory note bond | 73,622 | 0 | 0 | 36 | 0 | 1,136 | 74,794 |
| Loans for acquisitions | 30,292 | 0 | -8,316 | 0 | 0 | 0 | 21,976 |
| Loans for project financing | 50,000 | 0 | 0 | 0 | 0 | 0 | 50,000 |
| Operating loans | 42,537 | 0 | -2,729 | 6,685 | 0 | 1 | 46,492 |
| Other non-current loans | 13,516 | 227 | -6,412 | 40,080 | 0 | 19 | 47,430 |
| **Non-current financial liabilities** | **209,967** | **227** | **-17,457** | **46,801** | **0** | **1,155** | **240,693** |
| Loans for acquisitions | 9,982 | 0 | 8,316 | 0 | -9,982 | 0 | 8,316 |
| Loans for project financing | 7,583 | 0 | 0 | 0 | -237 | -269 | 7,078 |
| Operating loans | 77,235 | 0 | 2,529 | 4,002 | -49,343 | 1,200 | 35,622 |
| Other current loans | 8,845 | 475 | 6,612 | 869 | -6,836 | 411 | 10,376 |
| **Current financial liabilities** | **103,645** | **475** | **17,457** | **4,871** | **-66,398** | **1,341** | **61,391** |
| **Total** | **313,612** | **702** | **0** | **51,672** | **-66,398** | **2,496** | **302,084** |

Additions and repayments are cash-effective.

In October and December 2019, respectively, two long-term operating loans in the amount of each EUR 30,000 k with a term of 8 and 7 years and a variable interest rate were concluded. However, interest rate hedges which leads to fixed interests has been concluded for both loans.

The non-current financial liabilities include a promissory note bond ("Schuldscheindarlehen") amounting to EUR 75,160 k as of March 31, 2020, that was placed in June 2016. 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 million | 1.22% | yearly | June 16, 2021 |
| EUR 4.5 million | 6M EURIBOR + 120 Bp | semi-annual | June 16, 2021 |
| USD 14.5 million | 3M LIBOR + 170 Bp | quarterly | June 16, 2021 |
| EUR 23 million | 6M EURIBOR + 150 Bp | semi-annual | June 16, 2023 |
| EUR 8.5 million | 2.26% | yearly | June 16, 2026 |

The gross cash flows (including interest) of current and non-current financial liabilities are as follows:

| 2019/20 | Promissory note bond | Loans for acquisitions | Loans for project financing | Operating loans | Other loans | Total |
|---|---|---|---|---|---|---|
| In the next 6 months | 1,153 | 3,401 | 6,838 | 7,601 | 9,864 | 28,857 |
| In the next 7 to 12 months | 615 | 3,387 | 6,955 | 36,606 | 13,547 | 61,111 |
| **Gross cash flows up to one year** | **1,768** | **6,788** | **13,793** | **44,208** | **23,412** | **89,968** |
| Between 1 and 2 years | 44,618 | 6,734 | 12,750 | 8,421 | 9,991 | 82,514 |
| Between 2 and 3 years | 536 | 5,148 | 12,650 | 12,894 | 9,835 | 41,063 |
| Between 3 and 4 years | 23,364 | 3,578 | 12,550 | 41,873 | 6,699 | 88,064 |
| Between 4 and 5 years | 192 | 0 | 0 | 10,949 | 342 | 11,483 |
| Gross cash flows more than 5 years | 8,596 | 0 | 0 | 25,649 | 851 | 35,097 |
| **Total** | **79,074** | **22,247** | **51,743** | **143,994** | **51,130** | **348,188** |

| 2018/19 | Promissory note bond | Loans for acquisitions | Loans for project financing | Operating loans | Other loans | Total |
|---|---|---|---|---|---|---|
| In the next 6 months | 1,271 | 5,139 | 270 | 789 | 2,722 | 10,192 |
| In the next 7 to 12 months | 731 | 3,451 | 550 | 36,230 | 14,619 | 55,582 |
| **Gross cash flows up to one year** | **2,003** | **8,590** | **820** | **37,019** | **17,342** | **65,773** |
| Between 1 and 2 years | 1,463 | 6,845 | 13,096 | 12,209 | 20,400 | 54,013 |
| Between 2 and 3 years | 44,406 | 6,761 | 12,750 | 2,299 | 10,236 | 76,452 |
| Between 3 and 4 years | 536 | 5,155 | 12,650 | 1,892 | 9,852 | 30,085 |
| Between 4 and 5 years | 23,364 | 3,578 | 12,550 | 31,009 | 6,713 | 77,213 |
| Gross cash flows more than 5 years | 8,596 | 0 | 0 | 821 | 1,306 | 10,723 |
| **Total** | **80,367** | **30,929** | **51,866** | **85,249** | **65,849** | **314,260** |

Interest rates on current and non-current financial liabilities are as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Carrying fixed interest rates | 203,380 | 249,454 |
| Carrying variable interest rates | 98,704 | 87,358 |
| **Total financial liabilities** | **302,084** | **336,813** |
| | | |
| Average interest rates: | | |
| Loans for project financing [1] | 0.66–0.80% | 0.80–6.70% |
| Promissory note bond | 1.20–4.31% | 1.20–2.44% |
| Loans for acquisitions | 0.54–2.10% | 0.54–1.20% |
| Operating loans [1] | 0.62–3.65% | 0.70–12.95% |
| Other loans | 0.50–3.65% | 0.50–10.75% |

[1] The interest rate for loans in Argentina is 48,75%.

Liabilities to banks in the amount of EUR 6,894 k (March 31, 2019: EUR 8,165 k) are pledged with shares in Kapsch Financial Services GmbH, Vienna. Financial liabilities of Kapsch ConnexPlus GmbH, Vienna, were collateralized with a maximum amount of EUR 4,500 k and as of March 31, 2019 an amount of EUR 2,883 k was outstanding. As of March 31, 2020 that financial liability was not collateralized anymore.

Bills of exchange amounting to EUR 45,709 k (March 31, 2019: EUR 19,281 k) were issued for an export promotion loan and loans for acquisitions as well as for an operating loan.

## 27 Leases.

The Group adopted the new standard IFRS 16 as of the mandatory date of initial application (April 1, 2019) and elected to apply the modified retrospective approach, not providing comparative figures for the previous period. Lease liabilities as of March 31, 2019 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.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Non-current lease liabilities | 13,927 | 94,930 |
| Current lease liabilities | 551 | 44,498 |
| **Total** | **14,479** | **139,428** |

Movements of right-of-use assets from leases and classifications are included in note 15 property, plant and equipment. From the business as a lessor, especially in segment Enterprise, the following lease receivables are generated:

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Non-current lease receivables | 0 | 26,571 |
| Current lease receivables | 0 | 10,674 |
| **Total** | **0** | **37,246** |

The cash flows of current and non-current lease liabilities are as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| In the next 6 months | 285 | 16,332 |
| In the next 7 to 12 months | 266 | 28,166 |
| **Gross cash flows up to one year** | **551** | **44,498** |
| Between 1 and 2 years | 2,206 | 25,137 |
| Between 2 and 3 years | 0 | 19,972 |
| Between 3 and 4 years | 0 | 14,903 |
| Between 4 and 5 years | 0 | 9,586 |
| More than 5 years | 11,721 | 25,332 |
| **Total** | **14,479** | **139,428** |

The weighted average incremental borrowing rate applied for the valuation of lease liabilities as of March 31, 2020 amounted to 1.97%. In case the incremental borrowing rate would change by 0.5 Bp compared to the current one, the lease liabilities would change by approximately EUR -8,850 k and EUR +10,838 k respectively.

In financial year 2019/20 the lease payments (without interest) amounted to EUR 18,578 k. Interest expenses for lease liabilities amounted to EUR 1,655 k (see note 11).

The Group applies the exemptions regarding short-term leases with a term of not more than twelve months or a remaining term of not more than twelve months at the date of initial application, and leases of low-value assets. Those leases are not recognized in the balance sheet, instead, payments made for such leases continue to be recognized as expenses and in the cash flow from operating activities. Classifications of lease expenses are as follows:

| 2019/20 | Expenses relating to leases of low value assets | Expenses relating to short term leases | Expenses relating to variable lease payments and services | Total |
|---|---|---|---|---|
| Rental expenses | 211 | 2,429 | 5,264 | 7,903 |
| EDP expenditures | 11,787 | 0 | 5,577 | 17,364 |
| Automobile expenses | 14 | 594 | 7,577 | 8,185 |

## 28 Deferred tax assets/liabilities.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Deferred tax assets to be recovered after more than 12 months | 35,529 | 44,733 |
| Deferred tax assets to be recovered within 12 months | 11,477 | 8,322 |
| **Deferred tax assets** | **47,007** | **53,055** |
| | | |
| Deferred tax liabilities to be recovered after more than 12 months | 3,595 | 1,296 |
| Deferred tax liabilities to be recovered within 12 months | 6,957 | 1,290 |
| **Deferred tax liabilities** | **10,553** | **2,586** |
| **Deferred tax assets net (+)/deferred tax liabilities net (-)** | **36,454** | **50,469** |

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 EUR 245,359 k (March 31, 2019 adjusted: EUR 223,418 k) are not recognized due to the unsecure potential for future taxable income. The not recognized tax loss carry-forwards mainly relate to foreign subsidiaries, primarily in Spain, the USA, South Africa and Zambia and are, for the predominant part, not expiring or not 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:

| | March 31, 2019 | Disposals relating to discontinued operations | Through profit or loss of the period | Through other comprehen-sive income | Currency translation differences | Reclassifi-cation and off-set | March 31, 2020 |
|---|---|---|---|---|---|---|---|
| Tax loss carry-forwards | 9,397 | -541 | 13,069 | 0 | -650 | 0 | 21,275 |
| Provisions disallowed for tax purposes | 12,088 | -2,621 | -1,470 | 1,985 | -167 | -10 | 9,806 |
| Depreciation disallowed for tax purposes | 15,205 | -1,137 | -2,366 | 0 | 0 | 771 | 12,474 |
| Other (active deferred income) | 10,317 | -1,921 | 4,341 | -304 | -701 | -2,230 | 9,502 |
| **Deferred tax assets** | **47,007** | **-6,220** | **13,573** | **1,681** | **-1,518** | **-1,468** | **53,055** |
| | | | | | | | |
| Special depreciation/amortization of non-current assets | 67 | 0 | 208 | 0 | -0 | -139 | 135 |
| Gains from recognition at fair value | 4,829 | 0 | -2,663 | 0 | 0 | -696 | 1,470 |
| Other (passive deferred income) | 5,658 | -372 | -3,562 | 0 | -110 | -632 | 982 |
| **Deferred tax liabilities** | **10,553** | **-372** | **-6,017** | **0** | **-110** | **-1,468** | **2,586** |
| | | | | | | | |
| **Total change** | **36,454** | **-5,848** | **19,590** | **1,681** | **-1,408** | **0** | **50,469** |

| | March 31, 2018 | Transi-tion to new IFRS Standards | Addition resulting from business combinations | Through profit of loss of the period | Through other comprehen-sive income | Currency translation differences | Reclassifi-cation and off-set | March 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| Tax loss carry-forwards | 7,991 | 0 | 0 | 1,433 | 0 | -27 | 0 | 9,397 |
| Provisions disallowed for tax purposes | 12,537 | 0 | 0 | -1,245 | 872 | -76 | 0 | 12,088 |
| Depreciation disallowed for tax purposes | 15,695 | 0 | 0 | -491 | 0 | 0 | 0 | 15,205 |
| Other (active deferred income) | 4,051 | 445 | 0 | 8,548 | -1,006 | -85 | -1,636 | 10,317 |
| **Deferred tax assets** | **40,274** | **445** | **0** | **8,245** | **-134** | **-188** | **-1,636** | **47,007** |
| | | | | | | | | |
| Special depreciation/amortization of non-current assets | 489 | 0 | 0 | -443 | 0 | 20 | 0 | 67 |
| Gains from recognition at fair value | 3,869 | 0 | 2,318 | -1,359 | 0 | 0 | 0 | 4,829 |
| Other (passive deferred income) | -1,266 | 0 | 0 | 8,568 | 0 | -9 | -1,636 | 5,658 |
| **Deferred tax liabilities** | **3,093** | **0** | **2,318** | **6,767** | **0** | **11** | **-1,636** | **10,553** |
| | | | | | | | | |
| **Total change** | **37,181** | **445** | **-2,318** | **1,478** | **-134** | **-199** | **0** | **36,454** |

## 29 Liabilities from post-employment benefits to employees.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Termination benefits | 45,653 | 41,922 |
| Pension benefits | 29,476 | 26,940 |
| **Total** | **75,129** | **68,861** |

**Parameter.**
Termination benefits obligations were valued based on an interest rate of 0.30% – 0.80% (2018/19: 1.05% – 1.75%), retirement benefit obligations were valued based on an interest rate of 0.45% – 1.05% (2018/19: 1.30% – 2.05%) for the euro zone and based on an interest rate of 2.70% (2018/19: 3.80%) for Canada as well as an interest rate of 2.60% (2018/19: 3.50%) for pensioners and compensation increases based on a rate of 1.75% – 3.00% (2018/19: 2.00% – 3.00%). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using as in the previous year the mortality tables AVO 2018-P ANG by Pagler & Pagler for Austria and the 2014 Canadian Pension Mortality Private Tables for Canada. Pension increases were estimated at 1.53% on average (2018/19: 2.60%).

**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, payments into an external employee benefit fund are made on a monthly basis so that the Group does not normally incur any severance payments.

The following amounts are recognized in the balance sheet and the statement of comprehensive income for **termination benefits:**

| | 2018/19 | 2019/20 |
|---|---|---|
| **Carrying amount as of March 31 of previous year** | **41,506** | **45,653** |
| Disposals relating to discontinued operations | 0 | -5,755 |
| Remeasurements (actuarial gains/losses) | 2,951 | 4,172 |
| Current service cost | 2,084 | 1,154 |
| Past service costs | 1,090 | 0 |
| Interest expense | 651 | 504 |
| Payments | -2,643 | -3,720 |
| Currency translation differences | 13 | -86 |
| **Carrying amount as of March 31 of financial year** | **45,653** | **41,922** |
| Total, included in the staff costs | 3,175 | 1,154 |
| Total, included in the financial result | 651 | 504 |

Remeasurements are attributable to the following positions:

| | 2018/19 | 2019/20 |
|---|---|---|
| Remeasurements from changes in demographic assumptions | 2,106 | 102 |
| Remeasurements from changes in financial assumptions | 864 | 3,309 |
| Remeasurements from other changes (experience adjustments) | -19 | 761 |
| **Total** | **2,951** | **4,172** |

The expected allocation for termination benefits for the next financial year 2020/21 amounts to EUR 939 k. The weighted average duration amounts to 10.0 years.

