Kapsch TrafficCom IVHS Inc. "Kapsch" is submitting the following information in "Book 2" as required by the Indiana Finance Authority/Joint Board (IFA) Request for Qualifications LSIORB Toll Services Project.

- Section A Financial Statements and Credit Ratings

Kapsch has provided the three (3) most recent completed fiscal years of Financial Statements to demonstrate our financial capability. Kapsch's financial statements include the following information:

- Auditor's Report
- Balance Sheet
- Audited Income Statement or Statement of Comprehensive Income
- Audited Statement of Changes in Cash Flow
- Audited Statement of Changes in Equity
- Footnotes to financial statements.

Kapsch's financial statements meet the following IFA requirements:

- Financial Statements have been prepared in accordance with U.S. GAAP or IFRS.
- Financial Statements have been prepared in U.S. dollars.
- Financial Statements have been audited by an independent party qualified to render audit opinions.
- All financial statements have been prepared in English.
- Financially Responsible Party Letter of Support (Provided in Section A).
- Kapsch TrafficCom IVHS Inc. has provided financial statements for our parent company Kapsch TrafficCom AG.
- Kapsch TrafficCom IVHS Inc. does not file reports with the Securities and Exchange Commission.
- Kapsch TrafficCom IVHS Inc. has identified our financial statement by placing the word "confidential" on each page.
- Kapsch TrafficCom IVHS Inc. or Kapsch TrafficCom AG, parent company, do not have a credit rating.
    - Kapsch TrafficCom IVHS Inc.
    - Kapsch TrafficCom AG (Parent Company)

- Section B Material Changes in Financial Condition

Kapsch has provided a letter certifying no changes have occurred.

FINANCIALLY RESPONSIBLE PARTY LETTER OF SUPPORT

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Kapsch TrafficCom AG

Indiana Finance Authority

c/o Indiana Department of Transportation

1030 Spring Street

Jeffersonville, IN 47130

ATTN: Angela Nichols

Vienna, November 25, 2013

As duly authorized representatives of Kapsch TrafficCom AG, we hereby confirm that Kapsch TrafficCom AG controls directly or indirectly 100% of its affiliate Kapsch TrafficCom IVHS Inc. We also confirm that Kapsch TraffficCom AG will financially support all the obligations of Kapsch TrafficCom IVHS Inc (the "Proposer"), as applicable with respect to the LOUISVILLE-SOUTHERN INDIANA OHIO RIVER BRIDGES PROJECT TOLL SERVICES AGREEMENT (the "Project").

Kapsch TrafficCom AG

Kapsch TrafficCom AG
Am Europlatz 2 | 1120 Vienna
Mag. Georg Kapsch
Dr. Ulrike Klemm-Pottinger

Kapsch TrafficCom IVHS Inc.

Financial Statements
March 31, 2013
(expressed in US dollars)

August 9, 2013

Independent Auditor's Report

To the Shareholder of
Kapsch TrafficCom IVHS Inc.

We have audited the accompanying financial statements of Kapsch TrafficCom IVHS Inc., which comprise the statement of financial position as at March 31, 2013 and the statement of income and comprehensive income, shareholder's equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
95 King Street South, Suite 201, Waterloo, Ontario, Canada N2J 5A2
T: +1 519 570 5700, F: +1 519 570 5730

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kapsch TrafficCom IVHS Inc. as at March 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter
The comparative period financial statements are unaudited.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Kapsch TrafficCom IVHS Inc.

Statements of Financial Position

As at March 31, 2013

(expressed in US dollars)

	Note	2013 $	2012 $ (unaudited)
[redacted]			
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]			
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
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[redacted]		[redacted]	[redacted]
[redacted]		[redacted]	[redacted]

The accompanying notes are an integral part of these consolidated financial statements.

Kapsch TrafficCom IVHS Inc.

Statement of Income and Comprehensive Income

For the year ended March 31, 2013

(expressed in US dollars)

	Note	2013 $	2012 $ (unaudited)
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]

The accompanying notes are an integral part of these consolidated financial statements.

Kapsch TrafficCom IVHS Inc.

Statement of Shareholder's Equity

For the years ended March 31, 2013

(expressed in US dollars)

	Paid-in capital $	Retained earnings $	Total shareholder's equity $
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

The accompanying notes are an integral part of these consolidated financial statements.

[redacted]

Kapsch TrafficCom IVHS Inc.

Statement of Cash Flows

For the year ended March 31, 2013

(expressed in US dollars)

	Note	2013 $	2012 $ (unaudited)
[redacted]			
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]		[redacted]	[redacted]

The accompanying notes are an integral part of these consolidated financial statements.

Kapsch TrafficCom IVHS Inc.

Notes to Financial Statements

March 31, 2013

(expressed in US dollars)

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(expressed in US dollars)

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Confidential

(expressed in US dollars)

	Vehicles $	Leasehold improvements $	Office equipment $	Machinery and equipment $	Computer hardware $	Construction in progress $	Total $
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Depreciation expense for the year ended March 31, 2013 was $78,607 (2012 - $9,223).

Confidential

(expressed in US dollars)

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Kapsch TrafficCom

kapsch >>>

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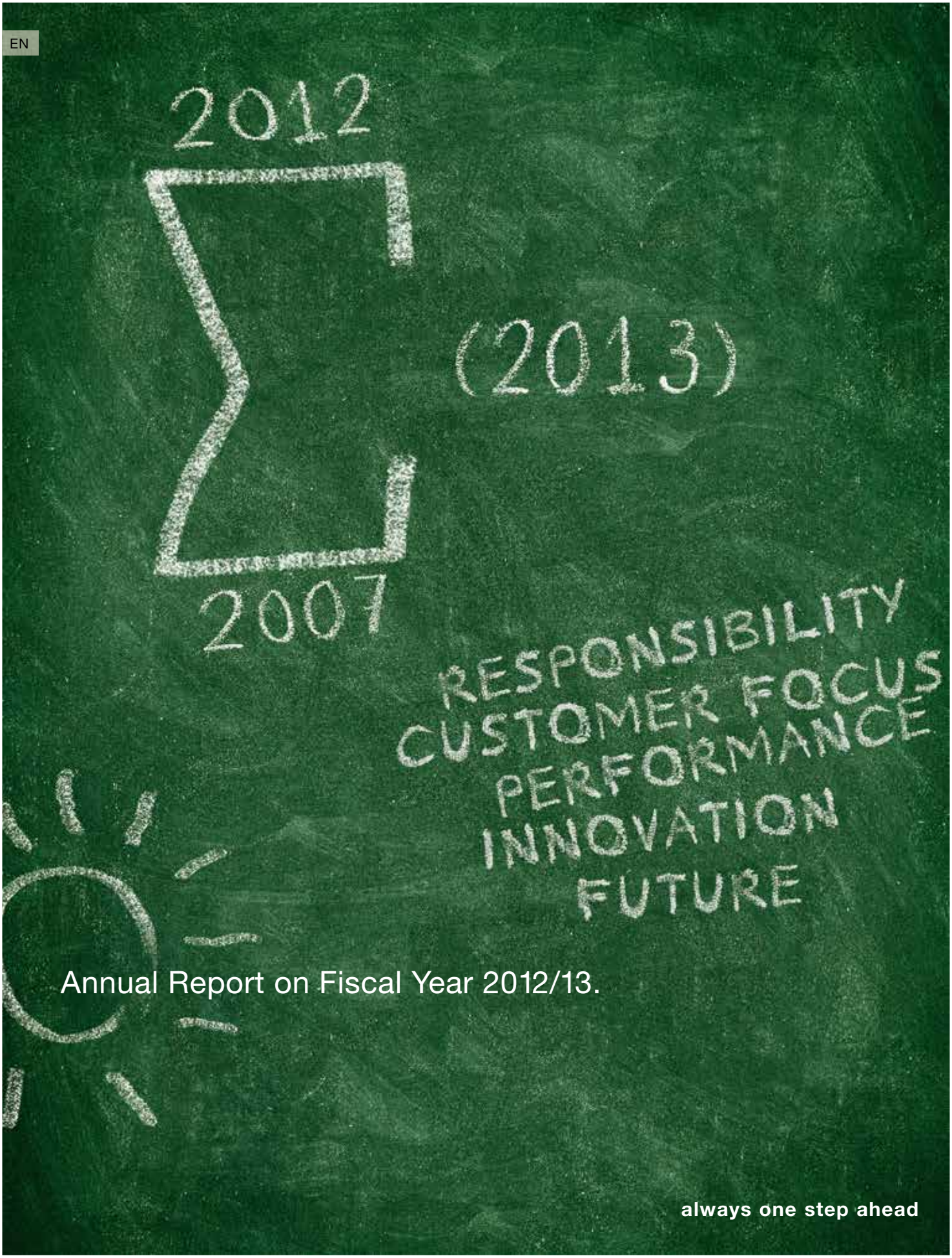

Annual Report on Fiscal Year 2012/13.

always one step ahead

Fiscal Year 2012/13 **Overview.**

Key Aspects of the Fiscal Year from 1 April 2012 to 31 March 2013.

	What we achieved.	What has not proved satisfactory.
Financial performance	■ Free cash flow improved significantly ■ Net working capital decreased by 15 % and net debt by 46 %	■ Revenues decreased by 11 % ■ EBIT decreased by 64 % and profit for the period by 39 %
Nationwide electronic toll collection system in Poland	■ Payment of last milestone from system implementation received ■ Toll revenues of EUR 196 million at 99.9 % accuracy rate in first year of system operation ■ System extended by more than 600 km to roughly 2,200 km ■ Open issues on system operation clarified	■ Higher performance-related costs incurred for system operation in first half year
Electronic toll collection system in South Africa, province Gauteng	■ Private lawsuit against road operator from April 2012 dismissed and toll introduction process continued ■ Partial reimbursement of standby costs for system operation agreed	■ System start repeatedly postponed due to lawsuit and not yet effected as of the balance sheet date ■ Updating of the contract calculation and additionally incurred costs as well as standby costs with negative earnings impact
Nationwide electronic toll collection system in Belarus	■ Implementation began upon contract award in February 2012	
Joint venture in Russia	■ 33.3 % stake in joint venture sold for strategic reasons at a profit	
Market presence in North America	■ Large contract award in North Texas ■ Additional contract wins in Texas and Michigan ■ 33 % stake in Mexican system integrator SIMEX acquired	■ Margins for on-board units in the U.S.A. went down to typical global levels
Market presence in Australia	■ System contract award in Sydney ■ Renewal of a contract for on-board unit delivery	
Market presence in Brazil	■ First contract award for delivery of on-board units	
Tenders for new systems	■ Tender in Slovenia started in February 2013 ■ Some new tenders worldwide in preparation stages	■ Out of consideration from tender in Hungary ■ Some expected new tenders delayed or postponed
Implementation of strategy 2016	■ New organization implemented worldwide on 1 October 2012 ■ Strategy 2016 confirmed through first market successes	■ Earnings burdened by continued investment into implementation of strategy ■ Pattern of growth resulting in higher complexity and additional costs

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Imprint:
Media owner and publisher: Kapsch TrafficCom AG
Place of publishing: Vienna, Austria

Editorial deadline: 7 June 2013

To improve general readability, generic masculine pronouns and word forms have been used where appropriate and the continuous quotation of academic titles was neglected. An overview of the technical terms used in this document can be found in the glossary on page 124. This annual report was created with the greatest possible care, and all data has been checked conscientiously. Nevertheless, the possibility of layout and printing errors cannot be completely excluded. Slight differences in calculations may arise due to the rounding of individual items and percentages. The English translation is for convenience; only the German text is binding.

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

Select Key Financial Data.

Earnings Data		2012/13	2011/12	+/-	2010/11
Revenues	in million EUR	488.9	549.9	-11 %	388.6
EBITDA	in million EUR	32.9	60.6	-46 %	62.5
EBITDA margin	in %	6.7	11.0		16.1
EBIT	in million EUR	15.3	42.2	-64 %	48.9
EBIT margin	in %	3.1	7.7		12.6
Profit before tax	in million EUR	16.9	36.3	-54 %	41.3
Profit for the period	in million EUR	16.7	27.5	-39 %	28.4
Earnings per share [1]	in EUR	0.74	1.62	-54 %	1.81
Free cash flow [2]	in million EUR	48.3	-49.7	-197 %	-19.4
Capital expenditure [3]	in million EUR	20.2	13.1	55 %	8.3
Employees [4]		3,013	2,705	11 %	2,167
On-board units delivered	in million units	9.28	11.15	-17 %	5.20
Business Segments		**2012/13**	**2011/12**	**+/-**	**2010/11**
Road Solution Projects (RSP)					
Revenues (share of total revenues in %)	in million EUR	128.3 (26 %)	229.9 (42 %)	-44 %	158.9 (41 %)
EBIT (EBIT margin)	in million EUR	-51.7 (-40.3 %)	4.1 (1.8 %)	<-300 %	0.1 (0.1 %)
Services, System Extensions, Components Sales (SEC)					
Revenues (share of total revenues in %)	in million EUR	342.3 (70 %)	308.1 (56 %)	11 %	223.3 (57 %)
EBIT (EBIT margin)	in million EUR	66.1 (19.3 %)	37.3 (12.1 %)	77 %	48.3 (21.6 %)
Others (OTH)					
Revenues (share of total revenues in %)	in million EUR	18.3 (4 %)	12.0 (2 %)	52 %	6.4 (2 %)
EBIT (EBIT margin)	in million EUR	0.9 (5.1 %)	0.8 (6.5 %)	21 %	0.4 (6.7 %)
Regions		**2012/13**	**2011/12**	**+/-**	**2010/11**
Austria [5]	in million EUR	38.0 (8 %)	32.8 (6 %)	16 %	37.5 (10 %)
Europe [5]	in million EUR	288.9 (59 %)	341.4 (62 %)	-15 %	182.0 (47 %)
Americas [5]	in million EUR	74.8 (15 %)	63.6 (12 %)	18 %	27.6 (7 %)
Rest of World [5]	in million EUR	87.2 (18 %)	112.1 (20 %)	-22 %	141.5 (36 %)
Balance Sheet Data		**31 March 2013**	**31 March 2012**	**+/-**	**31 March 2011**
Total assets	in million EUR	567.2	557.7	2 %	450.1
Total equity [6]	in million EUR	240.7	256.2	-6 %	191.5
Equity ratio [6]	in %	42.4	45.9		42.5
Net debt	in million EUR	-40.5	-74.4	-46 %	-47.2
Capital employed	in million EUR	364.7	383.8	-5 %	288.7
Net working capital	in million EUR	243.9	285.7	-15 %	175.9
Stock Exchange Data		**2012/13**	**2011/12**	**+/-**	**2010/11**
Number of shares [4]	in million	13.0	13.0	0 %	12.2
Free float [4]	in %	38.1	38.1		31.6
Closing price [4]	in EUR	37.0	63.5	-42 %	62.5
Market capitalization [4]	in million EUR	481.3	825.5	-42 %	762.5
Share performance	in %	-41.7	1.6		247.4
Dividend per share	in EUR	0.40 [7]	0.90	-56 %	1.00

1 Earnings per share 2012/13 relate to 13.0 million shares, 2011/12 relate to a weighted average number of 12.74 million shares and 2010/11 relate to 12.2 million shares; calculated from the profit for the period attributable to the equity holders of the company

2 Operating cash flow minus capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments) plus proceeds from the disposal of property, plant and equipment and intangible assets

3 Capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)

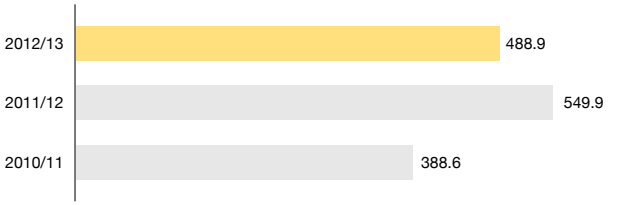
4 As of 31 March of each year

5 Revenues (share of total revenues in %); Europe excl. Austria

6 Incl. minority interests

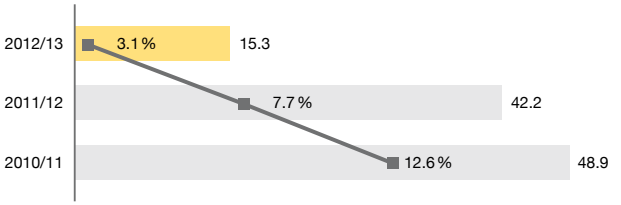
7 Proposal of the executive board subject to approval of the shareholders' meeting on 12 September 2013

Revenues (in million EUR)



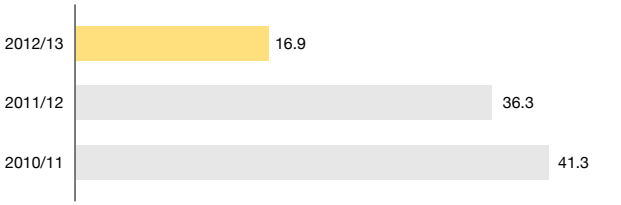
Revenues decreased by 11 % or EUR 61.0 million to EUR 488.9 million.

EBIT (in million EUR) **and EBIT margin** (in %)



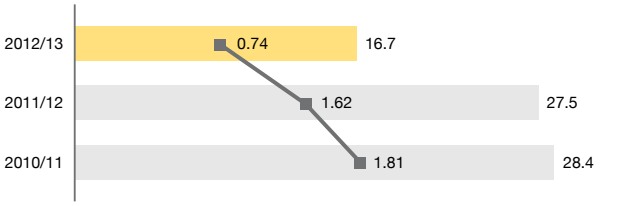
EBIT decreased by 64 % to EUR 15.3 million, the EBIT margin was at 3.1 %.

Profit before tax (in million EUR)



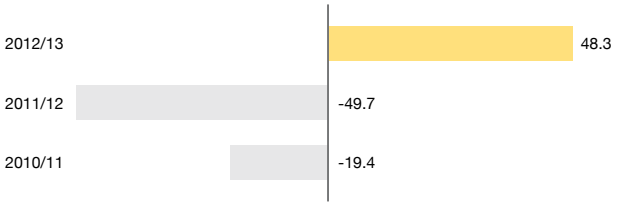
Profit before tax decreased by 54 % to EUR 16.9 million.

Profit for the period (in million EUR) **and earnings per share** (in EUR)[1]



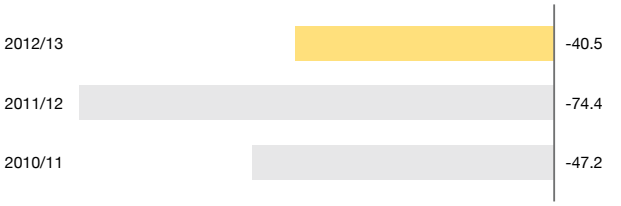
Profit for the period decreased to EUR 16.7 million, earnings per share were at EUR 0.74.

Free cash flow (in million EUR)[2]



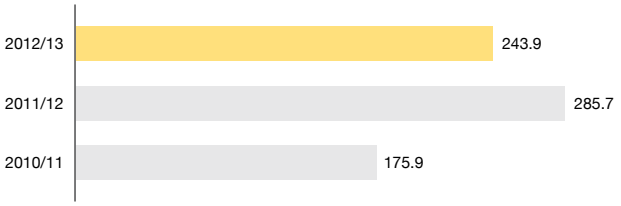
Free cash flow increased from EUR -49.7 million to EUR 48.3 million.

Net debt (in million EUR)



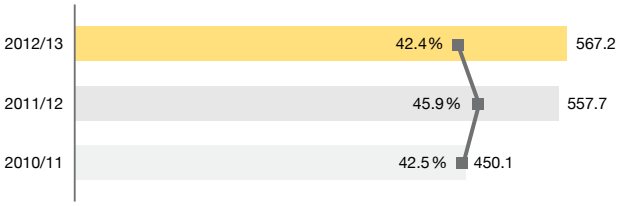
Net debt decreased by 46 % to EUR -40.5 million.

Net working capital (in million EUR)



Net working capital decreased by 15 % to EUR 243.9 million.

Total assets (in million EUR) **and equity ratio** (in %)[6]



Total assets increased by 2 % to EUR 567.2 million, the equity ratio was at 42.4 %.

We have created interactive experiences around the themes of our annual report. With the iKapsch app for your iPhone you can explore an additional multimedia dimension to our content.

How it works:

1. Download the iKapsch app from the Apple App Store and install it on your iPhone.

2. Start iKapsch.

3. Select the function ‘iKapsch capture’.

4. Look for this symbol on the graphic pages of this annual report.

5. Hold your iPhone as level and steady as possible over the page in the annual report that is designated with the ‘iKapsch capture’ symbol.

6. As soon as you can see the entire page, take a photo and you will soon be immersed into the world of Kapsch.

iKapsch

Available on the App Store

2012

2007

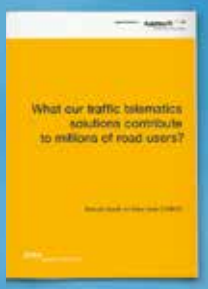
Taking a Holistic View.

In the annual reports on the last five years, the aspects of the Kapsch Spirit that form the basis for our sustained growth were individually incorporated and visualized in various ways. The respective themes of the annual reports on fiscal years (FY) 2007-2012 were therefore “Responsibility”, “Customer Focus”, “Performance”, “Innovation” and “Future”.

The launching point for the creative design of this year’s report is the recognition that the whole is more than the sum of its parts. The continual integration of our corporate vision into our daily business is a key factor behind the success of Kapsch TrafficCom in becoming a global technology group that stands for both innovation and tradition. In the end, however, we owe our success to the unique way in which our employees carry out their work.

In this annual report, we have prepared numerous internal and external facts and data as infographics intended to express how we connect our corporate vision to related developments in the business world and society as a whole. However, we also want to use this opportunity to take stock of what we have achieved over the past years. After all, our goal is not to predict the future but to actively shape it.

FY 2007/08



FY 2008/09

FY 2009/10

FY 2010/11

FY 2011/12

2007/08

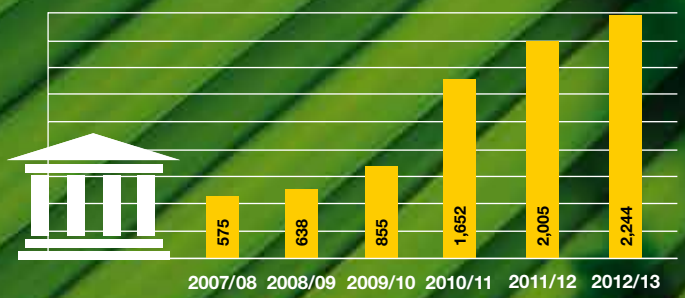
Responsibility.

For us, taking responsibility means being entirely aware of the consequences of our decisions and orienting our actions around the interests of our business partners, our shareholders, our owners and our employees. With this attitude, we develop products and solutions that will benefit society and the environment for many years to come.

Kapsch Components – Environmental Figures (in kg and kWh).[1]

	2009/10	2010/11	2011/12	2012/13	
Share of waste per t product (in kg)	162	329	174	156	-3.7 %
Share of packaging per t product (in kg)	210	190	135	154	-26.7 %
Use of energy per t product (in kWh)	6,953	5,731	3,635	3,717	-46.6 %
Use of nitrogen per t product (in kg)	1,585	1,034	734	607	-61.7 %
CO_2 emission per t product (in kg)	n/a	213	182	178	-16.4 %

Kapsch TrafficCom – Training Costs (in TEUR).[2]



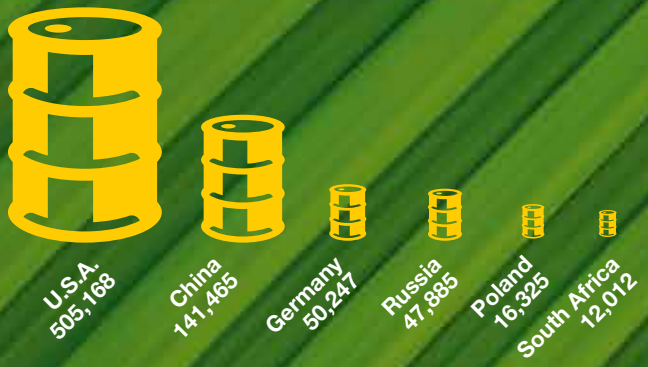
Greenhouse Gas Emissions per Person for Selected Vacation Trips (in kg CO_2).[3]

All-inclusive vacation Mexico
(flight, 14 days, 3 people)

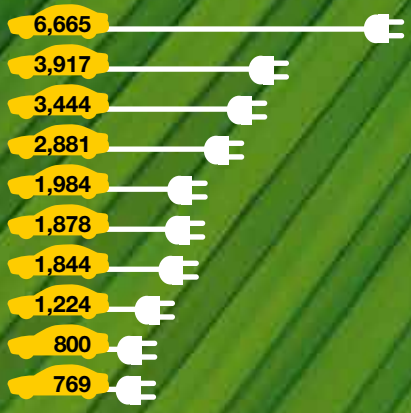
Beach holiday Mallorca
(flight, 14 days, 3 people)

Family holiday home country
(car, 14 days, 4 people)

Total Road Sector Energy Consumption for Selected Countries in 2010 (in ktoe).[4]



The Largest Manufacturers of Electric Cars by Vehicles Produced.[5]



Sources: 1 Kapsch Components GmbH & Co KG, 2 Kapsch TrafficCom AG, 3 brand eins/statista.com: Die Welt in Zahlen 2012, 4 International Road Federation: World Road Statistics 2012, 5 brand eins/statista.com: Die Welt in Zahlen 2012, 6 ACEA (European Automobile Manufacturers' Association) based on Data by AAA (Association Auxilliaire de l'Automobile), 7 Kapsch TrafficCom AG, 8 Mercer LLC: Quality of Living Survey – Worldwide Rankings 2012. All numerical values of Kapsch Group and its companies refer to fiscal years.

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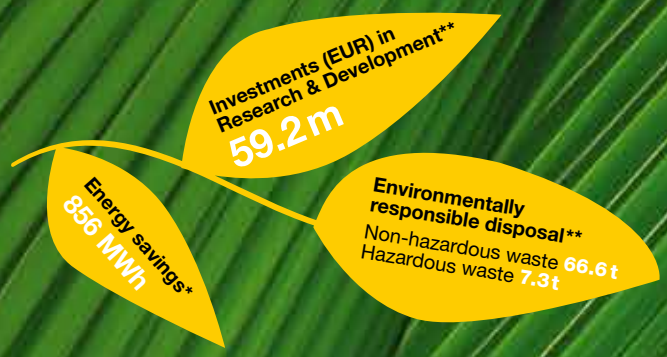
New Cars in the EU by CO_2 Emissions.[6]

Kapsch TrafficCom – Sustainable Business.[7]



*FY 2010/11, ** FY 2012/13

The Cities with the Highest Quality of Life Worldwide.[8]

1. Vienna | 2. Zurich | 3. Auckland | 4. Munich | 5. Vancouver | 6. Düsseldorf | 7. Frankfurt | 8. Geneva | 9. Copenhagen | 10. Bern, Sidney

Responsibility and sustainability were the core themes of our 2007/08 annual report. We worked with children to demonstrate the importance of intelligent transportation systems for modern infrastructure. Just as parents do all they can to ensure safety and a good future for their children, we do all we can to make road transportation safer with our products and solutions.

Letter from the **Chief Executive Officer.**

Photo: Christian Müller/APA/picturedesk.com

Georg Kapsch, Chief Executive Officer

Dear shareholders,

This annual report of the Kapsch TrafficCom Group represents the end of a cycle in many respects. In each of the preceding reports since our initial public offering, we have presented one aspect of the Kapsch spirit. The current report for the fiscal year 2012/13 combines the individual aspects and illuminates them with background information. At the same time, the past fiscal year was for us a transition period between the conclusion of existing implementation projects and the start of new projects, but it also marked a transition from a corporate structure that we have literally outgrown in recent years to a new organization that sustains and supports our strategy for the coming years and the planned further growth. We have to completely grow into this new organization now. We face a new challenge here in handling the complexity that has resulted from the global growth of recent years and that will increase further as our business continues to expand.

The Kapsch TrafficCom Group achieved significant progress during this fiscal year in both existing and new projects. As of October 2012, we have also implemented our new organizational structure. Parallel to these developments and continued investments in the future, project delays nevertheless led to lower revenues alongside high expenditures. As a result, the earnings figures for this reporting year lie significantly below our target.

Although we still assumed at the start of the fiscal year that the situation concerning our large projects would improve quickly, we discovered that while some of the open issues could be eliminated, the continued delays in our project in South Africa negatively impacted our revenue and earnings in the second half of the year as well. The significant improvement of the earnings situation that set in during the third and, in particular, the fourth quarter is all the more pleasing.

Revenue and earnings. The revenue in the fiscal year 2012/13 was EUR 488.9 million, which is 11 % below the previous year's value of EUR 549.9 million. This decline reflects, on one hand, the fact that our major implementation projects in Poland and South Africa were already completed but the new projects were of smaller overall volume and only began contributing revenue as of the second half of the year. On the other hand, the operation revenues in Poland and South Africa were still significantly below expectations since the completed system in South Africa did not go into operation by the end of the fiscal year and the revenues earned in Poland reached the expected levels only as of the third quarter. The number of on-board units sold also remained below that of the previous year since no initial deliveries or subsequent deliveries for new systems took place.

These issues also affected the earnings of the Kapsch TrafficCom Group and led to a negative operating result (EBIT) in the first two quarters of the year. In the third quarter, the continued delays in the South African project forced us to update the contract calculation. This resulted again in negative earnings. Only in the fourth quarter did the improved system operation in Poland together with progress in the project in Belarus enable a significant increase in revenue, making the quarterly earnings more than satisfactory at EUR 24.9 million. For the entire year, the EBIT was EUR 15.3 million, following EUR 42.2 million in the previous year. This puts the EBIT margin at 3.1 %, considerably below the previous year's value of 7.7 %.

The reporting year was also characterized by preparations for new projects, in other words by already incurred expenses that are not yet offset by corresponding revenues or income contributions. The implementation of our new organizational structure also meant investments that, although an essential measure for the future and our continued growth, were still associated with initial expenses. In this context, the lower revenues aggravated the cost coverage.

Existing projects and markets. The regular operation of the nationwide toll collection systems in the Czech Republic, Austria and Switzerland continued to yield stable revenue contributions during the fiscal year.

In Poland, the final acceptance inspection took place at the end of the previous fiscal year for the nationwide toll collection system that we built in record time and then completed in stages. The satisfaction of the customer can also be seen in the fact that we have already been contracted to expand the system by more than 600 km. In the first half of the fiscal year 2012/13, some open issues of system operation still required clarification, but we achieved satisfactory operation revenue as of the third quarter. Since then, the continued earnings improvement has contributed significantly to increasing the margins.

In South Africa, major decisions were made during the reporting period concerning the commissioning of the already completed toll collection system in the Gauteng province. The private lawsuit against the road operator, which resulted in multiple postponements of the system start since April 2012, has now been dismissed, and the toll introduction process is continuing. For several months, we have only been awaiting the announcement of the starting date by the government. We hope that this final step will take place soon. The delays in this project not only resulted in the absence of expected revenues, they were also associated with additionally incurred costs and standby costs for Kapsch TrafficCom. In addition, the related contract volume was reduced by roughly 10 % in the third quarter of 2012/13. The updating of our contract calculation negatively impacted the earnings contribution in this quarter.

In Belarus, the major project we received in February 2012 began in the fiscal year 2012/13. This project involves the construction of a nationwide electronic toll collection system and subsequent operation for 20 years. The progress in the first phase, which will go into operation in July 2013, supported the clear revenue and earnings improvement in the fourth quarter.

New projects and markets. We were able to continue our international market expansion during the reporting period. Developments in the North American market, which we entered only recently, were especially positive.

In the U.S.A., Kapsch TrafficCom was chosen for the first time at the end of July as a supplier for a complete system in this highly competitive market. We are currently implementing a managed lane system on two highways in northern Texas that encompasses a toll system, an intelligent transportation system and a network communication system. It will be one of the most modern transportation systems in North America. Only one month later, we received another order for an incident detection system for a tunnel in Houston. In March, we were contracted for the construction of a truck parking system in Michigan. We feel that these market successes confirm our strategy and prove that our investments in past years were correct. They also show that our competence in complete intelligent transportation system (ITS) solutions is recognized even outside the area of toll collection systems.

In Mexico, we strengthened our market presence and laid the groundwork for future growth by acquiring a 33 % stake in the system integration provider SIMEX.

In Brazil, a growth market for the ITS industry, we received our first order for the delivery of on-board units.

In Australia, we received a contract at the end of August for a toll collection system in Sydney. In addition, the road operator Transurban once again extended our contract for the delivery of on-board units.

In Russia, we withdrew from the United Toll Systems joint venture for strategic reasons – and at a profit – since it was focused primarily on road operation. We will continue to concentrate in Russia on toll projects, such as the expected invitation to tender for a national toll collection system, and other ITS projects.

Financial position. As already mentioned, we are not satisfied with the results of the fiscal year 2012/13, and the first half year was disappointing. However, a proper evaluation requires a longer-term perspective since the project business Kapsch TrafficCom engages in is constantly subject to earnings volatility. A comparison between individual quarters is only possible on a limited basis. After an exceptionally positive start to the previous fiscal year 2011/12, which resulted from specific project conditions, we entered a weak phase as of the second half of 2011/12 that continued until the third quarter of 2012/13 for a total of five quarters.

At the same time, the balance sheet of Kapsch TrafficCom paints an extremely solid picture since the first quarter of the reporting year. The conclusion of the system implementation in Poland and the associated payment of the last milestone from implementation of the system led to noticeable improvements compared with the balance sheet date of 31 March 2012. Despite the weak profit situation, the equity ratio was 42.4 % at the end of the fiscal year 2012/13. After being able to report a net cash position in the third quarter, the net debt on 31 March 2013 was still 46 % below the previous year's value despite the financing of the project in Belarus. The net working capital and the capital employed are also far from the previous year's level despite the rise in the fourth quarter. The cash and cash equivalents increased over the fiscal year from EUR 44.9 million to EUR 79.0 million. The free cash flow, which was still negative one year ago, amounted to EUR 48.3 million at the end of the reporting year.

This confirms that Kapsch TrafficCom has the necessary financial potential for the planned growth. We are therefore continuing our investments in the future despite the weak results of the fiscal year 2012/13. Making massive cuts due to the current situation would mean not having the necessary structures and capacities for the projects – some of them large – that are expected in the future.

Dividend. In consideration of the current situation, we have also decided to deviate from our usual dividend policy of paying out roughly one-third of the annual profit and are recommending a dividend of EUR 0.40 per

share, a 54 % payout, for the fiscal year 2012/13 to the annual shareholders' meeting. Although the annual result speaks against this recommendation, we view it as appropriate from a longer-term perspective. Both the financial strength of the company and the project outlook attest to this view.

Six years as a public company – a look back. Since the initial public offering in 2007, we have successfully followed a clear growth strategy. There have been fluctuations in connection with our project business, but the Kapsch TrafficCom Group has grown to new dimensions over the years in many respects. Just a few months ago, we had the honor of being recognized for this growth with an award.

As part of an in-depth strategy process in 2012, we looked into the future of our markets and of the Kapsch TrafficCom Group. On this basis, we developed our company strategy up to the year 2016 and defined specific strategy paths.

Looking forward. In the coming years, we expect the various ITS market segments to merge. Up to now, there has been a differentiation between toll collection systems, traffic management systems, applications for traffic safety, urban access, parking and other individual areas. In the future, these individual systems will increasingly develop in the direction of "connected vehicles in cooperative systems". Kapsch TrafficCom has the potential, on one hand, to grow still further in its core business of electronic toll collection – even regionally – and, on the other, to increasingly offer other ITS applications. In the year 2012, we reorganized the Kapsch TrafficCom Group to capitalize on this potential. Since October, the entire group now shares a globally uniform organizational structure with coordinated standards, processes and interfaces. This shall improve our efficiency, which in turn supports continued growth. Additional growth prospects shall also arise through the development of complete ITS solutions. The convergence of the ITS market is already evident in the inquiries and orders we have received recently in the U.S.A.

Outlook. With our ITS strategy and the new company structure, we consider ourselves well positioned. The strong balance sheet structure of the Kapsch TrafficCom Group shows that we also have sufficient financial potential for upcoming projects both small and large – even running in parallel.

The fiscal year 2013/14 will be marked by a continuation of our existing projects. In particular, the further developments in South Africa will influence the revenue and earnings situation. In addition, an invitation to tender has already begun in Slovenia. Additional tenders are expected in Belgium and the U.S.A. Extensive toll collection systems are under discussion in Bulgaria, Russia and the surrounding countries as well as in Germany. Naturally, we are following these discussions with great interest.

In conclusion, I would like to take this opportunity to thank our employees for their hard work and dedication, which are especially important to a company during a transitional phase such as we experienced during the reporting period. I also thank my colleagues on the executive board, Erwin Toplak and André Laux, as well as the supervisory board of Kapsch TrafficCom AG for their insights, advice and continuing discussions. My thanks go out to our customers and our investors for the lasting trust they have placed in our efforts. I hope you will continue to accompany us on our growth course.

Georg Kapsch
Chief Executive Officer

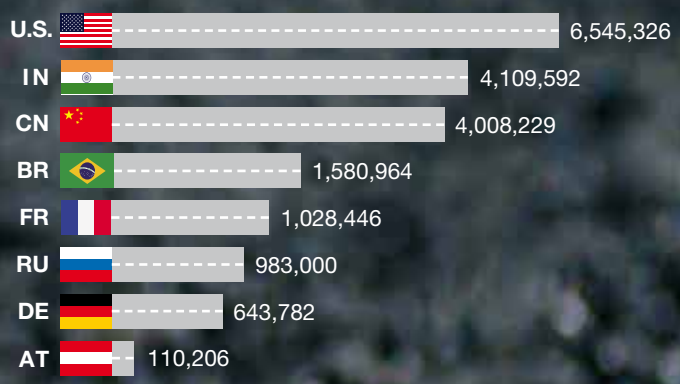
2008/09

Customer Focus.