In the following sensitivity analysis for termination benefit obligations, the impacts resulting from changes in significant actuarial assumptions were stated, whereas the other impact parameters were kept constant. However, in reality it will be rather likely that several of these parameters will change.

| Sensitivities | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Impact of changes in the discount rate | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | 2,178 | -2,021 |
| Expected annual interest expenses (IC) | ± 50 Bp | -208 | 188 |
| Expected annual service costs (CSC) | ± 50 Bp | 44 | -41 |
| | | | |
| Impact of changes in salary increases | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | -1,903 | 2,025 |
| Expected annual interest expenses (IC) | ± 50 Bp | -10 | 11 |
| Expected annual service costs (CSC) | ± 50 Bp | -42 | 46 |
| | | | |
| Impact of changes in fluctuation | | | |
| Defined benefit obligation (DBO) | ± 5% | 46 | -45 |
| Expected annual interest expenses (IC) | ± 5% | 0 | -0 |
| Expected annual service costs (CSC) | ± 5% | 2 | -2 |

**Pension benefits.**
Liabilities for retirement benefits recognized at the balance sheet date relate to retirees and active employees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are partly covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the Group (see note 7). For retirement benefits the Group bears the risk of longevity and inflation due to pension increases.

The following amounts are recognized in the balance sheet and the statement of comprehensive income for **pension benefits:**

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Present value of funded obligations | 7,473 | 10,183 |
| Fair value of plan assets | -3,139 | -3,981 |
| **Deficit of funded plans** | **4,334** | **6,202** |
| Present value of unfunded obligations | 25,142 | 20,737 |
| **Liability on the balance sheet** | **29,476** | **26,940** |

The defined benefit obligation developed as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| **Carrying amount as of March 31 of previous year** | **31,199** | **32,615** |
| Disposals relating to discontinued operations | 0 | -6,338 |
| Remeasurements (actuarial gains/losses) | 958 | 4,663 |
| Current service cost | 685 | 551 |
| Interest expense | 608 | 481 |
| Payments | -970 | -951 |
| Currency translation differences | 134 | -102 |
| **Carrying amount as of March 31 of financial year** | **32,615** | **30,920** |
| Total, included in the staff costs | 685 | 551 |
| Total, included in the financial result | 608 | 481 |

Remeasurements are attributable to the following positions:

| | 2018/19 | 2019/20 |
|---|---|---|
| Remeasurements from changes in demographic assumptions | 573 | 271 |
| Remeasurements from changes in financial assumptions | 811 | 4,390 |
| Remeasurements from other changes | -426 | 2 |
| **Total** | **958** | **4,663** |

The fair value of plan assets developed as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| **Carrying amount as of March 31 of previous year** | **2,687** | **3,139** |
| Expected return on plan assets | 29 | 419 |
| Employer contribution | 423 | 424 |
| Benefits paid | 0 | 0 |
| **Carrying amount as of March 31 of financial year** | **3,139** | **3,981** |

Plan assets are comprised as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Equity instruments | 30% | 36% |
| Debt instruments | 51% | 46% |
| Property | 12% | 14% |
| Other | 7% | 4% |
| | **100%** | **100%** |

The expected allocation for pension benefits for the next financial year 2020/21 amounts to EUR 989 k. The weighted average duration amounts to 17.8 years.

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.

| Sensitivities | Changes in assumption | Decrease in assumption | Increase in assumption |
|---|---|---|---|
| Impact of changes in the discount rate | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | 2,948 | -2,572 |
| Expected annual interest expenses (IC) | ± 50 Bp | -139 | 116 |
| Expected annual service costs (CSC) | ± 50 Bp | 93 | -80 |
| Impact of changes in salary increases | | | |
| Defined benefit obligation (DBO) | ± 50 Bp | -1,996 | 2,282 |
| Expected annual interest expenses (IC) | ± 50 Bp | -17 | 20 |
| Expected annual service costs (CSC) | ± 50 Bp | -60 | 68 |

**Analysis of expected maturity of undiscounted benefits.**

| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Termination benefits | 2,353 | 1,400 | 3,659 | 2,087 | 2,217 | 36,813 | 48,529 |
| Pension benefits | 938 | 932 | 925 | 932 | 997 | 28,605 | 33,331 |

## 30 Provisions.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Non-current provisions | 20,323 | 11,767 |
| Current provisions | 34,566 | 37,007 |
| **Total** | **54,889** | **48,774** |

The provisions changed as follows:

| | March 31, 2019 | Disposals relating to discontinued operations | Addition from accumu-lation | Addition | Utiliza-tion | Disposal | Reclassi-fication | Currency translation differences | March 31, 2020 |
|---|---|---|---|---|---|---|---|---|---|
| Obligations from anniversary bonuses | 7,477 | -828 | 20 | 1,323 | -122 | -320 | 0 | -23 | 7,527 |
| Warranties | 3,078 | 0 | 0 | 0 | 0 | 0 | -2,506 | 0 | 573 |
| Provision for losses from onerous contracts | 1,000 | 0 | 0 | 0 | 0 | 0 | -315 | 0 | 685 |
| Projects (excl. impending losses) | 2,364 | 0 | 0 | 0 | 0 | 0 | -2,238 | 0 | 126 |
| Legal fees, costs of litiga-tion and contract risks | 3,248 | 0 | 0 | 0 | 0 | 0 | -3,237 | 0 | 11 |
| Other non-current provisions | 3,157 | 0 | 35 | 804 | -145 | -146 | -592 | -268 | 2,846 |
| **Non-current provisions, total** | **20,323** | **-828** | **55** | **2,128** | **-267** | **-467** | **-8,888** | **-290** | **11,767** |
| Warranties | 1,803 | -1,269 | 0 | 1,551 | -1,725 | -43 | 2,506 | -118 | 2,704 |
| Provision for losses from onerous contracts | 8,852 | -5,795 | 0 | 17,591 | -0 | -1,925 | 315 | 172 | 19,210 |
| Projects (excl. impending losses) | 8,296 | -4,603 | 0 | 2,723 | -109 | -85 | 2,238 | -222 | 8,238 |
| Legal fees, costs of litiga-tion and contract risks | 10,263 | -12,187 | 0 | 3,281 | -905 | -1,735 | 3,237 | -28 | 1,926 |
| Other current provisions | 5,352 | -14,903 | 0 | 21,448 | -5,197 | -2,176 | 592 | -186 | 4,929 |
| **Current provisions, total** | **34,566** | **-38,757** | **0** | **46,593** | **-7,936** | **-5,964** | **8,888** | **-383** | **37,007** |
| **Total** | **54,889** | **-39,584** | **55** | **48,721** | **-8,203** | **-6,430** | **0** | **-674** | **48,774** |

| | March 31, 2018 | Additions from busi-ness combi-nations | Addition from accumu-lation | Addition | Utiliza-tion | Disposal | Reclassi-fication | Currency translation differences | March 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Obligations from anniversary bonuses | 5,951 | 0 | 143 | 2,017 | -152 | -486 | 0 | 4 | 7,477 |
| Warranties | 2,931 | 0 | 0 | 0 | 0 | 0 | 148 | 0 | 3,078 |
| Losses from onerous contracts | 2,200 | 0 | 0 | 0 | 0 | 0 | -1,200 | 0 | 1,000 |
| Projects (excl. impending losses) | 4,013 | 0 | 0 | 0 | 0 | 0 | -1,650 | 0 | 2,364 |
| Legal fees, costs of litiga-tion and contract risks | 246 | 0 | 0 | 0 | 0 | 0 | 3,001 | 0 | 3,248 |
| Other non-current provisions | 4,686 | 0 | 39 | 1,896 | 0 | -2,910 | -295 | -259 | 3,157 |
| **Non-current provisions, total** | **20,027** | **0** | **181** | **3,913** | **-152** | **-3,396** | **4** | **-255** | **20,323** |
| Warranties | 1,485 | 46 | 0 | 922 | -230 | -343 | -148 | 71 | 1,803 |
| Losses from onerous contracts | 6,947 | 0 | 0 | 7,307 | -5,691 | -1,031 | 1,200 | 121 | 8,852 |
| Projects (excl. impending losses) | 15,086 | 0 | 0 | 1,362 | -9,155 | -514 | 1,650 | -132 | 8,296 |
| Legal fees, costs of litiga-tion and contract risks | 8,144 | 7 | 0 | 12,757 | -6,698 | -1,181 | -3,001 | 235 | 10,263 |
| Other current provisions | 4,652 | 9 | 0 | 4,781 | -3,031 | -1,202 | 295 | -151 | 5,352 |
| **Current provisions, total** | **36,314** | **61** | **0** | **27,129** | **-24,806** | **-4,272** | **-4** | **143** | **34,566** |
| **Total** | **56,341** | **61** | **181** | **31,042** | **-24,959** | **-7,667** | **0** | **-111** | **54,889** |

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 0.20% – 0.70% (2018/19: 0.95% – 1.75%), the earliest possible statutory retirement age including transition provisions and using as in the previous year the mortality tables AVO 2018-P ANG by Pagler & Pagler. Increases in salary were considered at 2.00%-2.50% (2018/19: 2.50%). It is expected that an amount of EUR 491 k will be used in financial year 2020/21 and the remaining amount in the following financial years. A change in discount rates, salaries and fluctuation of 50 bp each would only have an insignificant impact on the balance sheet and the statement of comprehensive income.

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 EUR 1,380 k will be used in the first half of financial year 2020/21, EUR 1.324 k in the second half of the year and the remaining amount of EUR 573 k in the following financial years.

In financial year 2019/20, an amount of EUR 19,895 k was set up in the short-term area of provisions for “losses from onerous contracts”. A major part of this amount was provided by an American subsidiary for various implementation projects, which cannot be completed with a profit. In the first half of financial year 2020/21 utilization in the amount of EUR 47 k and in the second half of the year utilization in the amount of EUR 19,163 k is expected. The remaining amount of EUR 685 k is expected in the following financial years.

The provisions for “projects (excl. impending losses)” mainly relate to maintenance-, extension- and repair services for current toll projects. It is expected that an amount of EUR 6,749 k will be used in the first half of the financial year 2020/21, EUR 1,489 k in the second half of the year and the remaining amount of EUR 126 k in the following financial years.

Provisions for “legal fees, costs of litigation and contract risks” mainly relate to current legal cases and consulting costs. In 2019/20 an important court ruling was passed in connection with legal disputes with the company Neology, Inc., USA. The Supreme Federal Court for Patent Law Issues has finally ruled against the competitor that the patent claims cited are invalid. The provision for this dispute was released in financial year 2019/20. It is expected that the full amount of provisions for „legal fees, costs of litigation and contract risks“ will be used in financial year 2020/21, of which EUR 931 k will be used in the first half of the year.

“Other provisions” mainly include provisions for taxes and duties, provisions for commissions and bonuses and provisions for dismantling, removing and restoring assets. It is expected that an amount of EUR 717 k will be used in the first half of financial year 2020/21, EUR 3,362 k in the second half of the year and the remaining amount of EUR 2,846 k in the following financial years.

## 31 Other non-current liabilities.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Liabilities from acquisition of shares | 3,573 | 3,573 |
| Non-current liabilities from derivative financial instruments | 954 | 1,084 |
| Non-current trade payables | 573 | 0 |
| Other | 773 | 515 |
| **Total** | **5,873** | **5,172** |

The liabilities from acquisition of shares as of March 31, 2020 mainly related to the long-term part of the variable purchase price component (sales-based earn-out payment) from the acquisition of the shares in eCrome Systems AG, Switzerland (see note 32).

The non-current liabilities from derivative financial instruments amounting to EUR 1,084 k (2018/19: EUR 954 k) included EUR 769 k (2018/19: EUR 954 k) 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 EUR 315 k (2018/19: EUR 0 k) liabilities from the valuation of forward exchange contracts.

Non current trade payables related in the previous financial year to trade payables to subcontractors for the construction of the Czech truck toll system in the amount of EUR 573 k. This liability was paid completely in financial year 2019/20.

The non-current liabilities were discounted on the basis of cash flows using discount rates. The gross cash flows of other non-current liabilities are as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Less than 2 years | 1,091 | 1,306 |
| Between 2 and 3 years | 313 | 153 |
| More than 3 years | 4,782 | 3,866 |
| **Total** | **6,186** | **5,325** |

## 32 Other liabilities and deferred income.

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Other prepayments received | 7,935 | 3,937 |
| Other employee liabilities | 54,055 | 52,381 |
| Liabilities to tax authorities (other than income tax) | 21,652 | 9,473 |
| Sundry liabilities and deferred income | 42,803 | 30,671 |
| **Total** | **126,445** | **96,462** |

The position „sundry liabilities and deferred income" included as of March 31, 2019 the short-term portion of the variable purchase price component (sales-based earn-out payment) from the acquisition of the remaining 48% interest in Kapsch Telematic Services spol. s r.o., Czech Republic, amounting to EUR 2,000 k. This was fully paid in financial year 2019/20.
The development of the earn-out liabilities was as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| **Carrying amount as of March 31 of previous year** | **9,250** | **5,736** |
| Addition | 3,747 | 0 |
| Disposal | -7,298 | -2,177 |
| Interests | 37 | 14 |
| **Carrying amount as of March 31 of financial year** | **5,736** | **3,573** |

## 33 Contingent liabilities and other commitments.

The contingent liabilities of the Group are mainly the result of major projects in the segment Traffic.