Close customer relationships are fostered by the local presence we enjoy with our subsidiaries and representative offices in 33 countries around the world. We achieve another dimension of closeness through intensive, appreciative collaboration with our international project partners and customers as well as by intentionally promoting regional value creation.

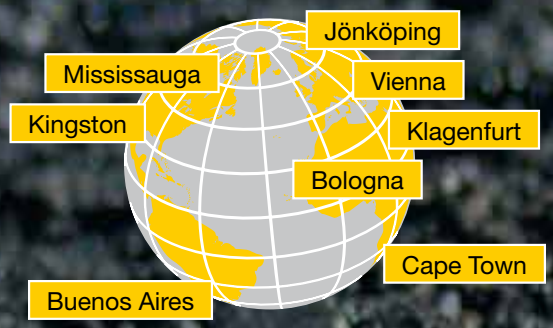
Austria's Foreign Trade in 2012 (in billion EUR).[1]

Total Road Network Length in Selected Countries in 2010 (in km).[2]



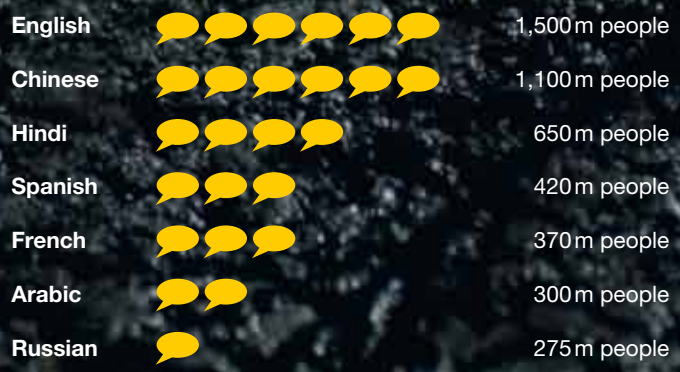
Kapsch TrafficCom – Number of Employees.[3]

Kapsch TrafficCom – Research and Development Centers in 2012.[4]



Kapsch TrafficCom – International Websites.[5]

The Most Important World Languages.[6]



Sources: 1 Statistics Austria 2013, 2 International Road Federation: World Road Statistics 2012, 3 Kapsch TrafficCom AG, 4 Kapsch TrafficCom AG, 5 Kapsch TrafficCom AG, 6 www.weltsprachen.net, 7 Kapsch TrafficCom AG, 8 International Road Federation: World Road Statistics 2012. All numerical values of Kapsch Group and its companies refer to fiscal years.

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Kapsch TrafficCom – Global Reference Projects in 2012/13.[7]

Argentina
Australia
Austria
Belarus
Bosnia and Herzegovina
Brazil
Canada
Chile
China
Colombia
Costa Rica
Czech Republic
Denmark
Ecuador
France
Germany
Greece
Hungary
India
Ireland
Italy
Mexico
Montenegro
Morocco
Netherlands
New Zealand
Norway
Panama
Philippines
Poland
Portugal
Russia
Serbia
Slovenia
South Africa
Spain
Sweden
Switzerland
Thailand
Turkey
United Kingdom
U.S.A.
Vietnam

Number of Passenger Cars by Geographic Regions.[8]

The 2008/09 annual report was dedicated to close customer relationships and the international orientation of Kapsch TrafficCom. Our photographer traveled to Australia, the Czech Republic, India, Italy, Sweden and Thailand to ask various road users about their experiences with our solutions. This allowed us to credibly present the diverse socio-cultural components and contexts of mobility to our readers.

About Us.

Our Profile.

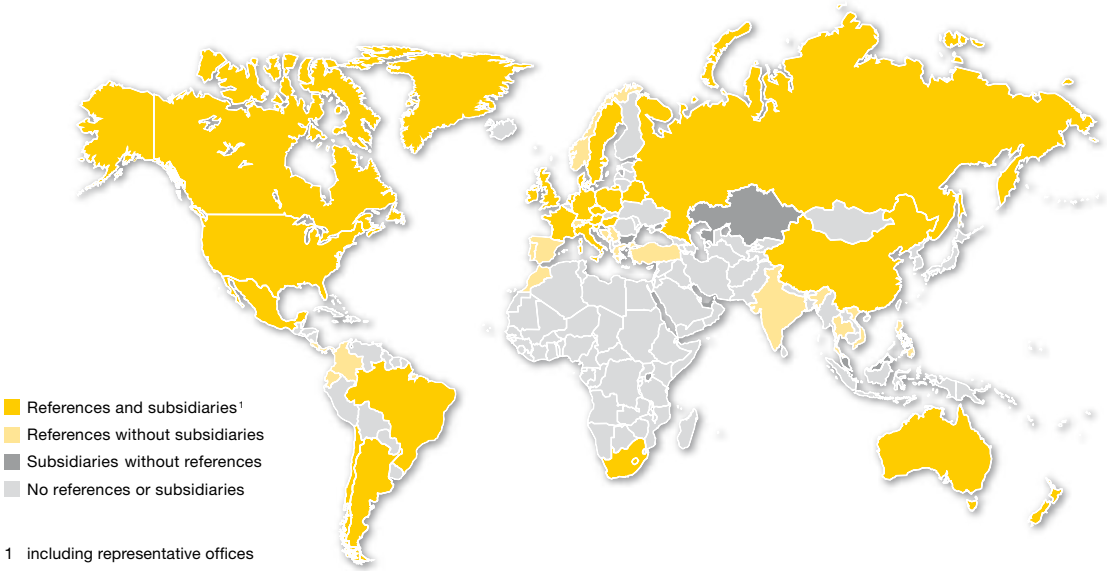
Kapsch TrafficCom is a provider of intelligent transportation systems (ITS). Our systems employ information and communication technologies to support and optimize road transportation, including infrastructure, vehicles, users and industry. Our current focus is on ITS that aims to ensure the security, availability and quality of the infrastructure – we call this operator/authority-oriented ITS. The addressees are therefore governments and regional authorities or organizations, such as concessionaires.

Our solutions in the application fields of road user charging, urban access and parking, road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems help to provide funding for infrastructure projects, to reduce congestion as well as further environmental pollution caused by road traffic, to increase traffic safety and security as well as to enhance vehicle and fleet productivity and traveler convenience.

Our core business is to design, build and operate electronic toll collection systems for multi-lane free-flow traffic. With our end-to-end solutions, we cover the entire value creation chain of our customers as a one-stop shop, from components and subsystems to their integration and operation.

Headquartered in Vienna, Austria, the Kapsch TrafficCom Group comprises subsidiaries and representative offices in 33 countries. The over 3,000 employees generated revenues in the fiscal year 2012/13 (1 April 2012 to 31 March 2013) of EUR 488.9 million, of which 92 % abroad.

References in 43 countries on all continents make us a recognized supplier of electronic toll collection worldwide.



1 including representative offices

According to two independent analyses published in spring of 2013, Kapsch TrafficCom is the global market leader for ITS solutions with a focus on electronic toll collection.

Kapsch TrafficCom was established in 1991 as part of the Kapsch Group. Initially run as the toll collection division of Kapsch AG, Kapsch TrafficCom AG was created by means of a demerger from Kapsch AG in 2002. The Kapsch Group is an Austrian, family-owned technology group in existence since 1892.

1991	1999	2000	2002	2005
Founding as toll collection division of Kapsch AG	Acquisition of toll collection division of Bosch Telecom, Germany	Acquisition of Combitech Traffic Systems AB, Sweden	Demerger of Kapsch TrafficCom AG from Kapsch AG	Founding of Kapsch Telematic Services GmbH

Until 1999, the division acted solely as a system integrator, but selected acquisitions, including those of the toll collection division of Bosch Telecom, Germany (1999), and Combitech Traffic Systems AB, Sweden (2000), provided access to its own technology portfolio.

In 2005, with the founding of Kapsch Telematic Services GmbH and the acquisition of DPS Automation S.A., Argentina (2006), a specialist in toll clearance processes in the back office, we entered the toll system operation business. Since then, we have covered the entire value creation chain of our customers as a one-stop shop – from components and subsystems to their integration and operation.

2007	2008	2009	2010	2012
Initial public offering	Acquisition of assets of TechnoCom, U.S.A.	Purchase of minority stake in Q-Free, Norway	Acquisition of Mark IV IVHS in North America and of majority stake in TMT, South Africa	Purchase of minority stake in SIMEX, Mexico

In June 2007, the initial public offering was made to support the global expansion and the further growth of the business. In 2008, we successfully entered the North American market by acquiring the assets of the U.S. TechnoCom Corp., a pioneer of the newly introduced 5.9 GHz technology in the U.S.A. This was later supported by the acquisition of the Mark IV IVHS businesses in the United States, Canada and Mexico in 2010 and the purchase of a minority stake in the Mexican system integrator SIMEX in 2012.

In 2009, we purchased a 20.47 % stake (now 19.76 %) in the Norwegian competitor Q-Free ASA. In 2010, we acquired a 51.43 % stake (now 56.81 %) in the South African TMT Services and Supplies (Proprietary) Limited.

Until today, we have established subsidiaries and representative offices in 33 countries around the globe for an increased global market presence.

Toll collection

Traffic management

Connected vehicles in cooperative systems

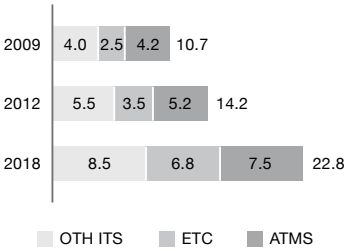
Our Market.

We address the intelligent transportation systems (ITS) market, which comprises three product segments according to Global Industry Analysts:

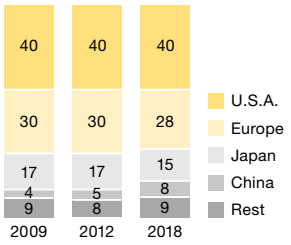
Market segmentation		
Electronic Toll Collection	ETC	Enabling drivers to pay toll fees without stopping at toll stations
Advanced Traffic Management Systems	ATMS	Monitoring traffic, optimizing signal timing and regulating the flow of traffic
Other Intelligent Transportation Systems	OTH ITS	Other Intelligent Transportation Systems, including in particular:
■ Commercial Vehicle Operations	CVO	■ Systems for operating commercial vehicles in order to enhance freight carrier productivity and safety
■ Public Vehicle Transportation Management Systems	PVTMS	■ Facilitating management of both local and long-distance public transportation
■ Advanced Vehicle Information Systems	AVIS	■ Systems for transmitting traffic-related vehicle information to travelers before or during the trip as well as for providing navigation services

According to Global Industry Analysts (October 2012), the volume of the ITS market amounted to USD 14.2 billion in 2012 and is expected to continue growing. The largest product segment in 2012 was ATMS, accounting for almost 36 % (USD 5.2 billion). Based on a worldwide volume of about USD 3.5 billion, ETC had an ITS market share of about 25 %. The largest geographic region for ITS in 2012 was the U.S.A. at 40 % (ETC: 42 %), followed by Europe at 30 % (ETC: 27 %).

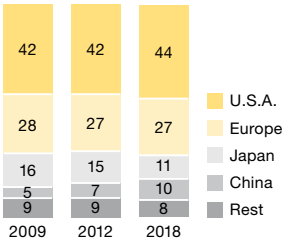
ITS global market volume
(in million EUR)



ITS by geographic regions (in %)



ETC by geographic regions (in %)

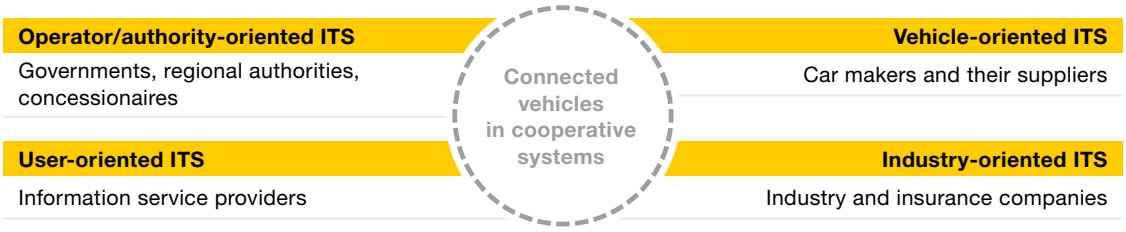


The ITS market is expected to grow at an average annual rate of 8.7 % between 2009 and 2018 to reach a global volume of USD 22.8 billion in 2018, of which ETC will account for USD 6.8 billion, equaling a share of 30 % and thereby exhibiting the fastest growth of all product segments at an average annual rate of 11.8 %.

Market drivers. We have identified the following five factors, which are described in more detail in the Management Report, as the main drivers for the market we address:

- Funding for infrastructure projects
- Reducing congestion and further environmental pollution caused by road traffic
- Increasing traffic safety and security
- Enhancing vehicle and fleet productivity
- Increased convenience of travelers

Customer segments. We have developed our own understanding and our own view of the ITS market in order to define and develop our market positioning. From this perspective, we have divided the ITS market into four customer segments and have identified the corresponding primary addressees.



Operator/authority-oriented ITS encompasses both ETC and ATMS as well as applications for urban access. The addressees are governments and regional authorities or organizations, such as concessionaires, that develop transport policies using ITS to ensure the availability and quality of the infrastructure in a way that improves safety, performance, security and environmental protection.

Vehicle-oriented ITS aims at in-car telematics such as remote diagnostics or driver assistance systems (AVIS). They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles (CVO), as well as traffic safety and security. Addressees are mainly car makers and their suppliers. This field also includes systems for real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), which we believe will be increasingly based on 5.9 GHz technology.

User-oriented ITS focuses mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation during the journey, thereby increasing traffic safety. Example applications for advanced vehicle information systems (AVIS) include transmitting traffic-oriented 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. The 5.9 GHz technology as a communication platform will enable a variety of future applications involving “connected vehicles”.

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

Convergence of the ITS market. We expect that these product and customer segments will become increasingly interconnected and will finally converge over time. The technical boundaries and organizational requirements are being identified and standardized within research projects. The driving forces in the expected convergence are governments and the automotive industry.

Market positioning. Our current focus aims at the operator/authority-oriented segment of the ITS market. Our goal is to become a leading provider of solutions and technologies in the future field of “connected vehicles in cooperative systems”. We intend to offer solutions at both the infrastructure and vehicle levels, supplying the information and communication technologies as well as designing, building and operating select applications. Our future focus will therefore also aim at vehicle-oriented and user-oriented ITS. We will also monitor the ongoing developments in industry-oriented ITS.

Our Offering.

Our applications. Our offering comprises the application fields of road user charging, urban access and parking, road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems.

Application fields	Applications	
Road user charging	Free-flow tolling	Plaza tolling
Urban access and parking	Urban road user charging Limited access zone	Low emission zone Dynamic parking
Road safety enforcement	Speed enforcement Section speed enforcement Red light enforcement	Weight enforcement Lane enforcement Traffic surveillance
Commercial vehicle operations	Electronic clearance Electronic screening	Wireless inspection
Electronic vehicle registration	Vehicle registration Vehicle compliance	Vehicle monitoring
Traffic management	Highway traffic management Tunnel management	Traveler information services
V2X cooperative systems	In-vehicle components	Roadside stations

Road user charging. Our offering comprises components, subsystems and systems as well as complete end-to-end tolling solutions which are adapted to specific customer requirements. We thereby offer the complete migration path from manual to electronic tolling, from single lanes to free-flow, on highways and all other roads. Depending on the specific requirements, the solutions are based on different core technologies.

Urban access and parking. Our offering comprises end-to-end solutions which support a full range of charging policies, whether based on the time of the day, the length of the stay, the vehicle's pollution class or the traffic. Depending on the specific requirements, the solutions are based on different core technologies.

Road safety enforcement. Our offering comprises comprehensive and fully integrated solutions for enforcing traffic laws and for vehicle surveillance that help improve road safety and increase public security. The solutions can capture multiple types of violations such as speeding, running red lights or overweight vehicles and support the legal processing and payment collection of infringements to enable the implementation of financially viable and sustainable road safety programs for reducing fatalities and accidents.

Commercial vehicle operations. Our offering comprises solutions for improving road safety and the productivity of fleets. Sample applications are inspection and pre-clearance by regulatory authorities at check points utilizing roadside sensors to check the vehicle weight or on-board 5.9 GHz transponders to collect status information on the driver and vehicle.

Electronic vehicle registration. Our offering comprises solutions utilizing electronic readable tags to improve vehicle registration rates and reduce registration fraud, thereby increasing safety and improving public security. Our solutions also allow centralized management of vehicle registration data and efficient automated monitoring by regulatory authorities.

Traffic management. Our offering comprises solutions for monitoring and controlling road traffic to help increase road safety, improve traffic flow and protect the environment. We offer complete end-to-end traffic management solutions for highway sections, networks and tunnels as well as incident detection and traveler information services to assist road authorities and operators in managing, monitoring and maintaining their roadways.

V2X cooperative systems. Vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, abbreviated as V2X, is a core technology for managing and improving traffic safety and mobility in the future. Our offering in the field of V2X comprises in-vehicle components and roadside stations as well as complete solutions in combination with traffic management systems.

Our end-to-end solutions. We cover the entire value creation chain of our customers as a one-stop shop, from components and subsystems to their integration and operation.

Components	Subsystems	System integration	System operation
In-vehicle components Transceivers & readers Cameras & sensors	Roadside stations Mobile enforcement Back office	Design, customization, rollout, documentation, acceptance testing, project and subcontractor management, training	Technical operations Commercial operations

Components are developed in-house or sourced from leading vendors and either integrated as subsystems or sold as off-the-shelf products to customers such as system integrators and service providers. The product line encompasses the three product families of in-vehicle components (on-board units and transponders), transceivers and readers as well as cameras and sensors (in particular for vehicle classification, incident detection and weigh in motion).

The core technologies of DSRC (dedicated short-range communication based on 915 MHz, CEN 5.8 GHz and WAVE 5.9 GHz frequency), satellite navigation (global navigation satellite system; GNSS) and ANPR (automatic number plate recognition) are developed in-house, while peripheral technologies like radar or laser sensors are sourced from third party vendors.

Subsystems such as roadside stations, mobile enforcement and back offices are integral elements of a system and fulfill specific functions like toll charging, toll enforcement, traffic law enforcement or traffic management. The subsystems are sold individually, in combination or integrated to complete turnkey systems.

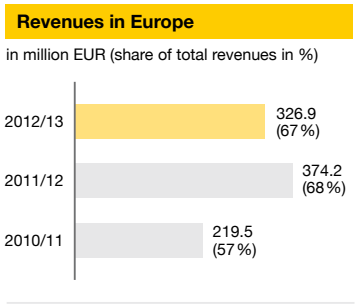
System integration includes all activities for delivering solutions successfully and on time according to specific customer requirements. Our integration services include the design, customization and rollout of solutions including documentation and acceptance testing, overall project and subcontractor management and solution training.