The contingent and other liabilities solely comprise obligations owed to third parties and are in line with standard industry practice. They detail as follows:

| | March 31, 2019 [1] | March 31, 2020 |
|---|---|---|
| **Contract, warranty, performance and bid bonds** | | |
| South Africa (toll collection system) | 30,742 | 0 |
| Australia (toll collection systems) | 29,926 | 5,935 |
| North America (toll collection systems) | 0 | 26,399 |
| Guarantees against third parties for subsidiaries | 3,700 | 3,700 |
| Other | 161 | 0 |
| **Total** | **64,529** | **36,033** |

[2] The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

Operating activities require the disclosure of contract, warranty, performance and bid bonds for major projects, which are issued by financial institutes and insurance companies. In case the contractual obligations cannot be fulfilled, there is a risk of utilization, that can result in a recourse claim of the financial institute or insurance company against the Group. Such an outflow of resources is deemed unlikely. This kind of contract, warranty, performance and bid bonds in the amount of EUR 319,709 k (2018/19 adjusted: EUR 352,114 k) are not included in the balance sheet or in the contingent liabilities respectively.

For details of securities for abovementioned contingent liabilities and other commitments, see note 26. In addition, assets of Kapsch TrafficCom AB, Sweden, amounting to EUR 10,849 k (March 31, 2019: EUR 11,451 k) were used as collateral for contingent liabilities in favor of a Swedish bank.

Disclosures regarding the joint venture autoTicket GmbH, Germany, are stated in note 2.

Disclosures regarding the discontinued operations are included in note 13.

## 34 Interests in subsidiaries.

### 34.1 Consolidated group.

As of March 31, 2020 the consolidated group (including parent company KAPSCH-Group Beteiligungs GmbH, Vienna) consists of 76 entities (March 31, 2019: 89 entities). The consolidated group changed as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Amount of entities at the beginning of the financial year | 96 | 89 |
| Initial consolidation | 7 | 4 |
| Mergers | -4 | 0 |
| Deconsolidations | -10 | -17 |
| **Amount of entities in the consolidated group** | **89** | **76** |

The regional distribution of subsidiaries was as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Austria | 19 | 19 |
| Central and Eastern Europe (excluding Austria) | 14 | 13 |
| Western Europe | 20 | 10 |
| Rest of the World | 36 | 34 |
| **Total** | **89** | **76** |

The following companies are included in the consolidated financial statements:

| | March 31, 2019 | | March 31, 2020 | |
|---|---|---|---|---|
| **Entity, headquarter of entity** | **Group's share** | **Non-controlling interests** | **Group's share** | **Non-controlling interests** |
| **Segment Traffic** | | | | |
| Kapsch TrafficCom AG, Vienna | 63.3% | 36.7% | 63.3% | 36.7% |
| ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna | 63.3% | 36.7% | 63.3% | 36.7% |
| Consorcio ITS Parques del Rio, Bogotá, Colombia [1)] | n.a. | | 38.0% | 62.0% |
| Electronic Toll Collection (PTY) Ltd., Centurion, South Africa | 63.3% | 36.7% | 63.3% | 36.7% |
| FLUIDTIME Data Services GmbH, Vienna | 47.8% | 52.2% | 47.8% | 52.2% |
| Intelligent Mobility Solutions Limited, Lusaka, Zambia | 32.3% | 67.7% | 32.3% | 67.7% |
| Kapsch Components GmbH & Co KG, Vienna | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Components GmbH, Vienna | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Road Services Sp. z o.o., Warsaw, Poland | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Telematic Services GmbH Deutschland, Berlin, Germany | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Telematic Services GmbH, Vienna | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Telematic Services IOOO, Minsk, Belarus | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Telematic Services Sp. z o.o., Warsaw, Poland | 63.3% | 36.7% | 63.3% | 36.7% |

| | March 31, 2019 | | March 31, 2020 | |
|---|---|---|---|---|
| Entity, headquarter of entity | Group's share | Non-controlling interests | Group's share | Non-controlling interests |
| Kapsch Telematic Services spol. s r.o., Prague, Czech Republic | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch Traffic Solutions (Consortium), Sofia, Bulgaria | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom - Rowing - UTE (Consortium), Buenos Aires, Argentina [3] | 31.6% | 68.4% | 31.6% | 68.4% |
| Kapsch TrafficCom AB, Jonkoping, Sweden | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Arce Sistemas S.A.U., Bilbao, Spain | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom B.V., Amsterdam, Netherlands | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Canada Inc., Mississauga, Canada | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Dominican Republic S.R.L., Santo Domingo, Dominican Republic [1] | n.a. | | 63.3% | 36.7% |
| Kapsch TrafficCom France SAS, Paris, France | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Holding Corp., McLean, USA | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Holding II US Corp., McLean, USA | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Inc., McLean, USA | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom KGZ OOO, Bishkek, Kyrgyzstan [2] | 63.3% | 36.7% | – | – |
| Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania | 32.3% | 67.7% | 32.3% | 67.7% |
| Kapsch TrafficCom Ltd., Middlesex, United Kingdom | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom New Zealand Ltd., Auckland, New Zealand | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Norway AS, Oslo, Norway | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Peru S.A.C., Lima, Peru | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom PTE. LTD.,The Heeren, Singapore | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Russia, OOO, Moscow, Russia | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom S.A.S., Bogotá, Colombia | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Saudi Arabia Co. Lt., Jeddah, Saudi Arabia | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Services USA, Inc., McLean, USA [1] | n.a. | | 63.3% | 36.7% |
| Kapsch TrafficCom South Africa (Pty) Ltd., Sunninghill, South Africa | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Transportation Argentina S.A., Buenos Aires, Argentina | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Transportation Brasil Ltda., São Paulo, Brazil | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom Transportation S.A.U., Madrid, Spain | 63.3% | 36.7% | 63.3% | 36.7% |
| Kapsch TrafficCom USA, Inc., McLean, USA | 63.3% | 36.7% | 63.3% | 36.7% |
| KTS Beteiligungs GmbH, Vienna | 63.3% | 36.7% | 63.3% | 36.7% |
| Mobiserve (Pty) Ltd., Cape Town, South Africa [5] | 63.3% | 36.7% | 63.3% | 36.7% |
| MTS Maut & Telematik Services GmbH, Berlin, Germany | 63.3% | 36.7% | 63.3% | 36.7% |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico City, Mexico | 63.3% | 36.7% | 63.3% | 36.7% |
| Streetline Inc., Foster City, USA | 59.5% | 40.5% | 61.4% | 38.6% |
| Telvent Thailand Ltd., Bangkok, Thailand | 63.3% | 36.7% | 63.3% | 36.7% |
| TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa [5] | 63.3% | 36.7% | 63.3% | 36.7% |
| tolltickets GmbH, Rosenheim, Germany | 41.1% | 58.9% | 41.1% | 58.9% |
| Transport Telematic Systems - LLC, Abu Dhabi, United Arab Emirates [4] | 31.0% | 69.0% | 31.0% | 69.0% |
| Trust South Africa, Cape Town, South Africa [5] | 63.3% | 36.7% | 63.3% | 36.7% |
| **Segment Carrier** | | | | |
| Kapsch CarrierCom AG, Vienna [2] | 100.0% | – | – | – |
| Kapsch CarrierCom Kft., Budapest, Hungary [2] | 100.0% | – | – | – |

| Entity, headquarter of entity | March 31, 2019 Group's share | March 31, 2019 Non-controlling interests | March 31, 2020 Group's share | March 31, 2020 Non-controlling interests |
|---|---|---|---|---|
| Kapsch CarrierCom France SAS, Paris, France [2] | 100.0% | – | – | – |
| Kapsch CarrierCom Deutschland GmbH, Frankfurt, Germany [2] | 100.0% | – | – | – |
| Kapsch CarrierCom Taiwan Co., Ltd., Taipei, Taiwan [2] | 100.0% | – | – | – |
| Kapsch CarrierCom UK Ltd., Harrow, United Kingdom [2] | 100.0% | – | – | – |
| Kapsch CarrierCom España, S.L.U., Madrid, Spain [2] | 100.0% | – | – | – |
| Kapsch CarrierCom Sp. z o.o., Warsaw, Poland [2] | 100.0% | – | – | – |
| Kapsch CarrierCom s.r.o., Prague, Czech Republic [2] | 100.0% | – | – | – |
| Kapsch (Beijing) Information and communication Technology Co., Ltd., Beijing, China [2] | 100.0% | – | – | – |
| Kapsch CarrierCom - Unipessoal LDA, Lisbon, Portugal [2] | 100.0% | – | – | – |
| Kapsch CarrierCom Saudi Arabia LLC, Riyadh, Saudi Arabia [2] | 100.0% | – | – | – |
| **Segment Public Transport** | | | | |
| Kapsch PublicTransportCom Belgium NV, Diegem, Belgium [2] | 100.0% | – | – | – |
| AP Trans NV, Diegem, Belgium [2] | 100.0% | – | – | – |
| Kapsch CarrierCom Romania S.R.L., Bucharest, Romania [2] | 100.0% | – | – | – |
| Kapsch PublicTransportCom North America Inc., Delaware, USA [2] | 100.0% | – | – | – |
| **Segment Enterprise** | | | | |
| Kapsch BusinessCom AG, Vienna | 94.9% | 5.1% | 94.9% | 5.1% |
| Kapsch S.R.L., Bucharest, Romania | 94.9% | 5.1% | 94.9% | 5.1% |
| Kapsch IT Services for finance and industries GmbH, Vienna | 89.2% | 10.8% | 89.2% | 10.8% |
| Kapsch Cashpooling and Hedging GmbH, Vienna | 94.9% | 5.1% | 94.9% | 5.1% |
| evolaris next level GmbH, Graz, Austria [1] | 42.7% | 57.3% | 94.9% | 5.1% |
| Kapsch Liegenschaft Management GmbH, Vienna | 94.9% | 5.1% | 94.9% | 5.1% |
| ITM Informationstransport und -management Gesellschaft m.b.H., Vienna | 94.9% | 5.1% | 94.9% | 5.1% |
| Kapsch BusinessCom AG, St. Gallen, Switzerland | 94.9% | 5.1% | 94.9% | 5.1% |
| Kapsch BusinessCom USA Inc., Delaware, USA | 94.9% | 5.1% | 94.9% | 5.1% |
| Kapsch BusinessCom IoT Solutions s.r.o., Prague, Czech Republic | 94.9% | 5.1% | 94.9% | 5.1% |
| Kapsch BusinessCom GmbH, Neuss, Germany | 94.9% | 5.1% | 94.9% | 5.1% |
| **Segment Others** | | | | |
| Kapsch Aktiengesellschaft AG, Vienna | 100.0% | – | 100.0% | – |
| Kapsch Partner Solutions GmbH, Vienna | 100.0% | – | 100.0% | – |
| Kapsch ConnexPlus GmbH, Vienna | 100.0% | – | 100.0% | – |
| Austria Telecommunication International GmbH, Vienna | 100.0% | – | 100.0% | – |
| Kapsch PublicTransportCom GmbH, Vienna [6] | 100.0% | – | 100.0% | – |

[1] Foundation/acquisition/acquisition of additional shares in financial year 2019/20
[2] Deconsolidation in financial year 2019/20
[3] Consolidation due to voting-right-agreements
[4] Power over the relevant activities of the entity based on substantive rights
[5] IFRS 10 control of Trust South Africa and thus full consolidation with 100%
[6] Transfer within segments

Kapsch CarrierCom AG, Vienna, including all subsidiaries as well as the subsidiaries of Kapsch PublicTransportCom GmbH, Vienna were sold on May 31, 2019 and deconsolidated.

Kapsch TrafficCom Dominican Republic S.R.L., Dominican Republic, was founded on May 25, 2019 and Kapsch TrafficCom Services Inc., USA, was founded on November 13, 2019. Both entities are wholly-owned subsidiaries of Kapsch TrafficCom.

In June 2019 the consortium Consorcio ITS Parques del Rio, Colombia, was formed. Kapsch TrafficCom holds 60% and controls the relevant activities of the consortium, hence it is fully consolidated.

As of October 1, 2019 the remaining shares of evolaris next level GmbH, Austria (55%) were acquired. In the past the group held shares of 45 % and showed evolaris next level GmbH, Austria as associated company.

Moreover Kusa Kokutsha (Pty.) Ltd, South Africa, was founded on August 26, 2019. The company however did not start any business activities in the financial year 2019/20 and therefore is not consolidated.

Kapsch TrafficCom KGZ OOO, Kyrgyzstan, was liquidated in the third quarter of 2019/20.

For all entities mentioned above the headquarter of the company complies with the country of incorporation. The Group's share shows the share at which the companies are included in the consolidated financial statements.

The following entities do not report at balance sheet date as of March 31 due to legal restrictions or other reasons, but present interim financial statements:
> 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)
> KTS Beteiligungs GmbH, Vienna (December 31)
> Kapsch TrafficCom Lietuva UAB, Vilnius, Lithuania (December 31)
> evolaris next level GmbH, Graz, Austria (December 31)

### 34.2 Business combinations.

**Intelligent Mobility Solutions Ltd., Zambia.**
Intelligent Mobility Solutions Ltd., Zambia, was consolidated for the first time in August 2018. The purchase price allocation was preliminary calculated as of March 31, 2019 and was finalized in August 2019 in compliance with the 12-month deadline.

Based on the updated assessment on the further business activities in Zambia, as of March 31, 2020 there was an impairment of both the intangible assets and the goodwill of CGU IMS-EMEA. The fair values after final purchase price allocation were as follows:

| | Fair Value preliminary | Fair Value final |
|---|---|---|
| Intangible assets | 2,959 | 2,959 |
| Intangible assets from service concession arrangements | 10,503 | 10,503 |
| Other non-current assets | 3,425 | 0 |
| Receivables and other current assets | 1,285 | 1,285 |
| Cash and cash equivalents | 3 | 3 |
| Non-current financial liabilities | -2,895 | -2,895 |
| Deferred tax liabilities | -1,685 | -1,685 |
| Current financial liabilities | -320 | -320 |
| Trade payables | -4,719 | -4,719 |
| Other current liabilities and deferred income | -1,259 | -1,259 |
| **Net assets acquired** | **7,295** | **3,871** |

The intangible assets from service concession arrangements relate to a concession agreement, which covers a period of 17 years. The other non-current assets, which as of March 31, 2019 were preliminary recorded in the amount of EUR 3,425 k, were not recognized in the final purchase price allocation according to the final analysis. The receivables and other current assets relate mainly to advance payments made. A cash inflow from this position is therefore not expected. Cash and cash equivalents were acquired in the context of the acquisition (thus the net cash inflow in financial year 2018/19 from the acquisition) amounted to EUR 3 k.