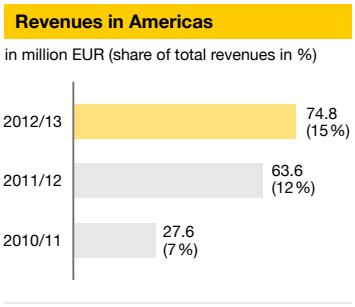
System operation encompasses the technical and commercial operation of systems. Technical operations include the monitoring, maintenance and ongoing optimization of systems. Depending on the actual solution, commercial operations services may encompass the planning and implementation of point-of-sale measures, the implementation and operation of call center services, the design of suitable web portals or the establishment of payment systems, including comprehensive services from invoicing to dunning that enable payment by cash, credit card or fleet card.

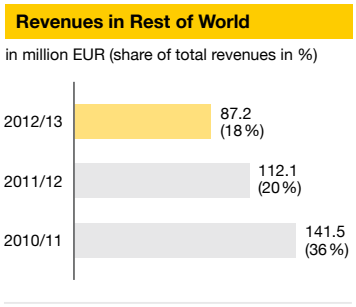
Our current target groups. With our system business, we primarily address road and toll operators as well as concessionaires but also municipalities, police and related authorities, such as road authorities as well as Ministries of the Interior and Ministries of Transport when it comes to nationwide projects. Additional target groups are system integrators, service providers and the automotive industry for product business as well as end users such as haulers or road users in those cases where we operate a system on behalf of our end customer.

Our Sales Regions and References.

References in 43 countries on all continents make us a recognized supplier of electronic toll collection worldwide.







In the past three fiscal years, the revenues of the Kapsch TrafficCom Group continuously increased in the Americas, whereas the revenues in Europe and in the Rest of World decreased due to the absence of large projects, such as in Poland (2011/12) and in South Africa (2010/11). An analysis by geographic region shows that the Kapsch TrafficCom Group generated 67 % of total revenues in the fiscal year 2012/13 in Europe, of which 8 % in Austria (92 % abroad), compared with 15 % in the Americas and 18 % in Rest of the World.

Europe. In Europe, the nationwide systems in Austria, the Czech Republic and Poland are currently the largest references.

In Austria, we were awarded in 1995 the contract for the realization of the Ecopoint system, the world's first emissions-based traffic management system. On 1 January 2004, a nationwide electronic toll collection system for all vehicles above 3.5 tons was launched. This system now covers roughly 2,200 kilometers of motorways and expressways. As the system supplier, we were responsible for the entire design and implementation of the system and since then have taken over the technical operation of the system, including maintenance. With an average toll transaction rate of 99.8 %, the system generated toll revenues of EUR 1.1 billion in 2012. As of 31 March 2013, we have equipped some 3,000 lanes and delivered about 1.2 million on-board units.

In the Czech Republic, we were responsible for the design and implementation of the nationwide electronic toll collection system for all vehicles above 3.5 tons, which now covers roughly 1,350 kilometers. The system was completed in just nine months and started commercial operation on 1 January 2007. Since then, we have taken over the technical and commercial operation of the system and added a traffic management system. With an average toll transaction rate of 99.6 %, the system generated toll revenues of CZK 8.7 billion (EUR 344 million) in 2012. As of 31 March 2013, we have equipped some 1,400 lanes and delivered about 0.7 million on-board units.

In Poland, on 3 July 2011, we launched the electronic toll collection system viaTOLL on the existing road network of 1,565 kilometers for all vehicles above 3.5 tons after an implementation period of only eight months. Since then, we have been responsible for the technical and commercial operation of the system and have extended the system by more than 600 kilometers to roughly 2,200 kilometers. In the first year of operation, the toll system generated revenues of PLN 815 million (EUR 196 million). As of 31 March 2013, we have equipped some 3,000 lanes and delivered about 0.9 million on-board units.

In Switzerland, we implemented the nationwide infrastructure and enforcement systems for the truck system "Leistungsabhängige Schwerverkehrsabgabe" (LSVA).

In Sweden and Denmark, we installed a single-lane electronic toll collection system on the Öresund and Storebaelt bridges connecting the two countries.

In Italy, we have deployed urban access solutions in Rome, Bologna, Piacenza, Genoa, Livorno, Arezzo, Ravenna, Lecce and Salerno, among other cities.

Americas. *In North America,* the Mark IV IVHS businesses, acquired in 2010, have enabled many landmark ITS deployments such as the electronic toll collection system on highway 407 ETR in Canada, the interoperability between an electronic truck preclearance system and a toll collection system (PrePass System) in the U.S.A. as well as the E-ZPass system comprising 24 toll agencies in 14 U.S. states who operate the largest interoperable toll collection system in the world. As of 31 March 2013, we have equipped some 2,000 lanes and delivered about 48 million on-board units.

In South America, we installed three electronic toll collection systems for all vehicles on motorways and expressways in Chile: Costanera Norte, Autopista Central and Vespucio Norte Express. All three systems include technologies for the detection, classification and registration of vehicles. As of 31 March 2013, we have equipped some 250 lanes and delivered about 2.6 million on-board units.

Rest of World. *In South Africa,* we installed Africa's first electronic toll collection system on the Platinum Toll Highway in 2002. Recently, we implemented an electronic toll collection system for multi-lane free-flow traffic for all vehicles on 185 kilometers in the South African Gauteng province.

In Australia, we implemented in 1999 the world's first electronic toll collection system for multi-lane free-flow traffic on an urban highway in Melbourne, including systems for the detection, classification and registration of vehicles. We have also introduced other such systems in Sydney and Brisbane. As of 31 March 2013, we have equipped some 270 lanes and delivered about 7.3 million on-board units.

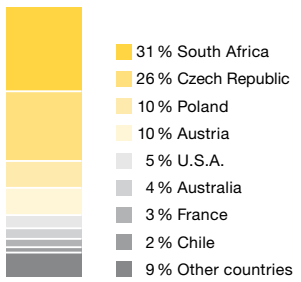
In New Zealand, we were awarded the implementation and operation of an electronic toll collection system in 2007.

In India, we implemented a system for manual toll collection with electronic microwave communication on highway number 8 in New Delhi in the same year, including the largest toll plaza in Asia with 36 lanes.

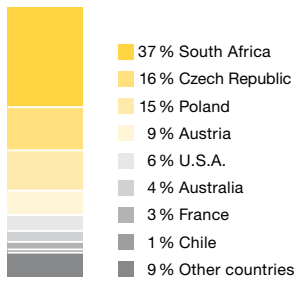
In Thailand, we implemented toll collection systems for the three largest city highways on a total of 55 km in Bangkok in 2008.

The top sales markets in the past three fiscal years were the Czech Republic, Poland, South Africa, the U.S.A., Austria, Australia, France, Chile and recently Belarus.

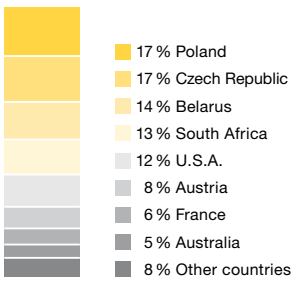
Top sales markets 2010/11 (in %)



Top sales markets 2011/12 (in %)



Top sales markets 2012/13 (in %)



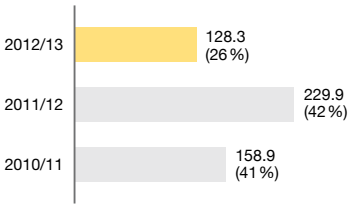
In the fiscal year 2012/13, Poland and the Czech Republic contributed 17 % to total revenues each, Belarus 14 %, South Africa 13 % and the U.S.A. 12 %. Other important sales markets were Austria with 8 %, France with 6 % and Australia with 5 %.

Our Business Segments.

The segment reporting of the Kapsch TrafficCom Group is broken down into the three segments Road Solution Projects (RSP), Services, System Extensions, Components Sales (SEC) and Others (OTH).

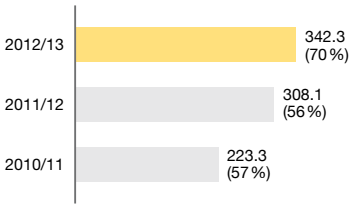
Segment RSP revenues

in million EUR (share of total revenues in %)



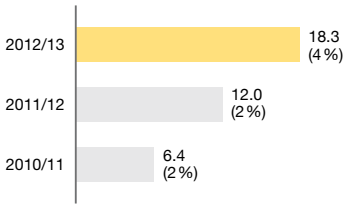
Segment SEC revenues

in million EUR (share of total revenues in %)

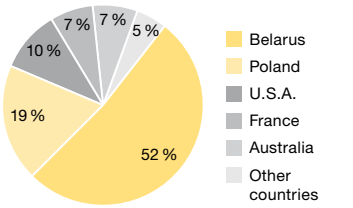


Segment OTH revenues

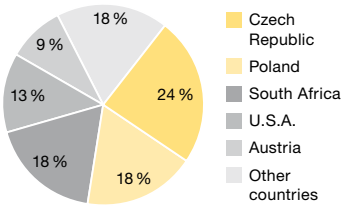
in million EUR (share of total revenues in %)



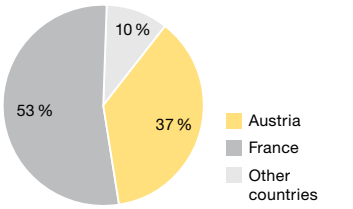
RSP top sales markets 2012/13



SEC top sales markets 2012/13



OTH top sales markets 2012/13



Road Solution Projects (RSP). This segment consists of system implementation projects. Generally, such systems are awarded in tender processes by public authorities or private sector concessionaires. They may concern individual road sections or nationwide road networks.

The segment RSP encompasses the one-time effects from the realization of projects. The project nature of this segment results in fluctuations in revenues, cost of materials and other production services, staff costs as well as other operating expenses and – in certain projects – also in project financing costs. Revenues and operating results differ significantly from period to period depending on whether individual projects are in the preparation, commencement or subsequent implementation phase.

In the fiscal year 2012/13, the segment Road Solution Projects (RSP) contributed 26 % to total revenues at EUR 128.3 million, which is a decrease of 44 % compared to the same period of the previous year (EUR 229.9 million).

The top five sales markets in the segment RSP in the reporting period were Belarus at EUR 67.0 million (corresponding to 52 % of total segment RSP revenues), Poland at EUR 23.9 million (19 %), the U.S.A. at EUR 13.1 million (10 %), Australia at EUR 9.0 million (7 %) and France at EUR 8.9 million (7 %). About five percent of total revenues from the segment RSP were generated outside the top five markets.

Services, System Extensions, Components Sales (SEC). After the implementation, we typically take over the technical operation of a system, including the maintenance. This segment is also responsible for supplying supplemental components, such as on-board units and transponders, transceivers, readers or cameras, for the extension and adaptation of existing systems or for upgrading manual systems to automatic or electronic

toll collection. Since 2005, we also offer the commercial operation of systems. We report all business activities aimed at continuous revenue streams in this segment. The segment also includes smaller scale projects that are often not awarded in tender processes.

The segment SEC encompasses the recurring part of the business. The activities in this segment are characterized by relatively stable revenue streams over a certain period since these services are provided mainly based on medium- or long-term service contracts and framework agreements.

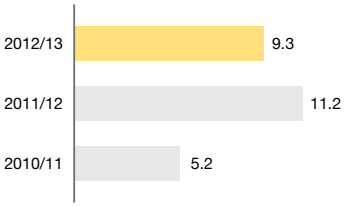
In the fiscal year 2012/13, the segment Services, System Extensions, Components Sales (SEC) contributed 70 % to total revenues at EUR 342.3 million, an increase of 11 % compared to the same period of the previous year (EUR 308.1 million).

The top five sales markets in the segment SEC in the reporting period were the Czech Republic at EUR 82.5 million (corresponding to 24 % of total segment SEC revenues), South Africa at EUR 62.9 million (18 %), Poland at EUR 61.4 million (18 %), the U.S.A. at EUR 45.8 million (13 %) as well as Austria at EUR 30.3 million (9 %). About 18 % of total revenues from the segment SEC were generated outside the top five sales markets.

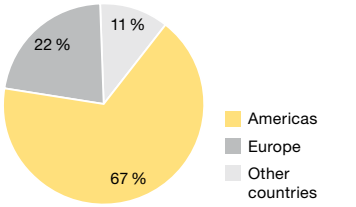
On-board units. The segment SEC also encompasses our business with on-board units, with the exception of device deliveries for the initial outfitting of a system, which are assigned to the segment RSP. As of 31 March 2013, we had delivered roughly 80 million on-board units worldwide. In fiscal year 2012/13, the volume of delivered on-board units was at 9.3 million units. Of this volume, 67 % of the deliveries went to the Americas, 22 % to Europe and 11 % to other countries. The sales in the U.S.A., Mexico, France, Australia and Spain exhibited particularly attractive developments.

On-board unit volume

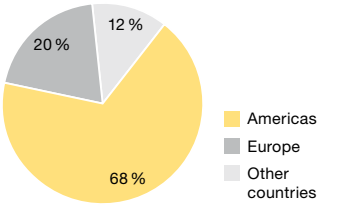
in million units



Volume 2012/13 by regions



Historic volume by regions



Others (OTH). The segment Others includes the non-core business activities that are conducted by our subsidiary Kapsch Components GmbH & Co KG. These consist of engineering solutions, electronic manufacturing and logistics services rendered to affiliated entities and third parties.

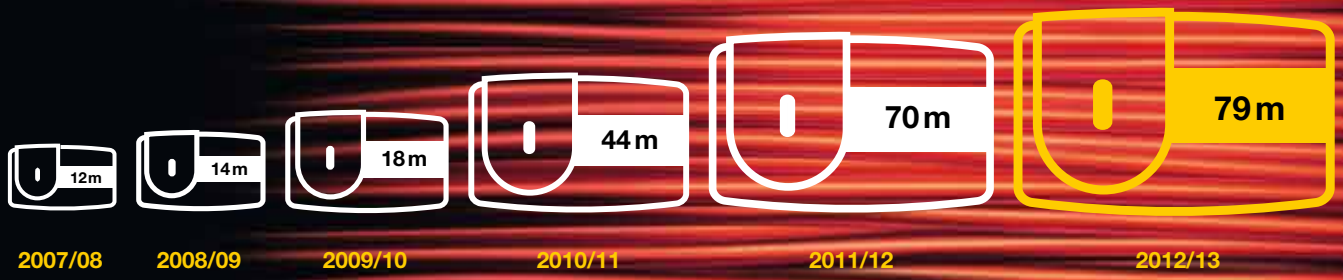
In the fiscal year 2012/13, the segment Others (OTH) contributed 4 % to total revenues at EUR 18.3 million, which reflects an increase of 52 % compared to the same period of the previous year (EUR 12.0 million).

The top sales markets in the segment OTH in the reporting period were France at EUR 9.7 million (corresponding to 53 % of total segment OTH revenues) and Austria at EUR 6.8 million (37 %). About 10 % of total revenues from the segment OTH were generated outside the two top sales markets.

Performance.

In the world of transportation, performance is evaluated from the perspective of users in terms of reaching their destinations as quickly and safely as possible and with the least environmental impact. In our mobility solutions, however, we always keep the big picture in view too, striving from this perspective to make transportation systems generally more efficient, more capable and safer.

Kapsch TrafficCom – On-Board Unit Sales (in Units Delivered).[1]



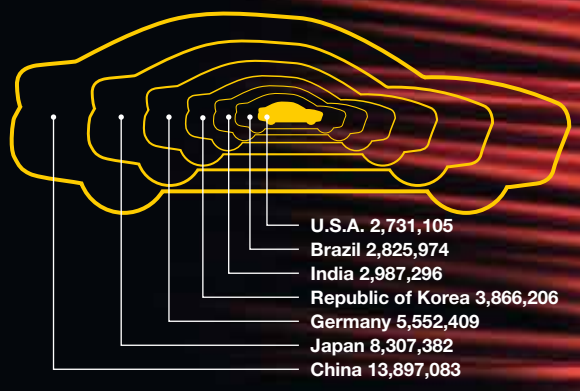
Average Daily Traffic in Selected Countries in 2012 (Number of Passenger Cars and Trucks).[2]

			Σ
AT	29,800	4,000	33,800
DK	44,380	4,392	48,772
ES	16,910	2,274	19,185
FR	23,137	3,880	27,017
HU	19,007	6,331	25,338
IT	31,551	9,302	40,853
NL	14,025	1,951	15,940
PL	16,892	6,142	23,034
GB	32,615	3,101	35,716
SI	22,251	6,679	28,930
DE	n/a	5,706	n/a
SK	17,732	5,190	22,922
CZ	n/a	4,044	n/a

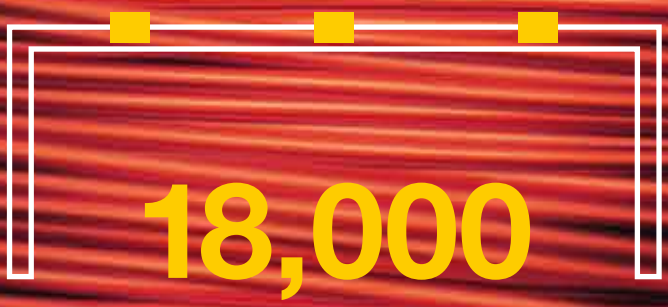
Toll Revenues in Selected Countries in 2012 (in EUR).[3]

AT	1,561.00 m
DK	472.00 m
ES	1,808.70 m
FR	8,442.60 m
HU	167.90 m
IT	4,971.00 m
NL	28.49 m
PL	148.25 m
GB	64.40 m
SI	298.34 m
DE	4,498.00 m
SK	199.88 m
CZ	325.00 m

Production of Passenger Cars Worldwide (in Units).[4]



Kapsch TrafficCom – Number of Toll Lanes Installed Worldwide as of 2012.[5]



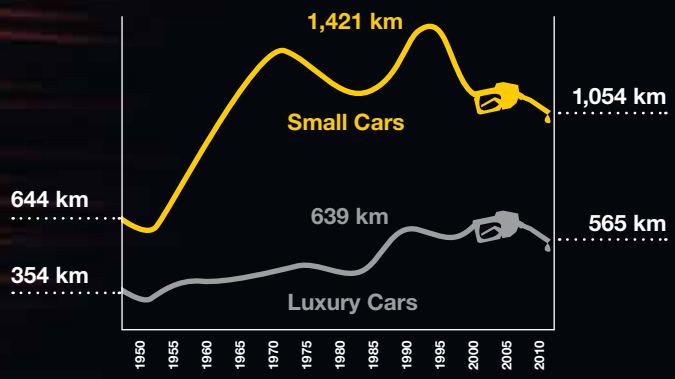
Sources: 1 Kapsch TrafficCom AG, 2 ASECAP (European Association with tolled motorways, bridges and tunnels): Statistical Bulletin 2012, 3 ASECAP, 4 International Road Federation: World Road Statistics 2012, 5 Kapsch TrafficCom AG, 6 VCÖ, 7 Vanishing Point. Online Magazin für Automobilkultur, 8 Deutsches Zweiradmuseum Neckarsulm.
All numerical values of Kapsch Group and its companies refer to fiscal years.

We have created interactive experiences around the themes of our annual report. With the iKapsch app for your iPhone you can explore an additional multimedia dimension to our content. Read the user instructions for iKapsch on page 2 to immerse yourself in the world of Kapsch.

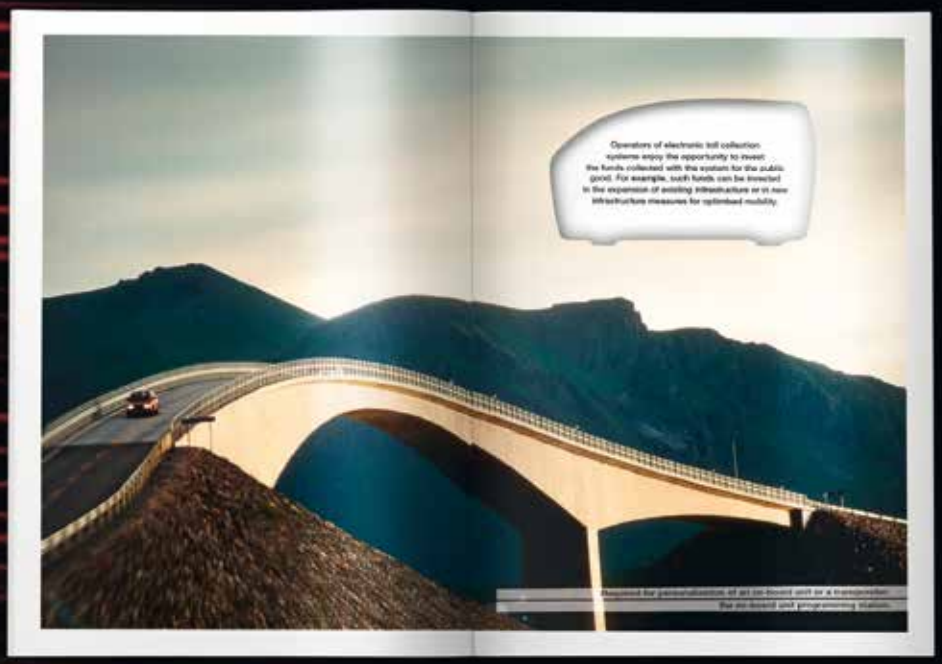
The Most Frequently Traveled Highway Sections in Austria in 2012.[6]

1.	A23	Handelskai	65.79 m cars
2.	A2	Wiener Neudorf	54.89 m cars
3.	A2	Guntramsdorf	49.42 m cars
4.	A22	Kaisermühlen	38.04 m cars
5.	A1	Haid	33.94 m cars
6.	A4	Schwechat	32.88 m cars
7.	A7	Neue Welt	32.86 m cars
8.	A1	Bergheim	32.61 m cars
9.	A22	Nordbrücke	29.44 m cars
10.	A7	Voest	28.77 m cars
11.	A21	Brunn/Gebirge	28.46 m cars
12.	A1	Raffelstetten	27.98 m cars
13.	A2	Steinabrückl	27.83 m cars
14.	A1	Siezenheim	27.29 m cars
15.	A12	Ampass	26.06 m cars

Development of Vehicle Range with EUR 100 Worth of Fuel.[7]



Technological Development of Two-Wheeled Vehicles.[8]



In our 2009/10 annual report, we focused on performance orientation. We presented to our readers various key components that are responsible for the performance of our transportation solutions. For example, our on-board units ensure smooth communication with the infrastructure components. Kapsch TrafficCom has now delivered roughly 80 million of these units around the world, making an important contribution to the high performance of road transportation.

The Kapsch TrafficCom **Shares.**

Stock Markets in Fiscal Year 2012/13.

International stock markets. The global economic uncertainties in 2012 also affected the activity on the international stock markets, leading to high volatility. Despite the rekindling of the sovereign debt crisis at mid-year, the key share indexes consistently finished the year higher than their 2011 closing values. The European share index DJ Euro Stoxx 50 was able to increase by roughly 13 %, the German index DAX added 30 % and the Japanese Nikkei 225 rose over the course of the year by 23 %. The Dow Jones Industrial also finished 2012 at 6 % above the previous year's value despite the decline in the fourth quarter associated with the feared "fiscal cliff". In the first quarter of the year 2013, the Japanese and U.S. indexes were able to continue their upward trends, while the European stock markets suffered under the renewed concerns of the euro crisis and moved sideways. Overall, all international stock markets nevertheless exhibited upward movement during the reporting period from 1 April 2012 to 31 March 2013, even if with relatively low trading volume.

Vienna Stock Exchange. The leading index of the Vienna Stock Exchange, ATX, developed similarly to the German DAX index in 2012, finishing the year roughly 27 % above the close of the previous year. The market capitalization of the Vienna Stock Exchange on 31 December 2012 was about EUR 80 billion, surpassing the weak value of the previous year's close of roughly EUR 66 billion. In the first three months of the year 2013, the ATX lost 2 % in value, closing the first quarter at 2,352.01 points.

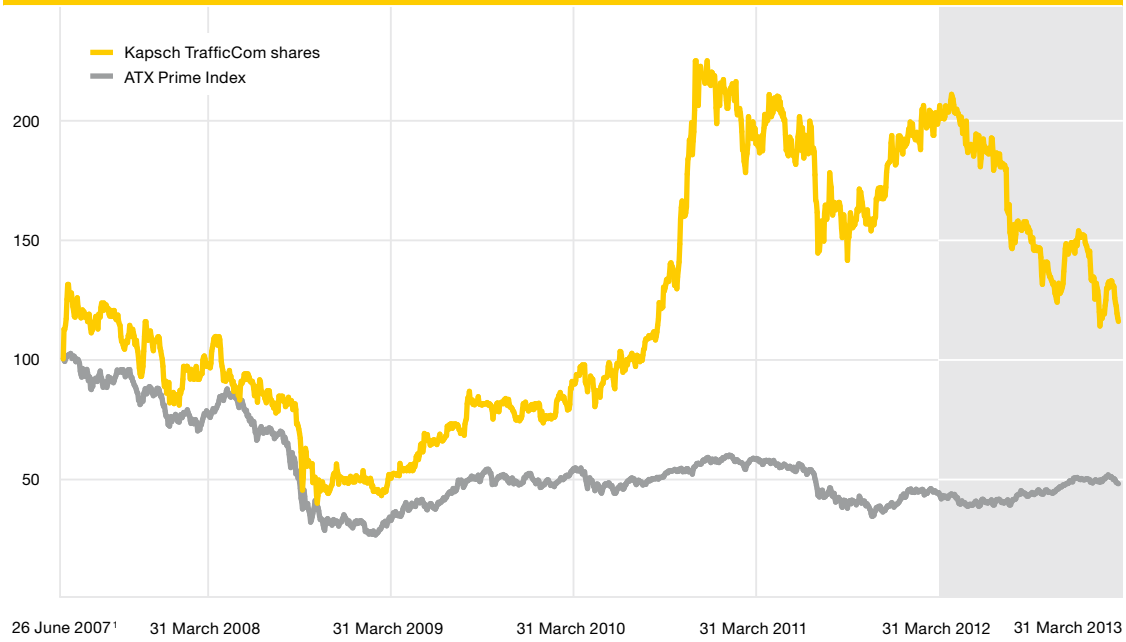
Kapsch TrafficCom Shares in Fiscal Year 2012/13.

The shares of Kapsch TrafficCom AG have been listed since 26 June 2007 on the Vienna Stock Exchange in the prime market. They are included in the ATX Prime Index and since 2009 also in the Austrian sustainability index, VÖNIX. In addition, Kapsch TrafficCom was included in the index "ATX Global Players", which has been tracked by the Vienna Stock Exchange since 13 May 2013. This index encompasses those – initially 15 – companies that play an important role on the global market. As a member of the United Nations Global Compact (UNGC), Kapsch TrafficCom is committed to corporate social responsibility and sustainable development.

The share capital is EUR 13.0 million and is divided among 13 million no par value shares. During the reporting period, the share price exhibited a clear decline. From EUR 63.50 at the end of the previous fiscal year on 31 March 2012, the price fell – despite a recovery phase at the turn of the calendar year – by nearly 42 % to EUR 37.02 on 31 March 2013. As such, the price of Kapsch TrafficCom shares followed a course in the fiscal year 2012/13 that was contrary to that of the general international developments.

Observing the share price development since the initial public offering in the year 2007, a large fluctuation range can be seen over the six years. Starting from the offer price of EUR 32, the price initially fell heavily to reach an all-time low on 7 November 2008 of EUR 12.65. After enormous growth in the second half of 2010, it reached its highest value to date of EUR 72.00 on 7 and 30 December 2010. This was followed by a downward price correction in 2011 and another rise at the start of 2012. Beginning from this high level, the developments in the reporting period lagged significantly behind the general trend. Since the IPO, the shares of Kapsch TrafficCom AG nevertheless show a gain of roughly 16 %, while the ATX lost more than 50 % in value during the same time period. The European index DJ Euro Stoxx 50 also declined by 41 % during this time period.

Development of Kapsch TrafficCom shares and ATX Prime Index from 26 June 2007 to 31 March 2013



1 Offer price and opening value for ATX Prime Index on 26 June 2007, each indexed to 100

Based on a closing price of EUR 37.02 per share as of 31 March 2013, Kapsch TrafficCom's market capitalization was EUR 481.3 million (31 March 2012: EUR 825.5 million). The average daily turnover of the Kapsch TrafficCom shares on the Vienna Stock Exchange was approximately EUR 1.22 million, up by about 17 % compared to the previous year's value of EUR 1.04 million (double count).

Key data on the shares		2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
Weighted Ø number of shares [1]	in million	13.00	12.74	12.20	12.20	12.20	11.70
Earnings per share [2]	in EUR	0.74	1.62	1.81	2.64	1.06	2.60
Dividend per share	in EUR	0.40 [5]	0.90	1.00	0.75	0.50	0.90
Free cash flow per share	in EUR	3.61	-3.99	-1.63	3.41	1.63	-1.26
Offer price per share [3]	in EUR						32.00
Share price [1]	in EUR	37.02	63.50	62.50	25.26	14.80	31.82
P/E ratio [1]		49.70	39.29	34.56	9.57	13.96	12.23
Market capitalization [1]	in million EUR	481.26	825.50	762.50	308.17	180.56	388.20
Performance of shares	in %	-41.70	1.60	247.40	70.90	-53.49	-0.56
Performance of ATX Prime	in %	8.37	-24.59	45.21	69.80	-68.63	-26.00
Ø daily trading volume [4]	in million EUR	1.22	1.04	1.24	0.26	0.30	1.49

1 As of 31 March
2 Relate to the weighted average number of shares; earnings per share calculated from the profit for the period attributable to the equity holders of the company
3 On 26 June 2007
4 Double count
5 Proposal of the executive board subject to approval of the shareholders' meeting on 12 September 2013

Dividend Policy.

Kapsch TrafficCom follows a dividend policy based on long-term considerations. Accordingly, the executive board recommends a distribution of dividends in a long-term average that would reflect a payout ratio of approximately one-third of group annual profits. For the fiscal year 2012/13, the executive board will make a proposal to the shareholders' meeting on 12 September 2013 calling for the approval of a dividend of EUR 0.40 per share (2011/12: EUR 0.90 per share). This is a deviation from the average payout and reflects a payout ratio of approximately 54 % in relation to the profit for the period attributable to equity holders of the company (2011/12: approximately 57 %). In general, Kapsch TrafficCom views itself as a dividend-bearing company, and this is reflected in a continuous absolute payout ratio in compliance with the long-term dividend policy, insofar as company developments permit this.

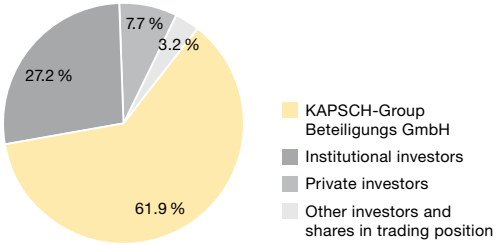
Shareholder Structure.

As of 31 March 2013, approximately 33.9 % of the shares were in free float. As at the close of the previous year, the remaining approximately 61.9 % continued to be held by KAPSCH-Group Beteiligungs GmbH. Furthermore, to the company's knowledge, funds managed by Capital Research and Management Company held 4.2 % of the voting rights.

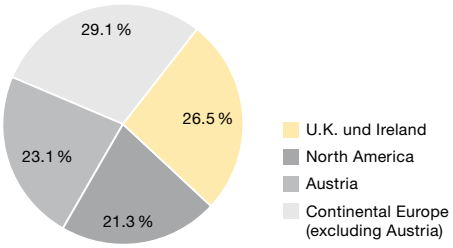
Core shareholder. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH. The shares in DATAX HandelsgmbH are held in equal proportions by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private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

Free float. Kapsch TrafficCom AG has a widely diversified shareholder structure. In addition to the core shareholder, KAPSCH-Group Beteiligungs GmbH, institutional investors dominate at 27.2 %, with the top ten investors holding in aggregate 67.4 % of that share. The share of private investors totals 7.7 %, including the shares held by Erwin Toplak, the COO of Kapsch TrafficCom AG. The remaining 3.2 % is held by other investors, including shares in trading positions. Based on information available to the company, the majority of the institutional investors come from Anglo-Saxon countries, the U.K. and Ireland (26.5 %) as well as North America (21.3 %). Austrian institutional investors hold 23.1 % of the shares, and the remaining 29.1 % is attributable to investors in continental Europe (excluding Austria).

Shareholder structure as at 31 March 2013



Geographical distribution of institutional investors



Corporate Bond.

On 3 November 2010, Kapsch TrafficCom AG issued a 4.25 % corporate bond with a volume of EUR 75 million and a tenor of seven years until 2017. The corporate bond is listed in the Regulated Market of the Vienna Stock Exchange. Based on information available to the company, the majority of the bonds are held by retail investors, while the remainder is held by domestic and international institutional investors. The proceeds were intended to finance the acquisition of Mark IV IVHS at the end of the year 2010 and were also used to cover the capital requirements of additional projects. The bond traded at EUR 106.75 at the end of the reporting period on 31 March 2013.

Investor Relations.

Professional investor relations have a high priority at Kapsch TrafficCom as part of maintaining extensive communication with all our stakeholders. This department reports directly to the CEO, but its work is also integrated closely with the finance and administration department. The goal of all investor relations activities at Kapsch TrafficCom is to provide a comprehensive view of the company, thereby facilitating an appropriate valuation of the Kapsch TrafficCom shares and the corporate bonds.

The CEO and the investor relations team participated in international road shows and investor conferences in Europe and the U.S.A. during the fiscal year 2012/13, meeting with numerous investors throughout the world to actively share information about the company as well as its development and strategy. In addition, an extended website has offered investors up-to-date information since June 2012.

Vienna Stock Exchange Award. Both in the year 2011 and 2012, Kapsch TrafficCom was confirmed in its investor communication by receiving the Vienna Stock Exchange Award in the category “Small and mid caps”. The Vienna Stock Exchange Award is a joint initiative of Aktienforum, Cercle Investor Relations Austria (C.I.R.A.), the Austrian National Bank (OeNB), the Austrian Association for Financial Analysis and Asset Management (ÖVFA), the Association of Austrian Investment Companies (VÖIG), the Vienna Stock Exchange and the Representative for Capital Market Development and Corporate Governance. The purpose of this award is to honor companies for their excellent work on the Austrian capital market.

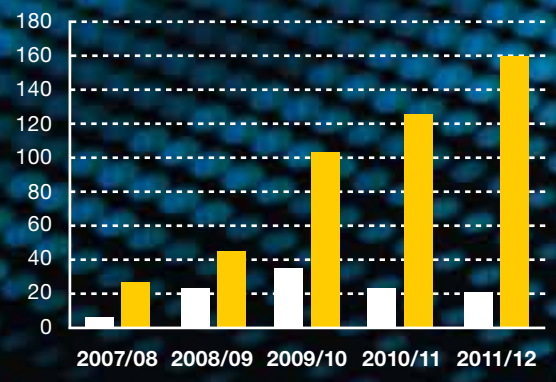
Research reports. Regular analysis by reputable domestic and international investment banks maintains the visibility of the Kapsch TrafficCom shares in the financial community. Kapsch TrafficCom AG is currently covered by four institutes (in alphabetical order):

- Berenberg (London, U.K.)
- Deutsche Bank (Vienna, Austria)
- Erste Group (Vienna, Austria)
- Raiffeisen Centrobank (Vienna, Austria)

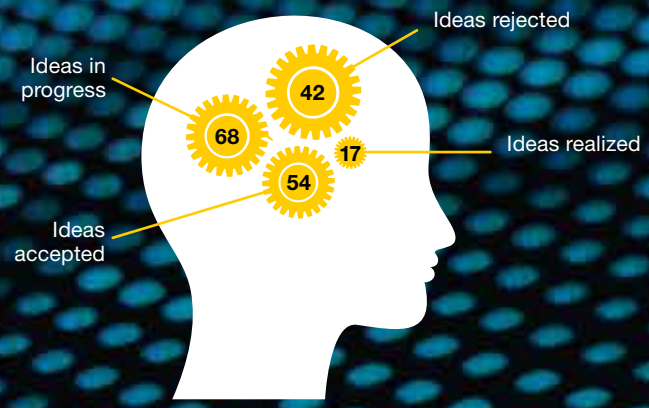
Innovation.

We understand innovation as the never-ending pursuit of better solutions. Because continuous improvement is an important part of our corporate self-image, we promote and require broad-based innovation management in order to create value for our customers. This goal leads us to develop ideas into high-performance products and solutions and implement them all around the world.