The difference between the fair value of the shares previously held including non-controlling interests, and the fair value of the net assets acquired, is calculated as follows:

| | Difference preliminary | Difference final |
|---|---|---|
| Fair value of previously held shares | 5,356 | 5,356 |
| Share of net assets relating to non-controlling interest | 3,575 | 1,897 |
| Less fair value of proportionate net assets acquired | -7,295 | -3,871 |
| **Goodwill** | **1,636** | **3,382** |

The above presentation results from a purchase price allocation, based on the company's planning data until the end of the contract term and the application of an adequate interest rate.

The goodwill resulted mainly from the market entry and was recognized on the basis of the proportionate share of the net assets. The amount of EUR 3,382 k is based on the final purchase price allocation (March 31, 2019: EUR 1,636 k). The goodwill was allocated to the cash-generating unit IMS-EMEA.

Since its full consolidation starting from September 1, 2018 till August 30, 2019 the acquired company contributed EUR 3,263 k (September 1, 2018 to March 31, 2019: EUR 1,996 k) to revenues and of EUR -1,844 k (September 1, 2018 to March 31, 2019: EUR -1,807 k) to the Group‘s result for the period.

**eTrans Systems Inc., USA**.
For the business combination of eTrans Systems Inc. (eTrans), USA, in financial year 2018/19, there were no adjustments in financial year 2019/20. Net assets acquired only referred to intangible assets and amounted to EUR 884 k. On December 12, 2019 the second part of the purchase price was paid (EUR -177 k) und was included as net cash outflow in financial year 2019/20 (2018/19: EUR -707 k).

**evolaris next level GmbH, Austria.**
As of October 1, 2019 the remaining shares of evolaris next level GmbH, Austria (55%) were acquired. In the past the group held shares of 45 % and showed evolaris next level GmbH, Austria as associated company.

The entity focuses on the conception and development of digital assistance systems in the industrial sector. These systems support staff and as well as consumers in consuming context information at the right time and the right place.

The fair values, acquired assets as well as liabilities of evolaris next level GmbH, Austria were as follows:

| | Fair Value |
|---|---|
| Property, plant and equipment | 22 |
| Intangible assets | 1 |
| Receivables and other assets | 360 |
| Current contract assets | 482 |
| Cash and cash equivalents | 30 |
| Non-current financial liabilities | -1,290 |
| Trade payables | -124 |
| Current provisions | -77 |
| Other liabilities and deferred income | -276 |
| **Net assets acquired** | **-872** |

The difference between the fair value as well as the net assets acquired and the purchase price is calculated as follows:

| | Difference |
|---|---|
| Purchase price | 0 |
| Fair value of previously held shares | 0 |
| Less fair value of proportionate net assets acquired | 872 |
| **Goodwill** | **872** |

The goodwill of EUR 872 k was allocated to the cash generating unit Enterprise (EN). As a material customer project was cancelled the goodwill was fully impaired in the financial year 2019/20.

The net cash inflow in financial year 2019/20 from the acquisition amounted to EUR 30 k, that refers to the cash and cash equivalents at acquisition date. The transaction costs were included as expenses in the statement of comprehensive income. Since its full consolidation the acquired company only contributed immaterial amounts to the revenues and result of the period. In case the company would have been acquired as of April 1, 2019, the contribution would have been immaterial, too.

## 35 Non-controlling interests.

The non-controlling interests represent the third-party shares in the equity of fully consolidated subsidiaries.

### Information on the balance sheet.

The balance sheet of the consolidated subsidiaries with material non-controlling interests and the carrying amount of material non-controlling interests are presented below:

| | Amounts before intercompany eliminations | | | | | |
|---|---|---|---|---|---|---|
| | **Non-current assets** | **Current assets** | **Non-current liabilities** | **Current liabilities** | **Net assets** | **Carrying amount of non-controlling interests** |
| Kapsch TrafficCom AG, Austria | 374,845 | 168,433 | 206,777 | 71,985 | 264,517 | 30,588 |
| Kapsch TrafficCom Holding Corp., USA | 106,400 | 947 | 43,095 | 23,064 | 41,187 | -22,619 |
| Kapsch Telematic Services spol. s r.o., Czech Republic | 717 | 14,550 | 190 | 12,165 | 2,913 | 16,315 |
| Kapsch TrafficCom AB, Sweden | 27,476 | 41,810 | 13,642 | 13,294 | 42,350 | 15,050 |
| Kapsch TrafficCom Canada Inc., Canada | 20,207 | 31,274 | 2,933 | 7,079 | 41,470 | 13,354 |
| Kapsch Telematic Services Sp. z o.o., Poland | 2,828 | 17,565 | 579 | 17,112 | 2,701 | 10,966 |
| Intelligent Mobility Solutions Limited, Zambia | 0 | 2,290 | 5,989 | 5,838 | -9,537 | -9,300 |
| Kapsch TrafficCom B.V., Netherlands | 140,076 | 515 | 0 | 288 | 140,302 | -9,152 |
| Electronic Toll Collection (PTY) Ltd., South Africa | 67 | 15,920 | 22,224 | 16,834 | -23,071 | -8,400 |
| Kapsch Components GmbH & Co KG, Austria | 16,402 | 23,215 | 22,805 | 7,972 | 8,840 | 7,308 |
| Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic | 0 | 920 | -0 | 523 | 397 | 5,666 |
| Kapsch Telematic Services IOOO, Belarus | 2,634 | 14,487 | 1,399 | 9,983 | 5,739 | 4,294 |
| Kapsch TrafficCom Transportation S.A.U., Spain | 6,121 | 41,118 | 1,504 | 28,919 | 16,816 | 3,898 |
| Kapsch TrafficCom Holding II US Corp., USA | 95,496 | 0 | 0 | 0 | 95,496 | -3,859 |
| Kapsch TrafficCom Chile S.A., Chile | 2,249 | 8,509 | 618 | 3,221 | 6,920 | 3,073 |
| Kapsch TrafficCom Australia Pty Ltd, Australia | 2,180 | 13,661 | 895 | 11,371 | 3,575 | 2,243 |
| Kapsch TrafficCom South Africa (Pty) Ltd., South Africa | 59 | 1,847 | 7,360 | 687 | -6,141 | -2,220 |
| Kapsch Telematic Services GmbH, Austria | 3,090 | 4,328 | 0 | 15 | 7,403 | -1,987 |
| Kapsch TrafficCom Transportation Brasil Ltda., Brazil | 6,381 | 4,721 | 2,206 | 1,904 | 6,992 | -1,622 |
| Kapsch TrafficCom USA, Inc., USA | 25,588 | 188,809 | 29,686 | 158,388 | 26,323 | 1,607 |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico | 2,493 | 6,477 | 2,180 | 5,137 | 1,653 | 1,571 |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., South Africa | 12,062 | 6,111 | 4,812 | 6,054 | 7,306 | 1,412 |
| MTS Maut & Telematik Services GmbH, Germany | 20 | 3,758 | 7 | 267 | 3,504 | 1,286 |
| Kapsch BusinessCom AG, Austria | 99,019 | 125,863 | 75,950 | 121,719 | 27,214 | 1,218 |
| Kapsch TrafficCom Arce Sistemas S.A.U., Spain | 1,286 | 6,390 | 750 | 3,993 | 2,932 | 1,019 |
| Remaining | 16,718 | 124,885 | 26,206 | 89,936 | 25,461 | 3,307 |
| **Carrying amount as of March 31, 2020** | | | | | | **65,017** |

| | Amounts before intercompany eliminations | | | | | |
|---|---|---|---|---|---|---|
| | Non-current assets | Current assets | Non-current liabilities | Current liabilities | Net assets | Carrying amount of non-controlling interests |
| Kapsch TrafficCom AG, Austria | 334,737 | 151,262 | 148,745 | 57,714 | 279,539 | 48,234 |
| Kapsch Telematic Services spol. s r.o., Czech Republic | 836 | 24,859 | 0 | 16,775 | 8,920 | 18,520 |
| Kapsch TrafficCom AB, Sweden | 13,144 | 42,091 | 3,000 | 13,810 | 38,425 | 13,715 |
| Kapsch TrafficCom Canada Inc., Canada | 20,150 | 25,512 | 2,276 | 5,327 | 38,059 | 11,901 |
| Kapsch Telematic Services Sp. z o.o., Poland | 1,702 | 20,544 | 457 | 16,542 | 5,247 | 11,901 |
| Kapsch TrafficCom B.V., Netherlands | 117,004 | 441 | 0 | 288 | 117,157 | -8,695 |
| Streetline Inc., USA | 1,766 | 1,823 | 18,065 | 3,338 | -17,813 | -8,002 |
| Electronic Toll Collection (PTY) Ltd., South Africa | 139 | 18,394 | 23,198 | 17,042 | -21,707 | -7,899 |
| Kapsch TrafficCom Inc., USA | 0 | 58 | 14,275 | 4,178 | -18,395 | -7,033 |
| Kapsch Components GmbH & Co KG, Austria | 9,181 | 19,778 | 16,368 | 5,646 | 6,944 | 6,612 |
| Kapsch TrafficCom Holding Corp., USA | 100,258 | 26,336 | 45,443 | 37,505 | 43,646 | -6,517 |
| Kapsch TrafficCom Holding II US Corp., USA | 72,345 | 0 | 0 | 0 | 72,345 | -5,973 |
| Kapsch TrafficCom Construction & Realization spol. s.r.o., Czech Republic | 39 | 2,924 | 573 | 1,525 | 865 | 5,838 |
| Kapsch Telematic Services IOOO, Belarus | 1,277 | 12,855 | 14 | 6,769 | 7,348 | 4,885 |
| Intelligent Mobility Solutions Limited, Zambia [1)] | 11,510 | 4,474 | 3,964 | 8,695 | 3,326 | 2,602 |
| Kapsch TrafficCom Chile S.A., Chile | 552 | 11,736 | 100 | 4,082 | 8,106 | 3,811 |
| Kapsch TrafficCom USA, Inc., USA | 21,040 | 142,284 | 4,377 | 132,503 | 26,444 | 2,906 |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., South Africa | 10,843 | 8,854 | 797 | 7,612 | 11,289 | 2,874 |
| Kapsch Telematic Services GmbH, Austria | 12,090 | 4,349 | 0 | 1,993 | 14,446 | -2,604 |
| Kapsch TrafficCom Transportation S.A.U., Spain | 11,299 | 42,296 | 895 | 33,925 | 18,775 | 2,543 |
| Kapsch TrafficCom South Africa (Pty) Ltd., South Africa | 88 | 2,478 | 7,909 | 1,256 | -6,600 | -2,389 |
| Kapsch TrafficCom Australia Pty Ltd, Australia | 1,004 | 17,444 | 50 | 14,543 | 3,855 | 2,346 |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico | 621 | 5,237 | 564 | 3,184 | 2,110 | 1,859 |
| TMT Services and Supplies (Pty) Ltd., South Africa | 2,062 | 10,083 | 1,440 | 7,746 | 2,959 | 1,626 |
| Kapsch TrafficCom Transportation Brasil Ltda., Brazil | 3,275 | 2,816 | 841 | 1,292 | 3,957 | -1,516 |
| Kapsch BusinessCom AG, Austria | 58,083 | 97,252 | 53,664 | 78,735 | 22,935 | 1,005 |
| Remaining | 3,338 | 132,819 | 21,072 | 71,776 | 43,309 | 9,227 |
| **Carrying amount as of March 31, 2019** | | | | | | **101,778** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

**Information on the statement of comprehensive income.**

The statement of comprehensive income of the consolidated subsidiaries with material non-controlling interests are presented below:

| | Amounts before intercompany eliminations | | | | Amounts attributable to non-controlling interests | | |
|---|---|---|---|---|---|---|---|
| **2019/20** | **Revenues** | **Result for the period** | **Other compre-hensive income** | **Total compre-hensive income** | **Result for the period** | **Other compre-hensive income** | **Total compre-hensive income** |
| Kapsch TrafficCom AG, Austria | 189,859 | 5,027 | 361 | 5,388 | -7,682 | -202 | -7,883 |
| Kapsch TrafficCom Holding Corp., USA | 0 | -25,596 | -1,137 | -26,732 | -8,636 | -417 | -9,053 |
| Kapsch Telematic Services spol. s r.o., Czech Republic | 53,201 | 2,310 | -178 | 2,132 | 848 | -65 | 783 |
| Kapsch TrafficCom AB, Sweden | 53,089 | 6,415 | -2,489 | 3,925 | 2,037 | -914 | 1,123 |
| Kapsch TrafficCom Canada Inc., Canada | 47,873 | 5,362 | -1,376 | 3,986 | 1,968 | -505 | 1,463 |
| Kapsch Telematic Services Sp. z o.o., Poland | 38,987 | 2,504 | -85 | 2,419 | 919 | -31 | 888 |
| Intelligent Mobility Solutions Limited, Zambia | -1,106 | -16,528 | 2,256 | -14,272 | -13,740 | 1,838 | -11,902 |
| Kapsch TrafficCom B.V., Netherlands | 1,257 | 74 | 0 | 74 | -457 | 0 | -457 |
| Electronic Toll Collection (PTY) Ltd., South Africa | 48,411 | -5,979 | 4,615 | -1,364 | -2,195 | 1,694 | -501 |
| Kapsch Components GmbH & Co KG, Austria | 53,806 | 3,855 | -959 | 2,896 | 1,415 | -18 | 1,397 |
| Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic | 3,130 | 59 | -24 | 35 | 22 | -9 | 13 |
| Kapsch Telematic Services IOOO, Belarus | 47,776 | 3,016 | 0 | 3,016 | 1,107 | 0 | 1,107 |
| Kapsch TrafficCom Transportation S.A.U., Spain | 60,187 | 40 | 0 | 40 | 2,089 | 0 | 2,089 |
| Kapsch TrafficCom Holding II US Corp., USA | 0 | 0 | 79 | 79 | 2,085 | 29 | 2,114 |
| Kapsch TrafficCom Chile S.A., Chile | 13,153 | 629 | -1,455 | -827 | 99 | -534 | -435 |
| Kapsch TrafficCom Australia Pty Ltd, Australia | 27,002 | 809 | -512 | 297 | 297 | -188 | 109 |
| Kapsch TrafficCom South Africa (Pty) Ltd., South Africa | 2,243 | -786 | 1,246 | 459 | -289 | 457 | 169 |
| Kapsch Telematic Services GmbH, Austria | 0 | 3,957 | 0 | 3,957 | -172 | 0 | -172 |
| Kapsch TrafficCom Transportation Brasil Ltda., Brazil | 4,517 | 4,120 | -1,120 | 3,000 | 3 | -411 | -408 |
| Kapsch TrafficCom USA, Inc., USA | 254,141 | -18,787 | 788 | -17,999 | -8,151 | 289 | -7,862 |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico | 8,794 | -114 | -343 | -457 | -162 | -126 | -288 |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., South Africa | 1,438 | -6,150 | 160 | -5,989 | -2,258 | 59 | -2,199 |
| MTS Maut & Telematik Services GmbH, Germany | 3,126 | 2,037 | 0 | 2,037 | 748 | 0 | 748 |
| Kapsch BusinessCom AG, Austria | 357,508 | 6,366 | -2,208 | 4,158 | 326 | -113 | 213 |
| Kapsch TrafficCom Arce Sistemas S.A.U., Spain | 11,927 | 1,747 | 0 | 1,747 | 641 | 0 | 641 |
| Remaining | 175,251 | -7,532 | -712 | -8,245 | -1,356 | -304 | -1,659 |
| **Total** | | | | | **-30,493** | **529** | **-29,964** |