Kapsch TrafficCom AG Patent Portfolio (Granted Patents ■ and Patent Applications □) 2007/08–2011/12.[1]



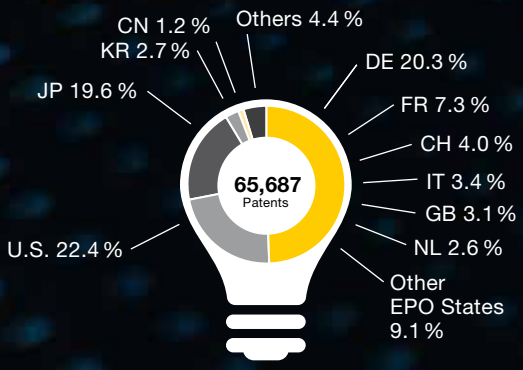
Kapsch Innovation Ideas.[2]



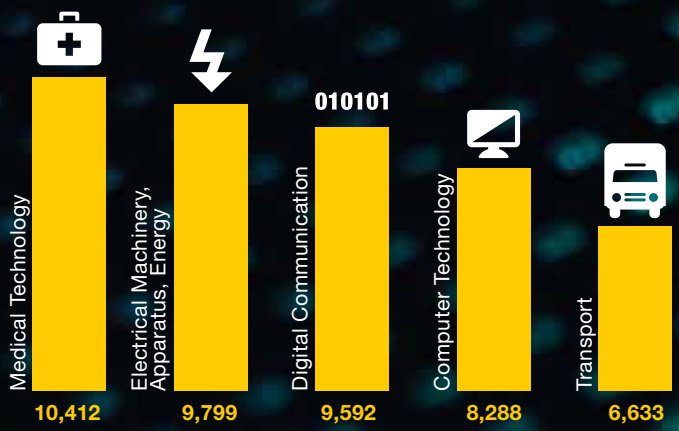
The 10 Most Innovative Countries Worldwide.[3]

Kapsch Group – Academic Cooperations in Austria.[4]

European Patents Granted in 2012, by Residence of Patentees.[5]



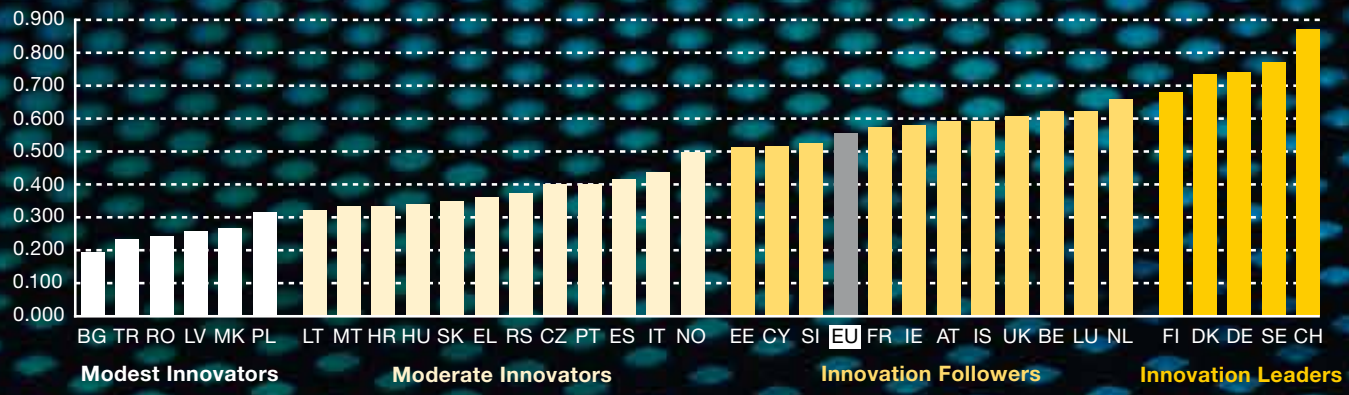
European Patents Granted in 2012, by Technical Fields with the Most Applications.[6]



Sources: 1 Kapsch TrafficCom AG, 2 Kapsch TrafficCom AG: FY 2010/11-2012/13, 3 INSEAD/World Intellectual Property Organization (WIPO): The Global Innovation Index 2012, 4 Kapsch Aktiengesellschaft, 5 European Patent Office (EPO), 6 European Patent Office (EPO), 7 European Commission: Innovation Union Scoreboard 2013, 8 Statistics Austria. All numerical values of Kapsch Group and its companies refer to fiscal years.

We have created interactive experiences around the themes of our annual report. With the iKapsch app for your iPhone you can explore an additional multimedia dimension to our content. Read the user instructions for iKapsch on page 2 to immerse yourself in the world of Kapsch.

European Countries' Innovation Performance.[7]



Research and Development Expenditure in Austria – Innovation in the Business Sector.[8]

	2004–2006	2006–2008	2008–2010
Share of companies with product innovations	36 %	31 %	32 %
Share of revenues from product innovations	14 %	11 %	12 %
Share of companies with process innovations	39 %	32 %	31 %

"The future of transportation is an impressive sight," read the title of the annual report for the 2010/11 fiscal year. Through consistent innovation management, we make our contribution to making the future of transportation truly impressive. Although many of our products, such as our incident detection system, are invisible to users, the result is something they can definitely observe: greater safety on the road and smoothly flowing traffic.

The View **Ahead.**

Vision.

Our vision: Always one step ahead.

Our company philosophy – always being one step ahead – motivates us on a daily basis to new accomplishments in technology and business. Kapsch TrafficCom is currently placing its focus within the market of intelligent transportation systems (ITS) on technologies, systems and applications for electronic toll collection (ETC). Our goal, today as in the future, is to help road users around the world reach their destinations quickly, efficiently and with low environmental impact.

Always looking to the future.

Always innovative.

Always striving for excellence.

Always aware of its responsibilities.

Always close to its customers.

Kapsch is always looking to the future. At Kapsch TrafficCom, we always strive to think and act with vision and an eye toward success. With innovative solutions, we shape the technologies of the future for drivers, road operators and commercial service providers around the world. As a player in the ITS market, we are dedicated to consistently creating value for a better future – while always looking forward. In addition to electronic toll collection systems, our portfolio will increasingly expand to include applications for urban access and parking, road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems.

Kapsch is always innovative. Kapsch TrafficCom develops innovative and intelligent components, solutions and services for use around the world. Our pioneering offerings protect the environment and minimize risk. We cover the entire value creation chain of our customers with our comprehensive end-to-end solutions – from components and subsystems through their integration to operation – as a one-stop shop. With our holistic and flexible solutions, we are always one step ahead.

Kapsch is always striving for excellence. The ITS solutions from Kapsch TrafficCom offer outstanding performance and system reliability as well as high profitability. For example, the average toll transaction rate of the nationwide electronic truck toll collection system in Austria during 2012 was roughly 99.8 %. This figure documents the number of successful toll transactions in relation to all potential transactions. As an indicator of the accuracy and reliability of a toll collection system, a high toll transaction rate ensures high toll revenues. We continuously optimize our processes to further lower the costs for production, installation, operation and maintenance. Our employees consistently create value for our partners and customers as they ceaselessly strive for technological and business excellence.

Kapsch is always aware of its responsibilities. The mature transportation solutions from Kapsch TrafficCom increase road safety, improve traffic flow, support the timely detection of unusual incidents, reduce traffic jams, regulate access to cities and reduce CO_2 emissions. Our systems make a sustainable contribution to a future worth living in. They lower environmental impact, make use of natural resources and increase public safety.

Kapsch is always close to its customers. Kapsch TrafficCom is right where you need us: with branch offices around the globe, we are always close to our customers. In our subsidiaries and representative offices in 33 countries on all continents and with over 500 development engineers at eight research and development centers, we work around the clock on the solutions of tomorrow.

Mission.

Our mission. We make traffic flow.

Better traffic control. Our toll collection systems around the world intelligently guide traffic. They increase road safety and reduce traffic obstructions. At the same time, they enable usage-based charging of tolls via pre-paid or post-paid models.

Higher quality of life in cities. Urban road user charging, limited access zones, low emission zones and dynamic parking prevent traffic jams and unnecessary driving. They also reduce noise pollution. In urban transportation areas, Kapsch TrafficCom supports road user charging as well as urban access and parking.

Greater safety and environmental protection. Incident detection systems that promptly and intelligently identify events, video-based traffic sensors and multi-functional telematics platforms improve road safety. They help utilize existing infrastructure more efficiently and lower environmental impact. Our on-board units have impressively low energy consumption. Compared with typical products of this type, we produce half as much CO_2 in the production and packaging process. In this way, we improve safety and environmental protection.

Values.

Creating and honoring values.

Values are an important part of the Kapsch corporate culture. In our work, we identify values that will shape the future and we actively contribute to enabling socially responsible progress within our society. The employees, managers and executives of Kapsch TrafficCom live and work according to these values:

- **Responsibility.** We act in the interests of the company, take initiative and accept the consequences of our actions.
- **Respect.** We work together on the basis of mutual respect.
- **Performance.** Everyone contributes to the achievement of our goals with his or her own personal dedication and success.
- **Discipline.** Following rules makes it possible for us to work together in accordance with our values.
- **Transparency.** We handle information openly to make our decision-making process clear.
- **Freedom.** Individual freedom of action amplifies our personal willingness to contribute.
- **Family.** We all pull together and support each other.
- **Dynamic.** A constant readiness to accept change allows us to achieve our goals.

Strategy 2016.

We are	4-Path Strategy	We will become
Provider of primarily electronic toll collection (ETC)	1. Exploit the growth potential of the ETC market 2. Enter new regional markets 3. Enter new ITS segments 4. Prepare for the convergence of the ITS market	Provider of electronic toll collection and select other intelligent transportation systems (ITS)

We are pursuing a long-term expansion strategy. Our strategic goals include a clear, continued increase in revenue while maintaining a double-digit EBIT margin. Over the long term, we intend to generate three-fourths of our business via recurring revenues in order to reduce our exposure to the cash flow volatility arising from our project business. Furthermore, we will significantly increase the share of select ITS applications other than toll collection systems.

In this way, we are preparing Kapsch TrafficCom Group for the convergence of the ITS market that we expect over the next five to ten years – applications, platforms and technologies will presumably become increasingly interconnected and converge over time. We believe that the future belongs to "connected vehicles in cooperative systems" which are systems for real-time vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) interaction. To lay a foundation for this, we continue to strive for global quality and innovation leadership.

4-path strategy. These goals are underpinned by four paths that will show us the way in the upcoming years. The key strategic implication lies in a continuation of our growth course and a preparation for the expected convergence of the ITS market. ETC is and will remain the core business, but we need and want to increasingly develop into a provider of both ETC and select other ITS solutions.

Firstly,	we intend to participate in the expected strong growth of the ETC market. There are a number of interesting possibilities around the world for the supply and operation of toll collection systems. We want to leverage the strong position of Kapsch TrafficCom to further expand our market share. We shall accomplish this, on one hand, by obtaining as many nationwide projects as possible and, on the other, by continually improving our systems to maintain our technological advantage. The organization must also be appropriately structured in the future for handling multiple major projects in parallel and for executing small projects in a cost-efficient manner.
Secondly,	we will enter new regional markets. Kapsch TrafficCom is already active around the globe, but there are markets in which we are barely or not at all represented. In addition to the major operation projects in Europe, we see particular potential in South America and Southeast Asia. We also view the U.S.A. as among these markets, and we are already one step ahead there after the acquisition of Mark IV IVHS in 2010. We will also offer smaller systems for emerging markets where traditional manual tolling is often still the preferred method of toll collection but where ETC systems will also eventually be introduced over the long term.

Thirdly,	we want to enter into select other segments of the ITS market – including with an eye toward convergence. To this end, we have developed a thoroughly forward-looking portfolio that generates maximum synergies both for us, such as through the use of existing distribution channels, technologies and project organization, and for our customers, especially in the transition from today's conventional ITS systems to future-oriented ITS applications. We consider ourselves well-prepared for this goal with the 5.9 GHz technology that we have developed in the U.S.A., which meets the technological prerequisites for many of the ITS systems that we will be addressing.
Fourthly,	we will prepare ourselves for the convergence of the ITS market in order to secure our long-term growth. In regard to the future topic of "connected vehicles in cooperative systems", we will participate in research projects and standardization efforts. We will also open up contacts with the automotive industry as a new target group.

New, efficient organizational structure. The strong growth of recent years and its planned continuation required an adaptation of our structures. The new organizational structure also contributes to increased efficiency. Additional growth prospects have also arisen through the expansion of our fields of business and markets.

The organizational structure implemented globally as of 1 October 2012, should bring more responsibility to the three sales regions in the future thanks to an increased regional orientation in order that we can act in more distributed fashion as our size increases. The new structure also creates space for additional ITS segments.

Investments in our employees. In order to implement these changes, it is essential that our employees are able to anticipate not only future technologies but also the future business models of our customers. From our perspective, it will be increasingly important in the future to enter the market with adapted business models as well as new financing models as this is the only way to secure an advantage and make oneself harder to imitate. For this reason, we will invest carefully in the training and further education of our employees and allow them to continue participating in the success of Kapsch TrafficCom – which is their own success, after all.

We aspire to quality and innovation. In our strategy to 2016, we have set ourselves the goal of global quality and innovation leadership. Consistently creating and securing a competitive advantage for our customers without sacrificing our own responsibility for the environment is a firm aspect of our identity as a company. By focusing on the needs of our customers, we win and keep their trust. Optimal service contributes to long-lasting partnerships with satisfied customers. We are committed to a constant and thorough process of innovation.

Research and development are a high priority for us with respect to achieving our strategic goals. The knowledge of entirely new technologies based on national and international standards and how to employ them forms the foundation for successful business development and opens the way into new markets. Successful research and development is also the essential foundation for the continued improvement of existing products and systems.

Sustainability.

Central aspects of sustainability such as resource conservation, innovation, equal opportunities and fairness form the basis for our business success in line with the core purpose and international orientation of our company. A correspondingly high commitment to sustainable development and the necessary initiatives and measures can be observed throughout our company.

Always one step ahead. This is not only the company philosophy of Kapsch TrafficCom, it is also our long-term aspiration with regard to sustainable company management.

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

Our fields of activity. Kapsch TrafficCom is pursuing a long-term expansion strategy. The sustainability goals and measures are an integral part of this strategy and serve to secure the continued success of the company. The fields of activity described below have been established as priorities in consideration of the needs of the most important interest groups, such as customers, employees and the public:

- Protecting the environment, conserving resources and actively protecting the climate
- Securing our innovative strength
- Product responsibility and quality assurance
- Ens uring our competitiveness and profitability
- Integrity and compliance

How we protect the environment and conserve resources. Initiatives for reducing resource consumption are under way in all company units. Our subsidiary Kapsch Components was able to reduce its annual electricity consumption by roughly 40 % in fiscal year 2010/11 by optimizing its ventilation, air-conditioning and lighting systems – this corresponds to a savings of roughly 175 tons of CO_2 per year. This successful initiative garnered an award from the Ministry of the Environment as part of the “klima:aktiv program”.

Another example is the new on-board units, which can not only be tailored to the specific customer requirements but also consume less energy. The CO_2 emissions resulting from production and packaging are half those of typical products of this type.

In addition, we strive for environmental awareness within our own administrative and production buildings. The building complex Euro Plaza G, which is used by multiple units of Kapsch TrafficCom, was designed for energy efficiency and was recognized in 2011 as the first office building in Vienna to receive the gold certificate of the Austrian Association for Sustainable Real Estate Management *(Österreichische Gesellschaft für Nachhaltige Immobilienwirtschaft; ÖGNI).*

How we ensure innovative solutions. The innovative solutions from Kapsch TrafficCom make valuable contributions to climate protection. They allow road users to reach their destinations quickly, efficiently and with low environmental impact. For example, environmental zones – a fully automated system from Kapsch TrafficCom – allow situational regulation of city traffic depending on traffic volume or particulate matter conditions. The road users are directly informed of the consequences of their driving behavior on the environment.

How we guarantee quality. The processes of our quality management system are based on ÖNORM EN ISO 9001:2000 and satisfy even more stringent quality requirements. We have also implemented an integrated quality management system and general guidelines for environmental protection, general safety and workplace safety. Kapsch TrafficCom AG and its subsidiary Kapsch Components GmbH & Co KG are certified in environmental management according to ISO 14001. Additional certifications are in planning.

How we combat corruption. As part of the corporate governance, all business units over which Kapsch TrafficCom AG has primary influence are analyzed with regard to their corruption risks and the employees of the first and second management levels are trained in anti-corruption policy and anti-corruption processes. The code of conduct also provides explicit instructions to guide the behavior of all employees.

How we act with social responsibility. In accordance with our company values, we also accept social responsibility that extends beyond our direct scope of operation. For many years, we have supported social projects such as the Cliniclowns and the St. Anna Children's Hospital. The regional subsidiaries of Kapsch TrafficCom are also committed to supporting local projects in their areas.

Our commitment to transparency. During past years, effective structures and clear areas of responsibility have been established for the most important areas of activity. All such agendas are coordinated by a sustainability officer and reported to the executive board. Comprehensive documentation in the form of a sustainability report took place for the first time for the fiscal year 2010/11. An update is planned for the fiscal year 2012/13.

The sustainability reporting of Kapsch TrafficCom is based on the guidelines of the Global Reporting Initiative. The report also serves as a progress report for the United Nations Global Compact, which defines ten principles for protecting human rights and labor standards as well as environmental protection and fighting corruption. Since June 2009, Kapsch TrafficCom AG has been represented in the VÖNIX, an Austrian sustainability index that lists the shares of companies that are leaders in social and environmental responsibility.

Focusing on the view ahead. Kapsch TrafficCom understands sustainability as a continuous process and has been working for years to systematize the associated agendas. This approach will be continued in the future. The next milestone will be the publication of the updated sustainability report for 2012/13, which is planned for later this year.

2011/12

Future.

The future can only be influenced by those who actively work to shape it. This is why Kapsch has been working on the future of mobility for many years. We do this by continuously analyzing trends, evaluating new technologies and optimizing our existing portfolio. We are supported in the development of forward-looking products and solutions by the years of experience and creative drive of our employees.

The 10 Smartest European Cities.[1]

	Eco	Peo	Gov	Mob	Env	Liv	Total
Luxembourg (LU)	1	2	13	6	25	6	1.
Aarhus (DK)	4	1	6	9	20	12	2.
Turku (FI)	16	8	2	21	11	9	3.
Aalborg (DK)	17	4	4	11	26	11	4.
Odense (DK)	15	3	5	5	50	17	5.
Tampere (FI)	29	7	1	27	12	8	6.
Oulu (FI)	25	6	3	28	14	19	7.
Eindhoven (NL)	6	13	18	2	39	18	8.
Linz (AT)	5	25	11	14	28	7	9.
Salzburg (AT)	27	30	8	15	29	1	10.

Eco: Smart Economy **Peo:** Smart People **Gov:** Smart Governance **Mob:** Smart Mobility
Env: Smart Environment **Liv:** Smart Living

The Most Competitive Countries.[2]

1. U.S.A.	100.00
2. Switzerland	93.36
3. Hong Kong	92.78
4. Sweden	90.53
5. Singapore	89.86
6. Norway	89.59
7. Canada	89.13
8. United Arab Emirates	88.44
9. Germany	86.20
10. Qatar	85.51
11. Taiwan	85.19
12. Denmark	83.51

The Countries with the Lowest Emigration of Qualified Specialists (2009/10).[3]

Switzerland	6.3
Sweden	5.4
Hong Kong	5.2
Finland	4.8
Germany	4.5

Index Value: 7 = almost always stay in country 1 = tend to leave the country

Carsharing Worldwide.[4]

	Users	Cars
U.S.A.	400,000	8,200
Germany	190,000	5,000
United Kingdom	170,000	3,000
Switzerland	100,000	2,500

Predicted Primary Energy Consumption in Europe (Comparison Between 2007 and Forecast 2035).[5]

	2007	2035
Oil	38	32
Nuclear	11	13
Coal	16	12
Gas	24	26
RE	11	17

Kapsch TrafficCom – Urban Traffic Solutions in Italy.[6]

47 % of PM10 emissions in Bologna have been reduced.

28 % of Italian cities with more than 100,000 inhabitants are equipped with a Kapsch Urban Traffic Management System.

Out of **200** Limited Traffic Zones, some 70 % are electronically enforced.

46 % of all Italians who live in cities with more than 100,000 inhabitants benefit from a Kapsch TrafficCom system.

Sources: 1 Department of Spatial Development, Infrastructure and Environmental Planning/Vienna University of Technology, TU Delft, University of Ljubljana, 2 IMD Business School: World Competitiveness Scoreboard 2013, 3 brand eins/statista.com: Die Welt in Zahlen 2012, 4 Frost & Sullivan (Stand 2011, USA Stand 2011), angelehnt an VIAVISION, www.viavision.org, 5 brand eins/statista.com: Die Welt in Zahlen 2012, 6 Kapsch TrafficCom AG, 7 Kapsch TrafficCom AB, 8 Kapsch TrafficCom AG.

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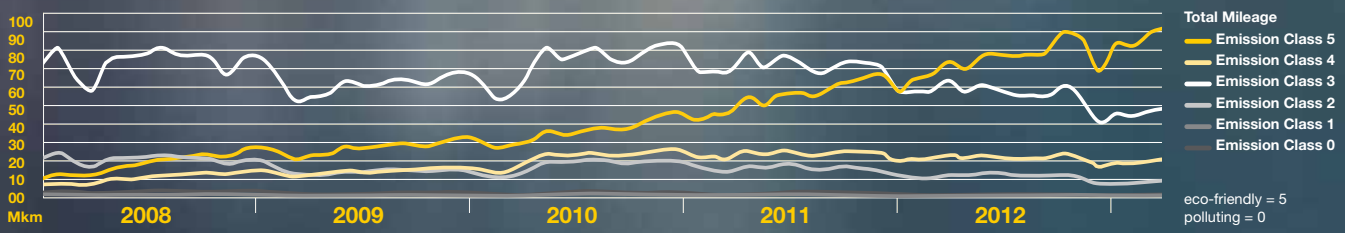
Sustainable Production of the New Kapsch On-Board Unit TRP-4010.[7]

Pictured in original size

Kapsch TrafficCom – Total Mileage of Vehicles with On-Board Units in Czech Republic by Emission Classes.8



In the 2011/12 annual report, we posed the question of what will move us tomorrow. To answer this question, we asked a variety of our stakeholders, recognized experts and representatives of our business partners to share with us their personal visions of the future of mobility. We then used their responses to develop creative future scenarios in the form of virtual worlds of words.

Corporate Governance Report.

In June 2007, the executive board *(Vorstand)* and supervisory board *(Aufsichtsrat)* resolved to apply the rules of the Austrian Code of Corporate Governance (the Code) as far as they are consistent with the specific situation of the company. The Code as amended in July 2012 is available for download under www.corporate-governance.at. Compliance with the Code is evaluated by the compliance officer together with internal audit on an annual basis.

Corporate Governance Declaration.

In the fiscal year 2012/13 ended 31 March 2013, Kapsch TrafficCom AG complied with the L-Rules and C-Rules of the Code in the January 2012 version, with the exception of C-Rule 53 (the company does not intend to establish independence criteria that differ from the general requirement set forth in the Code as it believes such additional criteria are not required) and C-Rule 67 (due to the intense competition in the industry in which the company is active, it will not make available to all shareholders all information it may make available to financial analysts). In addition, there was no meeting of the audit committee without participation of members of the executive board in the reporting period (C-Rule 81a).

Executive Board.

Kapsch TrafficCom AG has a two-tier management and oversight structure in accordance with the Austrian Stock Corporation Act *(Aktiengesetz),* consisting of the executive board *(Vorstand)* and the supervisory board *(Aufsichtsrat).* The executive board is responsible for directing the business and represents the company in dealings with third parties. The supervisory board is responsible for appointing and dismissing the members of the executive board and supervising the business conducted by the executive board. Although the supervisory board does not actively manage the company, the executive board must obtain the consent of the supervisory board before engaging in certain transactions in accordance with the Austrian Stock Corporation Act *(Aktiengesetz),* the company's articles of association and the executive board's internal rules of procedure *(Geschäftsordnung).*

Erwin Toplak, Chief Operating Officer Georg Kapsch, Chief Executive Officer André Laux, Executive Board Member

Pursuant to the articles of association, the executive board consists of one to four members appointed by the supervisory board for a term of up to five years. The executive board currently consists of three members.

Name	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Operations and Sales Region North America	1959	2002	2014
Erwin Toplak (COO)	Sales Region 1[1], Business Development Electronic Toll Collection, Platform Management and Research & Development	1961	2002	2014
André Laux (Executive Board Member)	Sales Region 2[1], Business Development Intelligent Transportation Systems, Product and Project Management	1962	2010	2016

1 The sales regions have developed historically and are addressed in the case of Region 1 by Kapsch TrafficCom AG, Austria, and in the case of Region 2 by Kapsch TrafficCom AB, Sweden.

Georg Kapsch was appointed CEO of Kapsch TrafficCom AG in December 2002 and also holds functions in certain of its direct and indirect subsidiaries. Since October 2000, Georg Kapsch has also served as the CEO of KAPSCH-Group Beteiligungs GmbH. He has been a member of the executive board of Kapsch AG since July 1989 and was appointed as its CEO in October 2001. Georg Kapsch studied business administration at the Vienna University of Economics and Business Administration *(Wirtschaftsuniversität Wien)* and graduated in 1981.

In addition, Georg Kapsch serves as CEO of DATAX HandelsgmbH, as chairman of the supervisory board of Kapsch CarrierCom AG, as deputy chairman of the supervisory board of Kapsch BusinessCom AG as well as member of the supervisory board of Teufelberger Holding AG.

Georg Kapsch has been president of the Federation of Austrian Industries *(Industriellenvereinigung Österreich)* since June 2012. Previously, he was the chairman of the Technical University of Applied Sciences Vienna *(Fachhochschule Technikum Wien)* and of the Austrian Electronic Association *(Österreichischer Elektronikverband)* between 2002 and 2012. He was the vice president of the Association of the Austrian Electrical and Electronics Industries *(Fachverband der Elektro- und Elektronikindustrie)* between 2003 and 2012. Georg Kapsch was president of the Vienna Regional Group of the Federation of Austrian Industries *(Landesgruppe Wien der Industriellenvereinigung Österreich)* between December 2008 and September 2012.

Erwin Toplak has been a member of the executive board of Kapsch TrafficCom AG since June 2002 and also holds functions in certain of its direct and indirect subsidiaries. He has been employed by the Kapsch Group since 1991, first as marketing and sales manager of the newly established toll collection division of Kapsch AG (1991–1994) and later as senior manager (1994–1999) as well as director (1999–2002) of the traffic control systems division of Kapsch AG. Erwin Toplak graduated from the polytechnic *(Höhere Technische Lehranstalt)* in Graz in 1984 with a degree in telecommunications and electrical engineering. He is vice president of the Austrian Electrotechnical Association *(Österreichischer Verband für Elektrotechnik).*

André Laux has joined the Kapsch TrafficCom Group in December 2007, has been a member of the executive board of Kapsch TrafficCom AG since 1 April 2010 and also holds functions in certain of its direct and indirect subsidiaries. He began his professional career in different sales and management positions, both internationally and domestically (1988-1997), after completing a degree in business administration in Germany and England. In 1997, he became director of the German chip maker ODS Landis & Gyr in Munich. In 2000, André Laux transferred within the group to become CEO of Skidata AG in Salzburg. In 2004, he took over as CEO of Winter AG in Munich.

Workflow. The areas of responsibility of the individual executive board members, the procedures (such as requirements and procedures to pass resolutions) as well as the transactions that require approval by the supervisory board are defined in the articles of association and the internal rules of procedure for the executive board. The executive board holds regular meetings to exchange information and pass resolutions on all issues that fall under the competence of the entire executive board.

Remuneration. In the fiscal year 2012/13, the aggregate fixed and variable remuneration for the members of the executive board, including the cross-charge from Kapsch AG for the services of Georg Kapsch, amounted to EUR 1.71 million (fiscal year 2011/12: EUR 1.82 million).

Georg Kapsch is employed by Kapsch AG. His work is part of the management and consulting services provided by Kapsch AG, which are billed to Kapsch TrafficCom AG and disclosed in the notes to the consolidated financial statements under "Related parties".

Erwin Toplak. The remuneration of Erwin Toplak is based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 28 % of the base compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, Erwin Toplak is entitled to a severance payment that equals eleven times his monthly salary. Mr. Toplak is required to comply with a non-competition clause for one year following the termination of his executive board position (unless he terminates for cause). In addition, he has an individually defined pension scheme based on contributions for which Kapsch TrafficCom AG pays approximately TEUR 14 annually to an outside pension fund. As of 31 March 2013, Erwin Toplak held 152,728 shares, corresponding to about 1.2 % of the share total of Kapsch TrafficCom AG.

André Laux. The remuneration of André Laux is based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 43 % of the base compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, André Laux is required to comply with a non-competition clause for one year following termination of his executive board position (unless he terminates for cause). André Laux has an individually defined pension scheme based on contributions for which Kapsch TrafficCom AG pays approximately TEUR 10 annually to an outside pension fund.

Executive board remuneration 2012/13 in TEUR	Fixed	Variable	Total
Georg Kapsch	450	384	834
Erwin Toplak	391	100	491
André Laux	292	90	382
Total	**1,133**	**574**	**1,707**

Directors and officers liability insurance. The members of the executive board are insured against financial losses with a directors and officers liability insurance policy. In addition to the executive board, the policy also covers the members of the supervisory board as well as key managers of the Kapsch TrafficCom Group. Because a collective premium is paid, it is not possible to allocate a specific amount to individual members of the executive board.

Supervisory Board.

Pursuant to the articles of association, the supervisory board consists of three to six members elected by the shareholders' meeting plus the representatives delegated by the works council *(Betriebsrat)* according to the Austrian Labor Constitutional Act *(Arbeitsverfassungsgesetz).* The current members are:

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2013
Kari Kapsch	Deputy chairman	1964	2002	2013
Sabine Kauper	Member [1]	1968	2011	2014
Christian Windisch	Member [2]	1963	2002	–
Claudia Rudolf-Misch	Member [2]	1967	2010	–

1 Member meeting the criteria of C-Rule 54 of the Code
2 Delegated by the works council; without information on expiration since the works council may recall a member it has delegated at any time

Franz Semmernegg has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002. Since June 2005, he has been chairman of the supervisory board. Franz Semmernegg has been the CFO of KAPSCH-Group Beteiligungs GmbH since April 2005. He also serves as the CEO of Kapsch BusinessCom AG and has been a member of the executive board of Kapsch BusinessCom AG since March 2003. In addition, he has also been the CFO of Kapsch AG since October 2001. Franz Semmernegg graduated with a degree in business administration (1992) and a Ph.D. (1997) from the University of Graz *(Karl-Franzens-Universität).*

In addition, Franz Semmernegg holds functions in certain of the direct and indirect subsidiaries of Kapsch BusinessCom AG as well as Kapsch AG and he serves as a member of the advisory board of Enso GmbH and of Speech Processing Solutions GmbH.

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

Kari Kapsch has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and the deputy chairman since June 2005. He previously served as deputy chairman of the supervisory board from June 2002 to December 2002 and as chairman of the supervisory board from December 2002 to June 2005. Kari Kapsch has also been the COO of KAPSCH-Group Beteiligungs GmbH since December 2005. In addition, he is also the COO of Kapsch AG and CEO of Kapsch CarrierCom AG. Kari Kapsch graduated with a degree (1988) and a Ph.D. (1992) in physics from the University of Vienna *(Universität Wien).* Kari Kapsch is the brother of Georg Kapsch, the CEO of Kapsch TrafficCom AG.

In addition, Kari Kapsch holds functions in certain of the direct and indirect subsidiaries of Kapsch CarrierCom AG, Kapsch BusinessCom AG as well as Kapsch AG, is a member of the executive board of Kapsch Immobilien GmbH as well as of ASIMMOG Verwaltungs- und Verwertungs GmbH, and is a member of the foundation board of ASIMMOG Privatstiftung.

Kari Kapsch is involved in several industry-related associations, and he has been a member of the board of the Technical University of Applied Sciences Vienna *(Fachhochschule Technikum Wien)* and a member of the committee of the Association of the Austrian Electrical and Electronics Industries *(Fachverband der Elektro- und Elektronikindustrie)* since 2012. Prior to such offices, he was the chairman of the executive board of Young Industry Vienna *(Junge Industrie Wien)* and deputy chairman of Young Industry Austria *(Junge Industrie Österreich)* from 1996 to 2002.

Sabine Kauper holds a master's in business administration. She has been the CFO of Management Link GmbH, Munich, a subsidiary of the consulting firm Wieselhuber & Partner GmbH, since December 2012. Before this, she was the CFO of Sunselex AG in Munich and completed a training program to become a qualified supervisory board member with certification by Deutsche Börse AG. From the year 2000 to December 2011, she worked for Phoenix Solar AG, Germany, and was a member of the executive board of Phoenix Solar AG as of 2007. As CFO, she was responsible for Finance, Personnel and Organizational Development, International Processes and IT, Internal Audit and Legal. Sabine Kauper has been on the supervisory board of SKW Stahl-Metallurgie Holding AG since 2009. She obtained a master's degree in business administration with electives in tax and auditing. After completion of her degree course, she worked for an auditing company for four years.

Christian Windisch has been a member of the supervisory board delegated by the works council since November 2002. He joined Kapsch Group in September 1984 and is currently employed in quality management. Christian Windisch graduated from the polytechnic (Höhere Technische Lehranstalt) in Vienna with a degree in telecommunications and electrical engineering.

Claudia Rudolf-Misch has been a member of the supervisory board of Kapsch TrafficCom AG delegated by the works council since November 2010. She joined Kapsch TrafficCom in June 2004 and is responsible for the integrated management systems HSSEQ (Health-Safety-Security-Environment-Quality). She is a certified manager and auditor according to ISO 9001, ISO 14001 and OHSAS 18001. Claudia Rudolf-Misch received an MBA in 2001.

Independence of the supervisory board. All members elected by the shareholders' meeting are considered independent as defined by C-Rule 53 of the Code and the guidelines for independence according to appendix 1 of the Code. Sabine Kauper is also independent of the principal shareholder of KAPSCH-Group Beteiligungs GmbH as defined by C-Rule 54 of the Code.

Remuneration. The members of the supervisory board and its committees receive reimbursement of actual expenses, including reasonable travel expenses. In addition, the shareholders' meeting may provide for a remuneration of supervisory board members. On 24 August 2012, the annual shareholders' meeting resolved to grant Sabine Kauper a remuneration of TEUR 4 per meeting. Remuneration of TEUR 29 including travel expenses was paid for the past fiscal year. No other member of the supervisory board receives specific remuneration for such office.

Kapsch AG renders additional, remunerated consulting services to Kapsch TrafficCom AG, which are performed in part by Franz Semmernegg and/or Kari Kapsch.

Directors and officers liability insurance. The members of the supervisory board are insured against financial losses with a directors and officers liability insurance policy. In addition to the supervisory board, the policy covers the members of the executive board as well as key managers of the Kapsch TrafficCom Group. Because a collective premium is paid, it is not possible to allocate a specific amount to individual members of the supervisory board.

Committees of the Supervisory Board.

The supervisory board has established an audit committee *(Prüfungsausschuss)* and a committee for executive board matters *(Ausschuss für Vorstandsangelegenheiten).*

The committee for executive board matters is responsible for the relationship between the company and the members of the executive board (including remuneration issues), except for the appointment or dismissal of members of the executive board. It consists of two members of the supervisory board elected by the shareholders' meeting, including the chairman of the supervisory board. The current members of the committee for executive board matters are Franz Semmernegg (chairman) and Kari Kapsch.

The audit committee is responsible for the duties set out in section 92 para 4a Stock Corporation Act *(Aktiengesetz).* These responsibilities include the review and preparation of the approval of the financial statements and consolidated financial statements, the audit of the corporate governance report, the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profit and the preparation of a report to the annual shareholders' meeting. Furthermore, the audit committee prepares the proposal of the supervisory board for the selection of an auditor and reviews the accounting process and the effectiveness of the internal control and risk management systems.

One member of the audit committee must be a financial expert (Finanzexperte). Persons who were previously members of the executive board, managing directors or auditors of the company or persons who certified the company's annual or consolidated financial statements within the last three years do not qualify as financial experts and may not serve as chairman of the audit committee. The current members of the audit committee are Franz Semmernegg (chairman/financial expert), Kari Kapsch and Christian Windisch.

In addition to the members of the audit committee, the audit committee meetings must be attended by the executive board and a representative of the auditor, if requested by the chairman of the audit committee or required by law.

Promotion of Women to the Executive and Supervisory Boards and Senior Positions.

Kapsch TrafficCom AG has no specific plan for promoting women to the executive board, the supervisory board or senior positions in the company and its subsidiaries. Candidates are always selected with a view to identifying the best person for the job, regardless of gender. Women are employed in various senior positions throughout Kapsch TrafficCom AG (such as head of finance & administration) and its subsidiaries. Currently two members and thus one third of all members of the supervisory board are female, Claudia Rudolf-Misch (delegated by the works council) and Sabine Kauper (elected by the shareholders' meeting).

Women are supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, Kapsch TrafficCom cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. The company also promotes women in the workforce through participation in specific programs such as "FIT *Frauen in die Technik"* or "FemTech". In addition, Kapsch TrafficCom has established a committee for non-discrimination.

Report of the Supervisory Board.

Franz Semmernegg, Chairman of the Supervisory Board

Dear Shareholders,

Kapsch TrafficCom AG's supervisory board held a total of four meetings during the fiscal year from 1 April 2012 to 31 March 2013. No member of the supervisory board attended less than half of all meetings.

The supervisory board was informed by the executive board on an ongoing basis in writing and verbally as well as in the meetings held jointly with the executive board on the position, development and strategy of the company. It also monitored and advised the executive board during the period under review.

As the chairman of the supervisory board, I was in regular contact with the chairman of the executive board in order to discuss business development, strategy and risk management.

In the past fiscal year, there were no transactions requiring approval in accordance with § 95 para. 5 no. 12 of the Stock Corporation Act *(Aktiengesetz)* with members of the supervisory board or with companies in which a member of the supervisory board has a significant financial interest, with the exception of the transactions listed in the notes to the consolidated financial statements under "Related parties".

PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as independent auditor appointed by the shareholders' meeting, has audited and issued an unqualified audit opinion on the annual separate financial statements and the annual consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 as well as the management report on the company and the group dated 27 May 2013, each as prepared by the executive board.

The annual separate financial statements and the annual consolidated financial statements, the executive board's proposal for the distribution of profit, the auditors' reports (including the management letter) as well as the corporate governance report were discussed in detail with the executive board and the independent auditors at a meeting of the audit committee and subsequently presented to the supervisory board.

The supervisory board reviewed such documents in accordance with section 96 of the Austrian Stock Corporation Act *(Aktiengesetz)* and approved the annual separate financial statements in line with section 96 para. 4 of the Austrian Stock Corporation Act *(Aktiengesetz).* The supervisory board concurs with the executive board's proposal for the distribution of profits. Accordingly, the executive board will propose the shareholder's meeting on 12 September 2013 to approve the payment of a dividend of EUR 0.40 per share.

The audit committee held a total of four meetings during the fiscal year from 1 April 2012 to 31 March 2013 and met the responsibilities as set out in section 92 para 4a of the Austrian Stock Corporation Act *(Aktiengesetz).* In addition to the review and preparation of the approval of the financial statements and consolidated financial statements as well as the audit of the corporate governance report, these responsibilities included the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profit, of a report to the annual shareholders' meeting and of the proposal for the selection of an auditor, as well as the review of the accounting process, of the effectiveness of the internal control and of the risk management systems. No member of the audit committee attended less than half of all meetings.