| | Amounts before intercompany eliminations | | | | Amounts attributable to non-controlling interests | | |
|---|---|---|---|---|---|---|---|
| 2018/19 | Revenues | Result for the period | Other compre-hensive income | Total compre-hensive income | Result for the period | Other compre-hensive income | Total compre-hensive income |
| Kapsch TrafficCom AG, Austria | 155,577 | 23,733 | 2,966 | 26,699 | 1,270 | 1,089 | 2,358 |
| Kapsch Telematic Services spol. s r.o., Czech Republic | 70,975 | 6,255 | -148 | 6,106 | 2,296 | -54 | 2,242 |
| Kapsch TrafficCom AB, Sweden | 66,705 | 8,435 | -344 | 8,091 | 2,551 | -126 | 2,425 |
| Kapsch TrafficCom Canada Inc., Canada | 47,235 | 4,952 | 963 | 5,914 | 1,818 | 353 | 2,171 |
| Kapsch Telematic Services Sp. z o.o., Poland | 54,369 | 4,917 | -83 | 4,835 | 1,747 | -30 | 1,716 |
| Kapsch TrafficCom B.V., Netherlands | 1,363 | 15 | 0 | 15 | -153 | 0 | -153 |
| Streetline Inc., USA | 2,712 | -5,012 | -1,283 | -6,295 | -2,032 | -520 | -2,552 |
| Electronic Toll Collection (PTY) Ltd., South Africa | 52,354 | -4,292 | 2,087 | -2,205 | -3,820 | 766 | -3,054 |
| Kapsch TrafficCom Inc., USA | 0 | -587 | -1,588 | -2,175 | -215 | -583 | -798 |
| Kapsch Components GmbH & Co KG, Austria | 53,062 | 2,679 | -615 | 2,064 | 983 | -226 | 758 |
| Kapsch TrafficCom Holding Corp., USA | 8 | 4,315 | -2,508 | 1,807 | 1,148 | -921 | 228 |
| Kapsch TrafficCom Holding II US Corp., USA | 0 | 3,013 | -230 | 2,783 | 1,106 | -84 | 1,022 |
| Kapsch TrafficCom Construction & Realization spol. s.r.o., Czech Republic | 3,986 | 194 | -22 | 172 | 71 | -8 | 63 |
| Kapsch Telematic Services IOOO, Belarus | 48,157 | 4,640 | 0 | 4,640 | 2,187 | 0 | 2,187 |
| Intelligent Mobility Solutions Limited, Zambia [1] | 3,579 | -1,710 | -870 | -2,579 | -1,224 | -37 | -1,261 |
| Kapsch TrafficCom Chile S.A., Chile | 13,158 | 640 | -205 | 435 | 180 | -75 | 105 |
| Kapsch TrafficCom USA, Inc., USA | 197,572 | -1,992 | 2,445 | 453 | -887 | 898 | 10 |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., South Africa | 4,213 | -1,496 | -286 | -1,783 | 117 | -105 | 12 |
| Kapsch Telematic Services GmbH, Austria | 0 | 1,243 | 0 | 1,243 | -25 | 0 | -25 |
| Kapsch TrafficCom Transportation S.A.U., Spain | 61,059 | 6,513 | -291 | 6,222 | 2,730 | -107 | 2,623 |
| Kapsch TrafficCom South Africa (Pty) Ltd., South Africa | 4,577 | -782 | 677 | -104 | -287 | 249 | -38 |
| Kapsch TrafficCom Australia Pty Ltd, Australia | 34,276 | 853 | 51 | 904 | 721 | 19 | 739 |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico | 8,022 | 235 | 77 | 312 | -34 | 28 | -6 |
| TMT Services and Supplies (Pty) Ltd., South Africa | 16,014 | -1,154 | -394 | -1,548 | -424 | -145 | -568 |
| Kapsch TrafficCom Transportation Brasil Ltda., Brazil | 2,777 | -420 | -237 | -656 | -154 | -87 | -241 |
| Kapsch BusinessCom AG, Austria | 330,447 | 4,625 | -1,990 | 2,635 | 275 | -102 | 173 |
| Remaining | 170,531 | 32,941 | -2,435 | 30,506 | 6,090 | -900 | 5,190 |
| **Total** | | | | | **16,035** | **-709** | **15,326** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solution Ltd, Zambia, the value as of March 31, 2019 was adjusted.

**Information on the cash flow statement and dividends.**

The cash flow statement and dividends of the consolidated subsidiaries with material non-controlling interests are presented below (amounts before intercompany elimination):

| | Cash flow from | | | | |
|---|---|---|---|---|---|
| **2019/20** | **Operating activities** | **Investing activities** | **Financing activities** | **Cash net increase/ decrease** | **Dividends paid to non-controlling interests** |
| Kapsch TrafficCom AG, Austria | 19,545 | -42,323 | 30,659 | 7,881 | -7,158 |
| Kapsch TrafficCom Holding Corp., USA | 16,443 | -63,274 | 43,078 | -3,753 | 0 |
| Kapsch Telematic Services spol. s r.o., Czech Republic | 12,480 | -23 | -8,876 | 3,581 | 0 |
| Kapsch TrafficCom AB, Sweden | 11,613 | -3,742 | -3,992 | 3,879 | 0 |
| Kapsch TrafficCom Canada Inc., Canada | 1,162 | -915 | -277 | -29 | 0 |
| Kapsch Telematic Services Sp. z o.o., Poland | 5,298 | -15 | -6,444 | -1,161 | 0 |
| Intelligent Mobility Solutions Limited, Zambia | -4,880 | 750 | 4,144 | 15 | 0 |
| Kapsch TrafficCom B.V., Netherlands | -28 | -23,071 | 23,074 | -25 | 0 |
| Electronic Toll Collection (PTY) Ltd., South Africa | 1,275 | 0 | -940 | 335 | 0 |
| Kapsch Components GmbH & Co KG, Austria | 4,015 | -1,585 | -1,720 | 710 | 0 |
| Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic | -1,401 | 0 | -503 | -1,904 | 0 |
| Kapsch Telematic Services IOOO, Belarus | 6,655 | -114 | -5,018 | 1,524 | 0 |
| Kapsch TrafficCom Transportation S.A.U., Spain | 4,885 | -82 | -962 | 3,841 | 0 |
| Kapsch TrafficCom Holding II US Corp., USA | -0 | -23,071 | 23,071 | 0 | 0 |
| Kapsch TrafficCom Chile S.A., Chile | -566 | -956 | -237 | -1,760 | 0 |
| Kapsch TrafficCom Australia Pty Ltd, Australia | 2,227 | -361 | -1,064 | 801 | 0 |
| Kapsch TrafficCom South Africa (Pty) Ltd., South Africa | 365 | -3 | -549 | -187 | 0 |
| Kapsch Telematic Services GmbH, Austria | -2,121 | 8,964 | -11,000 | -4,156 | 0 |
| Kapsch TrafficCom Transportation Brasil Ltda., Brazil | -1,214 | 97 | 1,709 | 592 | 0 |
| Kapsch TrafficCom USA, Inc., USA | -32,973 | -1,658 | 46,132 | 11,501 | 0 |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico | 1,611 | -368 | -278 | 965 | 0 |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., South Africa | -5,271 | -0 | 5,295 | 23 | 0 |
| MTS Maut & Telematik Services GmbH, Germany | -1,138 | 0 | 1,105 | -33 | 0 |
| Kapsch BusinessCom AG, Austria | 28,651 | -3,682 | -7,720 | 17,250 | 0 |
| Kapsch TrafficCom Arce Sistemas S.A.U., Spain | 3,783 | -26 | -3,942 | -185 | 0 |
| Remaining | 19,918 | 15,023 | -18,486 | 16,455 | 0 |
| **Total** | | | | | **-7,158** |

| 2018/19 | Cash flow from Operating activities | Investing activities | Financing activities | Cash net increase/ decrease | Dividends paid to non-controlling interests |
|---|---|---|---|---|---|
| Kapsch TrafficCom AG, Austria | 20,680 | -41,705 | -38,547 | -59,573 | -7,158 |
| Kapsch Telematic Services spol. s r.o., Czech Republic | 10,530 | -6 | -7,773 | 2,752 | 0 |
| Kapsch TrafficCom AB, Sweden | 180 | -238 | -1,104 | -1,161 | 0 |
| Kapsch TrafficCom Canada Inc., Canada | 400 | -414 | 0 | -14 | 0 |
| Kapsch Telematic Services Sp. z o.o., Poland | -5,979 | -26 | -3,502 | -9,507 | 0 |
| Kapsch TrafficCom B.V., Netherlands | 90 | -12,895 | 12,647 | -158 | 0 |
| Streetline Inc., USA | -6,056 | -427 | 6,115 | -369 | 0 |
| Electronic Toll Collection (PTY) Ltd., South Africa | 8,250 | 0 | -7,284 | 966 | 0 |
| Kapsch TrafficCom Inc., USA | -2,179 | 0 | 2,179 | 0 | 0 |
| Kapsch Components GmbH & Co KG, Austria | 4,750 | -2,893 | -6,000 | -4,143 | 0 |
| Kapsch TrafficCom Holding Corp., USA | -21,065 | 11,163 | 13,203 | 3,301 | 0 |
| Kapsch TrafficCom Holding II US Corp., USA | -332 | -12,564 | 12,895 | -0 | 0 |
| Kapsch TrafficCom Construction & Realiza-tion spol. s.r.o., Czech Republic | -500 | 0 | -989 | -1,489 | 0 |
| Kapsch Telematic Services IOOO, Belarus | 3,030 | -259 | -4,005 | -1,235 | 0 |
| Intelligent Mobility Solutions Limited, Zambia | 2,948 | -7,548 | 4,602 | 2 | 0 |
| Kapsch TrafficCom Chile S.A., Chile | -506 | -174 | -1,304 | -1,984 | 0 |
| Kapsch TrafficCom USA, Inc., USA | -5,757 | -2,623 | 3,718 | -4,661 | 0 |
| Kapsch TrafficCom South Africa Holding (Pty) Ltd., South Africa | -483 | -693 | 1,163 | -14 | 0 |
| Kapsch Telematic Services GmbH, Austria | -1,710 | 10,000 | -17,000 | -8,710 | 0 |
| Kapsch TrafficCom Transportation S.A.U., Spain | 5,851 | 5 | -7,895 | -2,039 | 0 |
| Kapsch TrafficCom South Africa (Pty) Ltd., South Africa | -74 | -7 | -444 | -524 | 0 |
| Kapsch TrafficCom Australia Pty Ltd, Australia | 685 | -133 | -475 | 77 | 0 |
| SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico | -774 | -13 | 442 | -345 | 0 |
| TMT Services and Supplies (Pty) Ltd., South Africa | -251 | -92 | 1,047 | 703 | 0 |
| Kapsch TrafficCom Transportation Brasil Ltda., Brazil | -1,721 | -90 | 912 | -899 | 0 |
| Kapsch BusinessCom AG, Austria | 22,493 | -11,437 | -10,599 | 457 | 0 |
| Remaining | -19,184 | 157 | 23,786 | 4,758 | 0 |
| **Total** | | | | | **-7,158** |

## 36 Related parties.

The related parties 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 financial year as well as receivables and liabilities at the respective balance sheet dates for related parties.

| | 2018/19 1) | 2019/20 1) |
|---|---|---|
| **Associated companies** | | |
| Revenues | 34,793 | 52,758 |
| Expenses | -11,671 | -25,805 |
| **Joint ventures** | | |
| Revenues | 10,201 | 23,594 |
| Expenses 2) | -4,390 | -4,616 |
| **Other related parties** | | |
| Revenues | 509 | 716 |
| Expenses | -2,460 | -2,060 |

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| **Associated companies** | | |
| Trade receivables and other non-current and current assets | 6,283 | 5,640 |
| Trade payables and other liabilities | -15 | -1,052 |
| **Joint ventures** | | |
| Trade receivables and other non-current and current assets | 15 | 677 |
| Contract assets | 9,058 | 0 |
| Trade payables and other liabilities | -400 | -451 |
| **Other related parties** | | |
| Trade receivables and other non-current and current assets | 37 | 91 |
| Trade payables and other payables including pension benefits | -11,276 | -12,223 |

1) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.
2) previous year amount adjusted

**Associated companies.**
The associated company Kapsch Financial Services GmbH, Vienna, leases systems of Kapsch BusinessCom AG, Vienna, as a lessor in the voice, data and IT area to business customers on the one hand, and on the other hand provides centralized deliveries and services of Kapsch BusinessCom in the area of IT, EDP and telephony (rental of telephone and IT equipment as well as IT support) for the Group since the financial year 2019/20. In the previous year, mainly the sister company Kapsch BusinessCom AG provided these goods and services directly.

Sales of material (hardware), services including maintenance services and other goods and services by Kapsch BusinessCom AG to Kapsch Financial Services GmbH generated revenues in the financial year 2019/20 in the amount of EUR 52,733 k (2018/19: EUR 34,740 k).

Expenses to associated companies mainly relate to expenses from transactions with Kapsch Financial Services GmbH. In the financial year 2019/20, expenses amounted to EUR 25,805 k (2018/19 adjusted: EUR 11,671 k).

**Joint ventures.**
Sales with joint ventures in financial year 2019/20 related to deliveries and services to autoTicket GmbH, Germany, in the amount of EUR 20,808 k (2018/19: EUR 9,058 k) for the German toll collection project ("passenger vehicle toll") and other operating income of EUR 2,784 k. Revenues with autoTicket GmbH, Germany, were fully included in contract assets from customer contracts as of March 31, 2019.

In the financial year 2018/19, revenues of EUR 1,143 k were included with Intelligent Mobility Solutions Ltd, Zambia, for the road safety and management project in Zambia. Intelligent Mobility Solutions Ltd, Zambia, was included as a joint venture at the end of August 2018 and fully consolidated from September 2018. Expenses with joint ventures amounted to EUR 4,616 k in the financial year 2019/20 (2018/19 adjusted: EUR 4,390 k) and related primarily to the consortium MyConsorzio, Italy.

**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 EUR 336 k in financial year 2019/20 (2018/19: EUR 332 k).

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 financial year 2019/20 amounted to EUR 484 k (2018/19: EUR 412 k) for the location Wagenseilgasse 14 (Kapsch Aktiengesellschaft) and EUR 310 k (2018/19: EUR 311 k) for the location Johann-Hoffmann-Platz 9 (Kapsch Partner Solutions GmbH).

Kapsch ConnexPlus GmbH concluded a building contract with Kapsch Immobilien GmbH for the property 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 EUR 58 k (2018/19: EUR 60 k). 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 EUR 1,209 k in financial year 2019/20 (2018/19: EUR 1,654 k).

The pension obligations to other related parties are included in trade payables and other liabilities, including pension benefits and include 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 41.

## 37 Risk management.

As regards the risks of the Group as well as risk management, we refer to item 4.3 in the management report for the Group. The impact of financial risks as described in the management report for the Group, in particular foreign exchange risk, interest rate risk, liquidity risk and credit risk, is disclosed in the following.

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 main two 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 International.

### 37.1 Foreign exchange risk.

Kapsch Group operates internationally and is exposed to foreign exchange risk. This risk originates from business transactions that are executed in a currency which is not in conformity with the functional currency of the respectively subsidiary (hereinafter referred to as "foreign currency"). The foreign exchange risk exists in relation to assets and liabilities as well as net investments of foreign business locations not in the Eurozone. During the consolidation process these positions have to be translated to the group currency "euro".

From group perspective the relevant foreign currencies where the US dollar, the South African rand as well as the Bulgarian lev in financial year 2019/20. 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, major orders denominated in foreign currencies will be hedged by forward foreign exchange contracts.

Argentina has been classified as a hyperinflationary country since July 1, 2018. The remeasurement in accordance with IAS 29 has been made. The financial statements including comparative figures have been adjusted due to the change in public purchasing power of the Argentinian peso. In financial year 2019/20 the income from hyperinflation adjustment amounted to EUR 285 k and the expenses from hyperinflation adjustment amounted to EUR -2,598 k. The hyperinflation adjustment in financial year 2018/19 was net EUR 1.958 k.

The following table simulates the effect of changes in the exchange rate on the result before taxes. To do so a change in exchange rate ('volatility') of ceteris paribus +/- 10 % relating to current and non-current receivables and payables as of March 31, 2020 and March 31, 2019 respectively has been assumed. The line „EUR" in the table below shows the total impact ceteris paribus of the volatility to the euro on the result before taxes for all subsidiaries whose functional currency is not the euro. The impact on equity would be insignificantly different.

| | Effect on result before taxes | | | |
|---|---|---|---|---|
| | 2018/19 | | 2019/20 | |
| **Currency** | **Volatility +10%** | **Volatility -10%** | **Volatility +10%** | **Volatility -10%** |
| USD | -6,096 | 7,450 | -8,332 | 10,184 |
| ZAR | -2,282 | 2,789 | -1,965 | 2,402 |
| BGN | -2,827 | 3,456 | -1,220 | 1,492 |
| EUR | 4,393 | -5,370 | 1,209 | -1,477 |
| GBP | -320 | 391 | -868 | 1,061 |
| PLN | -628 | 767 | -675 | 825 |
| AUD | -616 | 753 | -110 | 134 |
| CZK | -668 | 816 | -6 | 7 |

The Group is exposed to foreign exchange risk from one significant equity instrument (Q-Free ASA, Norway) as the share is traded in Norwegian crown on the Oslo Stock Exchange:

| | Effect on equity and result | | | |
|---|---|---|---|---|
| | 2018/19 | | 2019/20 | |
| **Currency** | **Volatility +10%** | **Volatility -10%** | **Volatility +10%** | **Volatility -10%** |
| NOK | -1,035 | 1,265 | -521 | 637 |

### 37.2 Interest rate risk.

Interest rate risk is the risk arising from fluctuations in the value of financial instruments, other balance sheet items (e.g. receivables and payables) and/or cash flows due to fluctuations in the market interest rates. For fixed interest balance sheet items, the risk comprises the present value risk. In case the market interest rate for the financial instrument fluctuates, either a profit or a loss may result if the financial instrument is sold prior to maturity.

In the case of variable interest balance sheet items, the risk relates to the cash flow. With variable interest financial instruments, adjustments in the interest rates may result from changes in the market interest rates. Such changes would entail changes in interest payments. Variable interest (both current and non-current) financial liabilities account for round 26% of interest-bearing financial liabilities. If the market interest rate had been 50 basis points higher (lower) (+/- 0.5%) as of March 31, 2020, this, as in the previous year, would not have had any material impact on the result of the Group.

The Group uses derivative financial instruments in the form of interest rate swaps to an insignificant extent to hedge the interest rate risk from financial liabilities that are based on a variable interest rate.

### 37.3 Liquidity risk.

The ongoing monitoring, control and measurement of financial and liquidity positions is carried out at the level of the operational entities. This is monitored and optimized in the individual subgroups and combined in the Group as a whole.

The Group provides sufficient liquidity 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 financial 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.

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.

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 security 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.

Cash flows (gross cash flows including interest) show the liquidity risk of future periods and are split into:

- First half year of the next financial year
- Second half year of the next financial year
- Between 1 and 2 years
- Between 2 and 3 years
- Between 3 and 4 years
- Between 4 and 5 years
- More than 5 years

This information is included in note 26 and 27.

### 37.4 Credit risk.

As part of the Group's risk management policy, the Group only engages in business relationships with third parties deemed to be creditworthy and has implemented policies to ensure that the Group sells only to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Kapsch 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 Bulgaria 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 calculation of the impairment of financial assets is disclosed in notes 22 and 23.

The maximum credit risk corresponds to the following book values:

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Other non-current financial assets and investments | 22,521 | 16,783 |
| Non-current contract assets | 21,007 | 13,778 |
| Non-current lease receivables | 0 | 26,571 |
| Other non-current assets [1)] | 9,077 | 1,083 |
| Other current financial assets | 1,135 | 1,296 |
| Current contract assets | 168,101 | 169,322 |
| Trade receivables and other current assets | 332,572 | 248,771 |
| Current lease receivables | 0 | 10,674 |
| Current income tax receivables | 8,121 | 7,816 |
| Cash and cash equivalents | 139,000 | 169,680 |
| **Total** | **701,533** | **665,775** |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

### 37.5 Equity price risk.

The Group is exposed to equity securities price risk resulting from a material investment, the Norwegian investment Q-Free ASA, Norway. This investment is measured at fair value through profit or loss in accordance with IFRS 9.

The impact of increases/decreases in the stock price of Q-Free ASA, Norway, on equity and the result would be EUR 573 k (2018/19: EUR 1,139 k) if stock price would have increased by 10% and EUR -573 k (2018/19: EUR -1,139 k) if stock price would have decreased by 10%. The analysis is based on the assumption that the stock price increases/decreases by 10% with all other variables held constant.

## 38 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the Group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the equity ratio, calculated as the ratio of equity to total assets. The Kapsch Group's capital management strategy aims among other things to ensure that the Group companies' capital resources comply with local requirements. The Group focuses on maintaining the equity ratio on an annual average within a range from 20% to 30% in order to still be able to borrow at reasonable cost. The Group also continuously monitors if all covenants comply with credit agreements. Due to the result in financial year 2019/20 not all financial covenants could be complied with. Kapsch Group agreed on a new credit agreement with affected banks. This agreement confirms, that the affected banks do not insist on the compliance with the key figures agreed on as of balance sheet date and continue the consisting financing as well as future collaboration. With regards to this agreement, new margins and key figures were agreed on. To this end, ongoing partnership discussions are also held with the financing banks, where current developments are presented and discussed very openly and transparently. Such a transparent information policy is very important to us as Kapsch Group and we see it as the basis for many years of good cooperation.

Furthermore, the Group also deviated from its own target values for capital management due to the results of the last financial year as of the balance sheet date. Notwithstanding this, these targets remain unchanged and the Group aims to achieve these ranges again as quickly as possible, primarily through measures to ensure an improvement in operating results and through active capital management. In addition to the short-term goals such as ensuring sufficient liquidity, capital management is primarily seen as a central element in ensuring the medium and long-term continuation of the company. These goals are pursued very intensively both for the individual subgroups and from an overall Group perspective. Cash and cash equivalents as at March 31, 2020 remained high at EUR 169,680 k. From today's perspective, this will ensure that shareholders and other interested parties in the company can be assured that their requirements can be met in the long term and that the services to which they are entitled can be provided.

As soon as the improvements in operating earnings have been sustainably implemented and the targets for capital management have again been achieved, the topics of maintaining an optimum capital structure and financing the intended growth course will again determine capital management in the Group.

Net debt as of March 31, 2020 and March 31, 2019 were as follows:

| | March 31, 2019 | March 31, 2020 |
|---|---|---|
| Non-current financial liabilities | 240,693 | 251,762 |
| Current financial liabilities | 61,391 | 85,050 |
| Non-current lease liabilities | 13,927 | 94,930 |
| Current lease liabilities | 551 | 44,498 |
| **Total financial liabilities** | **316,563** | **476,241** |
| Cash and cash equivalents | 139,000 | 169,680 |
| Other current financial assets | 1,135 | 1,296 |
| **Net cash (+) / net debt (-)** | **-176,428** | **-305,264** |
| Equity [1] | 274,299 | 171,421 |
| **Gearing** | **64%** | **178%** |

[1] Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

Compared to the previous year, the values of current and non-current lease liabilities as of 31 March 2020 have increased significantly due to the first-time application of IFRS 16. Without application of IFRS 16 net debt would have been EUR 179,824 k and gearing 103.9%.

## 39 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 IFRS and IFRIC applicable from the financial year.

### 39.1 Consolidation.

#### 39.1.1 Subsidiaries.

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

All Group internal assets and liabilities, equity, expenses and income as well as unrealized gains and losses from transactions between Group companies are completely eliminated in the course of Group consolidation. In case of consolidation processes affecting profit or loss, income tax effects are taken into consideration and deferred taxes are recognized.

#### 39.1.2 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. The carrying amounts for controlling and non-controlling interests will be adjusted correspondingly, to present the change in the percentage of shares held.

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 IFRS 9, 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.

#### 39.1.3 Joint arrangements.

The Group applies IFRS 11 to all joint arrangements.

The Group differentiates according to the contractual arrangements at which decisions are made unanimously, 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 proportionate.

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 and valuation principles 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.

#### 39.1.4 Associated companies.

Associated companies 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. Associated companies 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 associated companies is not separately shown but recorded as part of the carrying amount of associated companies.

If the percentage of shares held in an associated company 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 associated company 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 associated company, the Group will not disclose any additional losses, unless it has made commitments or payments to the associate. A negative carrying amount is only recognized if the Group has entered into legal or constructive obligations for the associated company or has made payments for the associated company.

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

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

The accounting and valuation principles of associated companies correspond substantially to those of the parent company.

**39.1.5 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 IFRS 9 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 – 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 after a reassessment.

### 39.1.6 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.

**Translation of foreign financial statements.**

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

The statement of comprehensive income of foreign entities is translated into the Group's presentation currency at average exchange rates of the financial 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. If control of the foreign entity is lost, exchange rate differences accumulated in equity are reclassified and presented as part of the gain/loss from the disposal.

Pursuant to IAS 29, a separate measurement is required for hyperinflationary countries. As in accordance with IAS 21, monetary items are translated into the reporting currency of the Group using the prevailing mean exchange rate at the balance sheet date. All non-monetary assets and liabilities are measured either at adjusted cost, or at net realizable value or at fair value. Argentina has been classified as a hyperinflationary country since July 1, 2018. All items in the statement of comprehensive income are to be restated as of the date of initial recognition of the income and expenses in the financial statements, using the general price index. A restatement in accordance with IAS 29 applies.

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 financial year are shown below:

| | 2018/19 | | 2019/20 | |
|---|---|---|---|---|
| | **Average exchange rate** | **Exchange rate as at balance sheet date** | **Average exchange rate** | **Exchange rate as at balance sheet date** |
| AUD | 1.589 | 1.582 | 1.635 | 1.797 |
| CAD | 1.525 | 1.500 | 1.482 | 1.562 |
| CZK | 25.740 | 25.802 | 25.727 | 27.312 |
| GBP | 0.882 | 0.858 | 0.874 | 0.886 |
| PLN | 4.290 | 4.301 | 4.320 | 4.551 |
| SEK | 10.379 | 10.398 | 10.657 | 11.061 |
| USD | 1.161 | 1.124 | 1.111 | 1.096 |
| ZAR | 15.823 | 16.264 | 16.619 | 19.610 |

**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, which are capitalized at costs in a foreign currency are translated with the exchange rate applicable at the day of the transaction; non-monetary items which were recognized at the fair value in a foreign currency 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 which are designated as part of a hedge 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 (see note 14).

### 39.2 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. 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.

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).

### 39.3 Revenue recognition.

Revenue is recognized in accordance with IFRS 15 “Revenue from Contracts with Customers“.

Assessment of each contract is based on the five-step model:
> Identify the contract with a customer
> Identify the performance obligations
> Determine the transaction price
> Allocate the transaction price to the performance obligations
> Recognize revenue either over time or at a point in time

A customer is defined as a party that has contracted with an entity to obtain goods or services that are an output of the entity’s ordinary activities in exchange for a consideration. It is assessed if the contracts meet the criteria in accordance with IFRS 15.9, in particular the enforceable right to consideration. It is furthermore assessed if the consideration the entity is entitled to is enforceable and revenue is probable (see note 37.4. Credit risk).

The Group identified the following performance obligations:

**Implementation projects** include the construction of toll collection systems for both individual road sections and nation-wide road networks, the construction of systems for traffic monitoring, traffic control and traffic safety as well as implementation of IT and communication solutions for business customers. Components such as on-board units which are necessary for putting the system into a condition ready for operation, are considered part of the implementation projects. Major software upgrades that are agreed in operation projects as well as implementation within the context of service concession arrangement also fall under this performance obligation.

Implementation projects meet the criteria for “satisfaction of the performance obligation over time“, as the Group creates assets that do not have an alternative use and the Group thus has an enforceable right to payment for the performance completed to date. The stage of completion is derived from the ratio of the costs already incurred and the estimated total costs of the corresponding order.

**Operation projects** mainly include the operation and maintenance of toll collection systems, the operation and maintenance of systems for traffic monitoring, traffic control and traffic safety as well as operation of IT and communication solutions. Operation within the context of service concession contracts also falls under this performance obligation.

Revenue from operation projects is recognized over time since the customer receives the benefits as the entity performs.
The sale of **components** that is separate from an implementation or operation project also constitutes a separate performance obligation. As for the sale of components, revenue is recognized as the control of the component is transferred.

The Group also assumes statutory warranties which do not represent a separate performance obligation but for which provisions are set up in accordance with IAS 37.

The transaction price is mostly fixed but some contracts may also contain elements of variable consideration which are usually bonuses or penalties. They are taken into account if and to the extent that the payment is highly probable or if penalties are highly improbable. The transaction price typically refers to the price of the individual performance obligation as the price is set on basis of the costs including a reasonable margin. Cross-subsidizations are not part of the business model of Kapsch Group. It is therefore for most contracts not necessary to allocate the transaction price to the performance obligations. For service concession arrangements, the transaction price is estimated for each performance obligation. In such cases, allocation is made based on the expected-cost-plus-margin approach. For contracts with a significant financing component, the consideration is adjusted by the interest component.

Contract assets are capitalized if the services are rendered before the consideration is received. Contract liabilities are recognized if the amount of consideration exceeds the amount of performance rendered. Service concession arrangements including the concession right to receive fees result in an intangible asset. That intangible asset increases with construction progress, thus revenue is recognized according to the stage of completion.

Certain costs arising in the course of initiating or performing a contract have to be recognized under IFRS 15 if the criteria are met. Those costs to obtain or fulfill a contract are amortized on a straight-line basis over the contract term of the project.

Other income is recognized by the Group as follows:

- Revenue from recharged expenses 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.

### 39.4 Segment information.

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

### 39.5 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.

Land is not subject to scheduled depreciation. The useful lives generally range between 5 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery, and 3 to 10 years for other equipment, factory, and office equipment. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, in case of evidence leading to an adjustment. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

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

### 39.6 Intangible assets.

#### 39.6.1 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

#### 39.6.2 Concessions and rights.

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

#### 39.6.3 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:

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

Other development expenditures that do not meet these criteria are recognized as an expense. The costs for producing the intangible asset are capitalized as from the point in time when the above criteria are initially met. Development costs previously recognized as an expense cannot be subsequently capitalized. Capitalized development costs are amortized, as soon as they are available for use, using the straight-line method on the basis of the normal useful life, which generally ranges between 3 and 15 years.

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

#### 39.6.4 Service concession arrangements.

Service concession arrangements exist when a private entity develops and operates an infrastructure facility for public ser vices, with the grantor being a public sector entity. The Group does not provide public infrastructure or overall public services considering most of the contracts. The isolated development or the operation of a toll collection system or systems for traffic monitoring, traffic control and traffic safety do not fall into the scope of this interpretation. In case service concession arrangements can be assumed, a distinction between those arrangements resulting in an intangible asset and those resulting in a financial asset has to be made. In case the operator receives an unconditional contractual right to receive an amount of cash or another financial asset from the grantor in return for the construction of a system, the operator recognizes a financial asset. In case the operator solely receives the right to charge for the use of a public sector service, the operator recognizes an intangible asset. The intangible asset is recognized during the construction phase as construction progresses, in line with the revenue recognition according to IFRS 15 relating to each stage of completion, and is amortized over the period of the operational phase after completion. Financial assets are settled through payment of the construction portion.

In accordance with this interpretation, Kapsch Group measured one construction project as intangible asset as well as the corresponding operation project as of March 31, 2020. This has been fully impaired in financial year 2019/20.

### 39.7 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.

### 39.8 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. At entity level an impairment is posted if there is any indication that an asset may be impaired. Hereon at the level for cash generating units the goodwill is tested. First, the goodwill is amortized by the amount of the impairment. If the impairment is higher than the carrying amount of the goodwill, the carrying amounts of the other assets of these cash-generating units (CGUs) are proportionately reduced.

The value in use of a cash generating unit corresponds to the present value, calculated using the discounted cash flow method, of the future cash flows which the entity will receive from the cash generating unit. In order to determine the value in use, the expected future cash flows plus taxes based on the post-tax discount rate that reflects the current market expectations with regard to the interest effect and the specific risks of the cash generating units, are discounted to their present values. In the process, the current planning, covering a period of four years (detailed forecast period) and approved by Management, is used as the basis with subsequent transition to perpetuity. The growth rates according to the detailed forecast period are based on historical 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. Profits are not reported as revenues. 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.

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

### 39.9 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 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 financial year 2019/20, the criteria for a qualified asset were fulfilled for the service concession arrangement that is included as intangible asset. Otherwise no other assets meet the requirements of a qualifying asset. Due to immateriality no borrowing costs were capitalized.

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

**39.10 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 virtually certain that the Group will comply with all attached conditions and the grant will be received.

Due to materiality considerations, government grants are not disclosed separately in the financial statements.

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

**39.11 Leasing.**

IFRS 16 "Leases" specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. As for Kapsch Group, this mainly relates to buildings, motor vehicles and IT equipment. IFRS 16 introduces a single accounting model that recognizes future leases 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. Extension and termination options are recognized if virtually certain.

The lessor continues to distinguish between finance or operating leases for accounting purposes. Kapsch Group has sub-leasing contracts within the Group as well as with business customers (especially in the Enterprise segment) and therefore discloses lease receivables instead of right-of-use assets from leases. In the Enterprise segment lease income from lessor agreement s is accounted for as revenues.

The Group applies exemptions regarding short-term leases with a term of not more than twelve months and leases of low-value assets (around EUR 5 k). Those leases will not be recognized in the balance sheet, instead, payments made for such leases will continue to be recognized as expenses.

For the calculation of the present value of liabilities from leasing contracts the incremental borrowing rate according to the corresponding maturity is calculated and applied.

**39.12 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).

**39.12.1 Financial assets.**
In accordance with IFRS 9, financial assets are subdivided as follows:
> amortized cost,
> fair value through profit or loss or
> fair value through other comprehensive income.

The classification depends on the business model used by the entity to control financial assets and the characteristics of the contractual cash flows of the financial asset.

Financial assets are measured **at amortized cost** if they meet the following two conditions and are not designated as at fair value through profit or loss:
> they are held in a business model whose objective is to hold financial assets to collect the contractual cash flows and
> the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest of the principal amount outstanding.

These financial assets are subsequently measured at amortized cost using the effective interest rate method. If not material, they are not discounted. Cash and cash equivalents, trade receivables and parts of other financial receivables and assets fall into this category.

Financial assets that are neither held to collect the contractual cash flows nor held to collect and sell the contractual cash flows are measured **at fair value through profit or loss**. Assets may be designated or also fall into this category if the contractual cash flows are not solely payments of principal and interest of the principal amount outstanding. The assets are measured at fair value, with gains or losses recognized in the income statement. The fair values are determined through transactions on an active market or, if there is no active market, by using valuation techniques. Debt instruments that do not include solely payments of principal and interest of the principal amount outstanding, and derivative financial instruments fall into this category. Such derivatives that are designated as cash flow hedges to hedge foreign currency risks continue to be accounted for as hedging instruments in accordance with IAS 39.

Financial assets that are measured **at fair value through other comprehensive income** (FVOCI) are such debt instruments that are held in the business model hold to collect the contractual cash flows and sell, and that are solely payments of principal and interest of the principal amount outstanding. Those financial assets that fulfill the requirement of the FVOCI-business model and that are not optional designated at fair value through profit or loss are measured at fair value through other comprehensive income. The assets are measured at fair value, with gains or losses recognized in other comprehensive income. The fair values are determined through transactions on an active market or, if there is no active market, by using valuation techniques. When financial assets are disposed, the difference between the proceeds from the disposal and the carrying amount is recognized as expense or income in the statement of comprehensive income. The amount stated in equity is additionally recognized through profit or loss in the statement of comprehensive income.

Generally, equity investments are mandatorily measured at fair value through profit or loss. In accordance with IFRS 9, an entity can make an irrevocable election at initial recognition to classify equity investments at fair value through other comprehensive income (without recycling). The assets are measured at fair value, with gains or losses recognized in other comprehensive income without recycling. The fair values are determined through transactions on an active market or, if there is no active market, by using valuation techniques.

All purchases and sales are recognized at the settlement day, acquisition costs includes transaction costs.

Financial instruments whose maturity does not exceed twelve months after the balance sheet date are stated as current assets, all others are stated as non-current assets.

#### 39.12.2 Cash and cash equivalents.

Cash and cash equivalents include cash and cash equivalents, short-term bank deposits held at call and other bank balances, which are convertible to known amounts of cash and subject to insignificant risk of changes in value. Changes in cash and cash equivalents are presented in the cash flow statement. Overdrafts are reported in the balance sheet under current financial liabilities.

#### 39.12.3 Financial liabilities.

In accordance with IFRS 9, financial liabilities are subdivided as follows:

- amortized cost and
- fair value through profit or loss.

Financial liabilities 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. Bank overdrafts are disclosed under current financial liabilities on the balance sheet. Borrowing costs are recognized as an expense in the statement of comprehensive income on an accrual basis. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date.

Financial liabilities include non-current and current financial liabilities, lease liabilities, trade payables, as well as portions of other liabilities.

There are no liabilities that were designated at fair value through profit or loss.

### 39.12.4 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 Group 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. The Group decided to continue applying the accounting principles for hedge accounting in accordance with IAS 39.

Kapsch 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 full fair value of a hedging derivative is classified as non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expenses or in the financial result.

Gains or losses accumulated in equity are reclassified to profit or loss as income or expense in the period when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument (forecast transaction) expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized in profit or loss only when the originally hedged forecast transaction takes place. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss. As of March 31, 2020 no cash flow hedges nor fair value hedges are recognized in the financial statements.

In addition to that, the Group has stand-alone derivatives that are not held for hedging purposes. 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. The fair value of derivative financial instruments is presented in note 19.

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.

### 39.12.5 Impairment of financial assets.

In accordance with IFRS 9, recognition of expected credit losses applies to the following financial assets:

- Trade receivables
- Contract assets
- Lease receivables
- Cash and cash equivalents

The Group uses for trade receivables as well as for contract assets from contracts with customers without a significant financing component and for lease receivables the simplified impairment model and accordingly calculates impairment at the amount of the lifetime expected credit losses (expected credit loss model) based on a provision matrix in which financial assets are structured according to ageing and the respective default rates are determined for different maturity bands. The age structure breaks down as follows: not past due, 1–30 days, 31–60 days, 61–90 days, 91–180 days, 181–270 days, more than 270 days past due. For financial assets the Group expects a loss if contractual payments are past due 270 days or more.

In preparing the provision matrix, historical data on actually incurred defaults as well as forward-looking information and expectations are taken into account by overall estimating a potential loss by the Group. For forward-looking information and expectations changes in country specific CDS spreads are taken into account as the CDS-market represents all publicly available information and expectations in regard of market-related changes. These CDS spreads contain impacts due to the COVID-19-pandemic as of March 31, 2020. The financial assets are allocated to different regions and credit risk and/or the changes to credit risk for the corresponding region are taken into account. Contract assets from contracts with customers represent receivables not yet invoiced and do not significantly differ from trade receivables from comparable contracts as regards the risk criteria. Therefore, the same default rates as for receivables not past due are applied. The impairment of lease receivables is not material as of March 31, 2020. Financial assets are written off if no reasonable expectation of recovery exists. For example the debtor is insolvent or no agreement is possible and therefore the cash inflow cannot be anticipated anymore.

Any impairment on cash and cash equivalents would be insignificant and was thus not taken into consideration.

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 that impairment, and the proportionate loss previously recognized in equity for debt instruments measured at fair value through other comprehensive income is 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 that 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.

**39.13 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.

**39.14 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.

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

The projected unit credit method is used for the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19. According to this method, post-employment costs for employee benefits are recognized in the statement of comprehensive income in such a way that scheduled costs are spread over the employees' years of service on the basis of an expert opinion by a qualified actuary, who completely remeasures the schemes annually. The obligations for pension payments are calculated at the present value of future benefits using interest rates of high-quality corporate bonds whose term roughly equals the term of the liability. The liability recognized on the balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Costs arising from defined benefit plans from pension obligations and termination benefits include the following components:

- Service costs include current as well as past service costs as well as gains or losses from benefit changes or curtailments. Service costs are recognized in profit or loss within staff costs.
- The net interest cost on the defined benefit obligation or plan asset. This component is included in interest expense in the statement of comprehensive income.
- Remeasurements of the net defined benefit obligation or net asset. These are charged or credited to other comprehensive income in the period in which they arise.

Contributions paid by the Group under a defined contribution pension scheme are charged to the statement of comprehensive income under staff costs in the period in which they occur.

For the calculation of liabilities arising from obligations for anniversary bonuses in accordance with IAS 19, the projected unit credit method is used. Anniversary 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 anniversary 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. Remeasurements are recognized within staff costs.

**39.15 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.

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, which- ever 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.

**39.16 Current and deferred income tax.**

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

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

Deferred 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 contract assets and contract liabilities arising from contracts with customers, as well as 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.

### 39.17 Non-current assets held for sale and discontinued operations.

Non-current assets are classified as “held for sale” if the benefit arising from the remaining carrying amount is to be realized predominately through the sale and not through the further use of the asset. The assets are remeasured in accordance with IFRS 5 immediately prior to their classification as “held for sale”. The assets are subsequently measured at the lower of carrying amount and fair value less costs to sell. Any impairment is initially allocated to goodwill and subsequently to the other assets and liabilities on a pro rata basis, and recognized in the statement of comprehensive income.

In financial year 2019/20, the segments Carrier and Public Transport were sold and presented as discontinued operations in the consolidated financial statements, including restatement of previous-year figures (see Note 13).

### 39.18 Contingent liabilities.

With regard to contingent liabilities, the Group classifies the possibility of an outflow of resources embodying economic benefits as remote, and a liability does not have to be recognized yet pursuant to IFRS.

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.

### 39.19 New and amended standards and interpretations that have been adopted by the EU and applied for the first time in financial year 2019/20.

| New/amended IFRS | | Published by the IASB and adopted by the EU | Applicable to financial years beginning on or after | Material impact on group’s consolidated financial statements |
|---|---|---|---|---|
| IFRS 16 | Leases | January 2016 | January 1, 2019 | Described below |
| IFRS 9 | Prepayment Features with Negative Compensation | October 2017 | January 1, 2019 | None |
| IFRIC 23 | Uncertainty over Income Tax Treatments | June 2017 | January 1, 2019 | None |
| IAS 28 | Long-term Interests in Associates and Joint Ventures | October 2017 | January 1, 2019 | None |
| IAS 19 | Plan Amendment, Curtailment or Settlement | February 2018 | January 1, 2019 | None |
| AIP 2015–2017 | Annual improvement to IFRSs, Cycle 2015–2017: Amendment of IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes as well as IAS 23 Borrowing Costs | December 2017 | January 1, 2019 | None |

**IFRS 16 “Leases”** specifies the recognition, measurement, presentation as well as disclosure requirements with regard to leases in financial statements. Further information is presented in note 39.11 Leasing.

Kapsch Group adopted the new standard as of the mandatory date of initial application (April 1, 2019) and elects to apply the modified retrospective approach as a transitional method, not providing comparative figures for the previous period. The exemptions regarding short-term leases with a term of not more than twelve months or a remaining term of not more than twelve months at the date of initial application, and leases of low-value assets is applied. Those leases are not recognized in the balance sheet, instead, payments made for such leases will continue to be recognized as expenses. The rights-of-use assets from leases have been reported in the same amount as lease liabilities at the time of first-time application except for an insignificant portion. In cases where the Group acts as lessor, rights-of-use assets from leases have been reported as lease receivables.

The Group established a project team, which reviewed and assessed all of the Group's leases with respect to IFRS 16 in the past financial year. The Group implemented a software solution for recording the lease contracts and captured the individual lease contracts in that software solution. This software solution calculates the effects of IFRS 16 on a contract basis and provides them for accounting purposes. For the calculation of the present values of the lease liabilities, the incremental borrowing rates for the respective terms are determined and used. The average incremental borrowing rate for the valuation of lease liabilities is 2.04% as of April 1, 2019.

As of April 1, 2019, the initial application of IFRS 16 had the following effects:

| | March 31, 2019 | | April 1, 2019 |
|---|---|---|---|
| | **Carrying amount** | **Adjustments due to IFRS 16** | **Carrying amount adjusted** |
| **Property, plant and equipment** | **53,006** | **76,444** | **129,450** |
| Land and buildings | 25,657 | 66,576 | 92,233 |
| Technical equipment and machinery | 10,159 | 0 | 10,159 |
| Construction in progress | 2,753 | 0 | 2,753 |
| Other equipment, factory and office equipment incl. vehicle fleet | 14,437 | 9,868 | 24,305 |
| Prepayments | 0 | 0 | 0 |
| | | | |
| **Non-current and current lease receivables** | **-** | **23,585** | **23,585** |
| Non-current lease receivables | 0 | 18,891 | 18,891 |
| Current lease receivables | 0 | 4,695 | 4,695 |
| | | | |
| **Non-current and current lease liabilities** | **14,479** | **99,909** | **114,388** |
| Non-current lease liabilities | 13,927 | 77,884 | 91,811 |
| Current lease liabilities | 551 | 22,025 | 22,576 |

The initial application of IFRS 16 effected the statement of comprehensive income in depreciation on right-of-use assets (see note 8), other operating expenses (see note 10), finance costs (see note 11) and insignificantly in other operating income (see note 4). The following effects arose on key figures in the financial statements:

| | March 31, 2019 | April 1, 2019 | | March 31, 2020 | |
|---|---|---|---|---|---|
| | **Reported amount** | **IFRS 16 effect** | **Reconciled amount** | **Reported amount** | **IFRS 16 effect** |
| Total assets [1] | 1,069,554 | 100,030 | 1,169,584 | 1,060,074 | 124,998 |
| Total equity [1] | 274,299 | 121 | 274,419 | 171,421 | -1,679 |
| Equity ratio | 25.6% | -2.2%p | 23.5% | 16.2% | -2.3%p |
| Net cash (+)/debt (-) | -176,428 | -99,909 | -276,338 | -305,264 | -125,440 |
| Net gearing | 64.3% | 36.4%p | 100.7% | 178.1% | 74.2%p |
| | | | | | |
| | **2018/19 [2]** | | | **2019/20 [2]** | |
| | **Reported amount** | | | **Reported amount** | **IFRS 16 effect** |
| EBIT | 72,160 | | | -52,725 | 333 |
| EBITDA | 91,455 | | | 26,722 | 19,286 |
| Financial result | -6,481 | | | -27,185 | -2,013 |
| Result for the period | 51,225 | | | -71,450 | -1,679 |

1) Due to the finalization of the purchase price allocation of Intelligent Mobility Solutions Ltd, Zambia, the value as of March 31, 2019 was adjusted.

2) The financial year 2019/20 as well as the previous financial year (2018/19) are stated without the discontinued operations (segment Carrier and Public Transport) and the previous financial year is adjusted accordingly.

The following table shows the reconciliation of the obligation arising from non-cancellable operating leases as of March 31, 2019 to the lease liabilities recognized as of April 1, 2019:

| | Reconciliation |
|---|---:|
| **Financial obligations from operating lease contracts disclosed as of March 31, 2019** | **123,971** |
| Disposals relating to discontinued operations | -18,426 |
| Recognition exemptions for short-term leases | -7,264 |
| Recognition exemptions for low-value leases | -4,979 |
| Adjustments as a result of different treatment of extension and termination options and other changes | 17,572 |
| **Lease liabilities before discounting** | **110,873** |
| Effect from discounting at incremental borrowing rate at the date of initial application | -10,964 |
| **Lease liabilities recognized as of April 1, 2019** | **99,909** |

The remaining of the new and amended standards and interpretations which have to be applied as of January 1, 2019 do not cause a material change in the financial statements of Kapsch Group.

### 39.20 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 and adopted by the EU | Applicable to financial years beginning on or after | Material impact on group's consolidated financial statements |
|---|---|---:|---:|---:|
| IFRS 9, IAS 39, IFRS 7 | Interest Rate Benchmark Reform | September 2019 | January 1, 2020 | None |
| IAS 1, IAS 8 | Definition of Material | October 2018 | January 1, 2020 | None |
| Frame-work | References to the Conceptual Framework in IFRS Standards | March 2018 | January 1, 2020 | None |
| IFRS 3 | Definition of a Business | October 2018 | January 1, 2020 | None |

| | New/amended IFRS | Published by the IASB and adopted by the EU | Applicable to financial years beginning on or after | Material impact on group's consolidated financial statements |
|---|---|---:|---:|---:|
| IFRS 17 | Insurance Contracts including Amendments to IFRS 17 (June 2020) | May 2017 | January 1, 2023 | None |
| IAS 1 | Presentation of Financial Statements: Classification of Liabilities as Current or Non-current | January 2020 | January 1, 2023 | not yet determined |
| IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract | May 2020 | January 1, 2022 | not yet determined |
| IAS 16 | Proceeds before Intended Use | May 2020 | January 1, 2022 | None |
| IFRS 16 | Amendments to IFRS 16 related to COVID-19 | May 2020 | June 1, 2020 | not yet determined |
| IFRS 4 | Extension of the temporary exemption from applying IFRS 9 | June 2020 | January 1, 2021 | None |

The Group does not apply these new or amended standards and interpretations. These standards and interpretations are either not relevant or do not have a material impact on the result, the assets or liabilities as well as the cash flows of the Group.

**Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest Rate Benchmark Reform"** comment on the potential effects based on the change of the existing interest rate benchmark with an alternative interest rate in reference to the IBOR reform.

**Amendments to IAS 1 and IAS 8: "Definition of Material"** align the definition of "material". The new definition is "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

**Amendments to IFRS 3: "Definition of a Business"** adjust the definition for the acquisition of a business or a group of assets.

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.

## 40 Events after the reporting period.

As of May 28, 2020 shares of 100% of Liberty Global Services GmbH Austria, Vienna have been acquired and a new subsidiary Kapsch Converged Services GmbH has been established. There were no other events to report after the reporting period.

## 41 Supplementary disclosures.

The average number of staff in financial year 2019/20 was 5,954 salaried employees and 722 waged earners (2018/19 adjusted: 5,801 salaried employees and 767 waged earners).

**Expenses for the auditor.**

The expenses for the auditor amount to EUR 60 k (2018/19: EUR 81 k) and are broken down as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| Audit of the consolidated financial statements | 48 | 48 |
| Other assurance services | 6 | 6 |
| Tax advisory services | 0 | 0 |
| Other services | 28 | 6 |
| **Total** | **81** | **60** |

**Information on executive bodies.**

The total remuneration of numbers of the Executive Board of KAPSCH-Group Beteiligungs GmbH for performing of their duties in the parent company and subsidiaries is as follows:

| | 2018/19 | 2019/20 |
|---|---|---|
| fixed | 2,468 | 2,617 |
| variable | 588 | 1,275 |
| **Total** | **3,057** | **3,892** |

Expenses for termination benefits and pensions after use of provisions for members of the Executive Board amounted to EUR 5.134 k (2018/19: EUR 1.404 k).

Total compensation of the members of the Supervisory Board amounted to EUR 55 k in total in financial year 2019/20 (2018/19: EUR 63 k).

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 financial year 2019/20, the following persons were employed as Managing Directors:

Georg Kapsch
Kari Kapsch
Franz Semmernegg

In financial year 2019/20, the following persons were members of Supervisory Board:

Veit Schmid-Schmidsfelden (Chairman)
Christian Gassauer-Fleissner (Deputy Chairman)
Elisabeth Kapsch
Karl-Heinz Strauss

**Proposed appropriation of profit:**
The Group proposes not to distribute a dividend from KAPSCH-Group Beteiligungs GmbH´s balance sheet profit as of March 31, 2020 (previous year: EUR 0 k) and to carry forward the entire amount to new account.

Authorized for issue:
Vienna, August 14, 2020

Georg Kapsch
Chief Executive Officer

Kari Kapsch
Chief Operating Officer

Franz Semmernegg
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, 2020, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial 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, 2020, 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, August 14, 2020

PwC Wirtschaftsprüfung GmbH

signed:
Peter Pessenlehner
Austrian certified Public Accountant

# Glossary.

| | |
|---|---|
| **Americas** | Region: North, Central and South America. |
| **APAC** | Region: Asia-PACific. |
| **bp** | Basis point, equals 0.01%. |
| **CGU** | Cash-generating unit (according to IFRS): It is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. |
| **COVID-19** | COronaVIrus Disease is an infectious disease caused by the coronavirus SARS-CoV-2. |
| **EBIT** | Earnings Before Interest and Taxes. |
| **EBITDA** | Earnings Before Interest, Taxes, Depreciation and Amortization. |
| **EMEA** | Region: Europe, Middle East, Africa. |
| **EN** | Enterprise – business of Kapsch BusinessCom: A reporting segment of Kapsch Group. |
| **ETC** | Electronic Toll Collection: A reporting segment of Kapsch TrafficCom. |
| **EU GDPR** | General Data Protection Regulation of the European Union. |
| **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. |
| **IASB** | International Accounting Standards Board: An independent, private sector body that develops and approves IFRS. |
| **ICT** | Information and Communication Technology. |
| **IFRS** | International Financial Reporting Standards. |
| **IMS** | Intelligent Mobility Solutions, a reporting segment of Kapsch TrafficCom encompassing: traffic management, safety and security, connected vehicles, smart parking, and intermodal mobility. |
| **IPR** | Intellectual Property Rights. |
| **ISO** | International Organization for Standardization. |
| **ITS** | Intelligent Transportation Systems. |
| **MaaS** | Mobility as a Service. |
| **MCN** | Mission-Critical Networks, a reporting segment of Kapsch Group, which included the business of Kapsch CarrierCom. |
| **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. |
| **UGB** | Austrian Commercial Code (DE: Unternehmensgesetzbuch). |
| **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. |

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# Social Media.

www.linkedin.com/company/kapsch-ag/
www.linkedin.com/company/kapsch-businesscom-ag/
www.linkedin.com/company/kapsch-trafficcom-ag/

www.youtube.com/kapschnet

www.twitter.com/kapschnet

www.facebook.com/kapschnet

www.xing.com/companies/kapsch

www.vimeo.com/kapschnet

## *Kapsch Group*

Founded in 1892, this family-owned company headquartered in Vienna today is a globally-operating technology group with around 6,680 employees. The Kapsch Group comprises the two key entities Kapsch BusinessCom, 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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