The committee for executive board matters held one meeting in the past fiscal year and addressed the extension of the appointment of André Laux as executive board member until 31 March 2016 and a new management contract.

The supervisory board extends its thanks to the members of the executive board and all employees of Kapsch TrafficCom AG for their work in fiscal year 2012/13.

Vienna, 7 June 2013

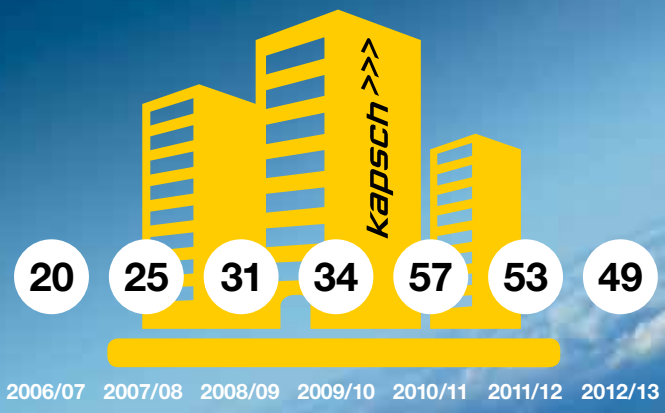
Franz Semmernegg
Chairman of the Supervisory Board

Kapsch Spirit.

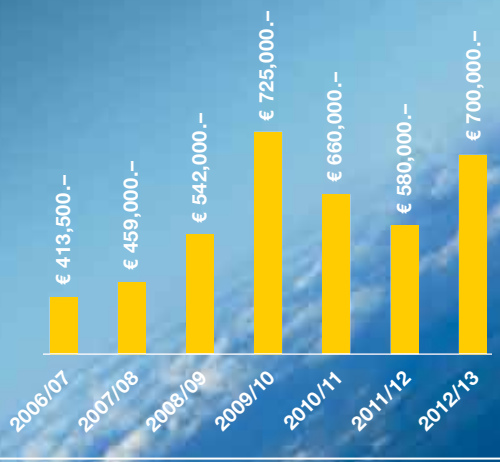
The Kapsch Spirit unites more than 5,000 employees all around the world. This spirit is felt by our customers and business partners as well as those people who have just joined our corporate group. The Kapsch Spirit is the attitude with which we realize courageous ideas while taking responsibility for their success.

The Kapsch KidsDay.[1]

Kapsch TrafficCom – Number of Consolidated Subsidiaries.[2]



Kapsch Group – Sponsoring Expenditures.[3]



Kapsch Group – Diversity with Roughly 5,000 Employees Around the World.[4]

Kapsch Group – Selected Social and Cultural Sponsorships.[5]

Jüdisches Museum Wien

HONART

icep

St. Anna Kinderkrebsforschung

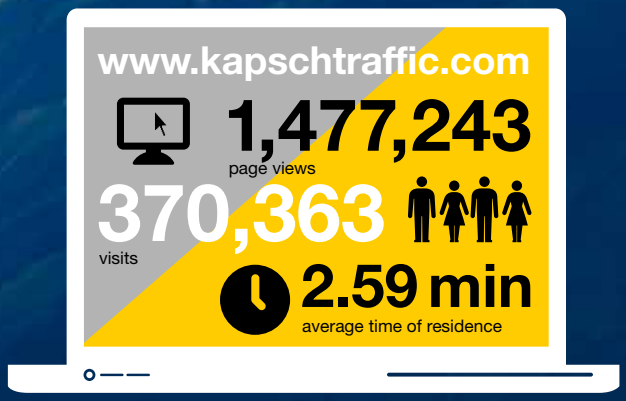
WIEN MODERN

clinic clowns

CS Caritas Socialis

wiener konzerthaus

Kapsch TrafficCom – Web Statistics (since 2009).[6]

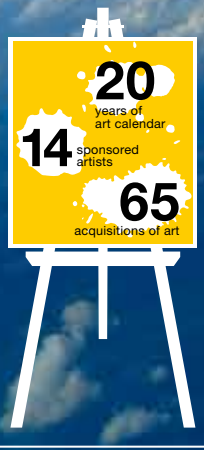


Sources: 1 Kapsch Aktiengesellschaft, 2 Kapsch Aktiengesellschaft, 3 Kapsch Aktiengesellschaft, 4 Kapsch Aktiengesellschaft, 5 Kapsch Aktiengesellschaft, 6 Kapsch Aktiengesellschaft, 7 Kapsch TrafficCom AG, 8 Kapsch Aktiengesellschaft. All numerical values of Kapsch Group and its companies refer to fiscal years.

We have created interactive experiences around the themes of our annual report. With the iKapsch app for your iPhone you can explore an additional multimedia dimension to our content. Read the user instructions for iKapsch on page 2 to immerse yourself in the world of Kapsch.

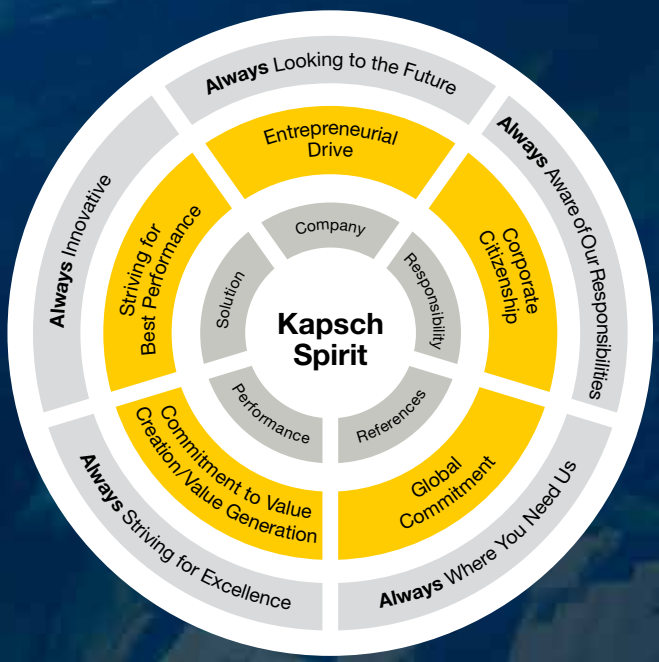
Kapsch TrafficCom – Office Space at the Headquarters in Vienna (in m²).[7]

Kapsch Group – 20 Years of Art Initiatives.[8]



Georg Kapsch on Kapsch Spirit.

> ***Technology is now more than ever one of the defining aspects of our culture. At Kapsch, we want to use it for the good of society. This requires more than high technical competence. It requires a certain attitude on the part of all our employees: the Kapsch Spirit.***



Our society and our technology are permanently developing. Ever since the founding of our company in 1892, the Kapsch Spirit has been a constant factor in how we approach all the challenges of today and tomorrow. It is one of the reasons why we have become a global technology group that is able to actively participate in shaping the future of communication and mobility.

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2013.

1 Economic climate

1.1 General economic situation

Global economy

In the reporting year 2012/13, the growth of the world economy was primarily shaped by the still unresolved debt crisis in Europe: As a consequence, the eurozone slipped into a recession, with a decline in real gross domestic product (GDP) of 0.6 %. However, growth-dampening effects on the global economy came not only from the eurozone: The strong fiscal consolidation – underway throughout the OECD – is estimated to have subtracted some 1 to 1.5 percentage points from OECD-wide growth in 2012. Taking this into account, the economy of the OECD area expanded by 1.4 % in 2012, compared to 1.8 % in 2011. Additionally, the traditional growth drivers of the global economy – the Emerging Markets – saw unexpectedly sharp slowdowns in their economic performance in the reporting year, which was due, in part, to weaker export growth as well as to the restrictive course of their economic policies in the years before. All in all, global economic growth slowed to 3.2 % in 2012 from 3.9 % in 2011.

U.S.A.

In the United States, GDP growth slowed markedly in the fourth quarter of 2012, as global uncertainty increased and restrictive government spending dampened economic activity. The economic dynamic weakened, with GDP falling to a year-on-year rate of 1.6 % in Q4 2012, compared to 2.6 % in Q3. For the reporting year as a whole, GDP increased by 2.2 %. Some impetus came from gross fixed-capital formation, which accelerated in the reporting year, while private consumption, traditionally one of the main drivers of the economy in the U.S.A., lost steam.

Looking ahead, U.S. economic growth is expected to drop to approximately 2 % in 2013 and concerns remain, especially regarding the fiscal situation: Like the eurozone, the United States needs to restore fiscal sustainability. As the White House and Congress could not reach a compromise on the federal budget, “sequestration” came into force at the beginning of March 2013, with automatic expenditure cuts totaling 1.2 trillion U.S. dollars over the next ten years, which will have a dampening effect on U.S. economic development.

Japan

In Japan, the recovery of the economy stalled in the second half of 2012, after strong growth in the first six months supported by reconstruction spending in response to the earthquake in March 2011. In 2012 as a whole, the economy expanded by 1.6 %.

As reconstruction expenditures wane further and planned tax hikes dampen private consumption, the OECD expects that GDP growth will slow to 0.7 % in 2013. Furthermore, Japan’s fiscal situation remains critical: The budget deficit reached a level of about 10 % of GDP in 2012, and government debt rose to around 214 % of total economic output. At the beginning of April 2013, the Bank of Japan announced a massive monetary-easing program which aims to double the monetary base by the end of 2014. The bank’s primary intention is to stimulate the economy which has been struggling with deflation for years and has grown only modestly in this time.

Emerging Markets

The reporting year witnessed a further slowdown in economic development in a number of emerging markets, although they regained some ground in the last quarter of the year 2012. Forward-looking indicators suggest that this growth momentum is spilling over into 2013. Given the substantial share of the world economy now accounted for by emerging economies, they will drive growth on a global level again.

To take China, real GDP increased by 7.9 % in Q4 2012 compared with the corresponding period in 2011, and an estimated GDP growth rate of 8.2 % is expected for 2013, buoyed by the rise in domestic demand toward the end of 2012. Turning to India and Brazil, their economic performance remained subdued in 2012, with growth rates of 4.5 % (India) and 1 % (Brazil). The International Monetary Fund (IMF) expects growth in these two emerging markets to be back on track in 2013 with rates of 5.9 % and 3.5 %. The short-term outlook for the region "Emerging Markets and Developing Economies" indicates a rise in GDP of 5.5 % in 2013.

Europe

Just like in the previous year, the course of the European economy in 2012 was influenced primarily by the economic and sovereign-debt crisis. As a result of the persistently difficult situation in the Southern periphery, the aggregate GDP of the EU-27 decreased by 0.3 %. It is worth mentioning, though, that the core of the European Union was not spared the repercussions of the crisis either. France and Great Britain, for instance, saw their economies stagnate in 2012. Even the German growth engine started to sputter towards the end of the year. Experts believe this to be the bottom of the latest recession phase. Economic performance of the EU-27 is forecast to pick up in 2013, albeit only very slowly (+0.1 %). It is nonetheless essential that austerity measures continue to be implemented throughout Europe.

As far as the eurozone is concerned, concerted efforts to fight the economic crisis in the Southern member states were once again at the top of the agenda. The situation in Greece proved particularly difficult, seeing as the economy of the country has been stuck in a downward spiral for five years. Meanwhile, Spain also made the headlines due to its struggling banking sector, as did Italy after the reformist government led by Mario Monti had been voted out of office. Both countries faced a deep recession in 2012, just like Portugal. The only PIIGS state that seems to have overcome its severe problems is Ireland: Two consecutive years of GDP growth indicate that the economic turnaround has succeeded, not least owing to the EU rescue package. At the same time, though, Cyprus caused a new wave of uncertainty on the financial markets.

Overall, the economic prospects for the eurozone remain subdued. Having decreased by about 0.5 % in Q4 2012, aggregate GDP is not expected to expand in the first months of 2013 either. Only for the second half of the year do experts forecast a moderate recovery in the economy.

The economic slowdown in the eurozone has also had repercussions for the states in Central and South Eastern Europe. Even though GDP growth in the region as a whole was more pronounced than in Western Europe, economic performance on a national level varied markedly in 2012. In Hungary, for instance, the on-going crisis led to a GDP decrease of 1.7 %. The Slovenian economy also contracted as a result of massive problems in its banking sector (-2 %), and the future 28th EU member Croatia struggled noticeably as well (-1.8 %). In contrast, comparatively robust growth rates were reported for Russia, Poland and the Baltic states. Looking ahead, experts predict that economic activity in the region will expand only slightly faster in 2013, as both export and domestic demand are to remain fairly weak. The year after that, however, is most likely to witness stronger growth again.

Austria. In 2012, Austria saw a deceleration in economic performance: GDP growth decreased from 2.7 % in the previous year to 0.8 %. The second half of 2012, in particular, was marked by a loss of momentum due to weaker stimuli from abroad.

The latest forecasts suggest, however, that the bottom was reached at the end of the year. With several leading indicators now looking up, the Austrian economy is set to return to a growth path in 2013, albeit a flat one. Experts predict a GDP increase of about 1 %, driven first and foremost by growing business confidence. Most notably, the manufacturing industry expects order intake to pick up again.

1.2 Development of the market for intelligent transportation systems (ITS)

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the intelligent transportation systems (ITS) market. These are systems in which information and communication technologies are employed to support and optimize road transportation, including infrastructure, vehicles, users and industry.

Market segmentation. The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, October 2012, describes the ITS market as a diversifying market with widely differing application and product segments. The market comprises the following product segments:

- Electronic toll collection (ETC) enables drivers to pay toll fees without stopping at toll stations.
- Advanced traffic management systems (ATMS) monitor traffic, optimize signal timing and regulate the flow of traffic.
- Other intelligent transportation systems (OTH ITS) comprise in particular:

  – Commercial vehicle operations (CVO) encompass systems for operating commercial vehicles in order to enhance freight carrier productivity and safety.
  – Public vehicle transportation management systems (PVTMS) facilitate management of both local and long-distance public transportation.
  – Advanced vehicle information systems (AVIS) transmit traffic-related vehicle information to travelers before or during the trip or provide navigation services.

Market volume and growth. According to Global Industry Analysts (October 2012), the volume of the ITS market amounted to USD 14.2 billion in 2012 and is expected to continue growing. The largest product segment in 2012 was ATMS, accounting for almost 36 % (USD 5.2 billion). Based on a worldwide volume of about USD 3.5 billion, ETC had an ITS market share of about 25 %. The largest geographic region for ITS in 2012 was the U.S.A. at 40 % (ETC: 42 %), followed by Europe at 30 % (ETC: 27 %).

The ITS market is expected to grow at an average annual rate of 8.7 % between 2009 and 2018 to reach USD 22.8 billion in 2018, of which ETC will account for USD 6.8 billion equaling a share of 30 % and thereby exhibiting the fastest growth of all product segments at an average annual rate of 11.8 %.

Market situation and market drivers

Funding for infrastructure projects. The worldwide increase in road traffic requires additional financing to construct new and maintain existing roads. Toll collection offers a constant source of income and thus helps governments to provide the necessary funding for infrastructure projects. Efficient toll collection systems, especially electronic ones, offer a significant, constant and sustainable source of additional funds for governments, public authorities and concessionaires that can be used for the expansion and maintenance of road infrastructure.

The demand for the construction of new roads is largely generated by the worldwide increase in road traffic. Especially in Asia, an increased demand for electronic toll lanes is expected for the replacement and expansion of toll collection systems previously based on more traditional (manual) systems. Aside from general economic aspects, the worldwide increase in road traffic is probably the most important driver for the ITS market. According to analyses by the EU (European Union 2010, "Energy and Transport in Figures"), commercial traffic increased by 2.3 % per year and by 33.7 % in total between 1995 and 2008. Commercial road traffic increased by 2.9 % per year and by 45.7 % in total. While the recent economic crisis triggered a fall in the volume of goods transport, this has already been largely compensated for by the subsequent upswing. Despite political pressure, goods transports could not be shifted significantly from road to rail or ship.

In 2005, the trans-European road network (TEN-V) had a total length of 84,700 km and comprised one-fourth of the primary street network but carried 40 % of the total commercial traffic. It is predicted that TEN-V will be expanded by 4,800 km per year up to 2020, of which 3,500 km will consist of existing roads. Major investments will be required in the new EU member states and along the corridor routes to these countries. In the white paper "European transport policy for 2010", the European Union estimated that investments of EUR 600 billion will be required by 2020. The long-term forecasts for traffic growth remain high.

In addition to the construction of new roads, the high financing requirements for the preservation of the road infrastructure are another factor driving the ITS market. The high funding requirements in the U.S.A. (Standard & Poor's research estimates an annual demand of USD 92 billion for the preservation of highways and bridges and a further USD 125.6 billion for their improvement up to 2020) are leading to new business models and private concessionaire models.

Reducing congestion and further environmental pollution caused by road traffic. Efforts to reduce environmental pollution due to road traffic have become a market driver for the introduction of toll collection systems. Such systems encourage reduced or modified vehicle usage, thereby lowering emissions and pollution levels. Electronic toll collection systems, in particular for multi-lane free-flow traffic, have proven their ability to decrease environmental pollution and carbon dioxide emissions by reducing congestion at toll plazas without interfering with the traffic flow.

In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. Toll collection is largely perceived as an effective solution for reducing high levels of congestion, particularly in metropolitan areas, as mandatory payments for road usage encourage carpooling or the use of public transportation. Systems for city charging and enforcing low-emission environmental zones are deployed by cities to reduce traffic congestion and environmental pollution. Due to the politically sensitive nature of this topic, this portion of the business has developed more slowly than originally expected.

Traffic safety devices to monitor compliance with traffic regulations are another field of ITS applications in cities. Examples include systems to monitor traffic violations at junctions (e.g. running red lights) as well as systems to detect speeding. The market potential of these applications is growing rapidly in cities as well as interurban areas. For municipal authorities, they often pave the way for larger and more extensive ITS solutions, such as city charging.

Increasing traffic safety and security. Advanced traffic management systems lower accident rates while also helping increase the probability of surviving accidents. The addressees include governments and regional authorities as well as other organizations, such as concessionaires, that are engaged in developing transport policies utilizing ITS in order to ensure the availability and quality of traffic infrastructure in a way that improves safety, performance, security and environmental protection.

Enhancing vehicle and fleet productivity. Vehicle-oriented intelligent transportation systems are aimed at in-car telematics such as remote diagnostics or advanced driver assistance systems. Their purpose is mainly to enhance vehicle productivity, particularly that of commercial vehicles (commercial vehicle operations), as well as traffic safety and security. This field includes systems for the real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), which Kapsch TrafficCom believes will increasingly be based on 5.9 GHz technology.

Industry-oriented intelligent transportation systems are commercial applications designed to reduce the costs or maximize the revenue of vehicle fleet operators, including public transportation companies (public vehicle transportation management systems). Examples include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Addressees are also 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.

Increased comfort expectations of travelers. User-oriented intelligent transportation systems are focused mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation, 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. As a communication platform, the 5.9 GHz technology will enable a variety of future applications involving connected vehicles.

Technology

Depending on the requirements of the specific application, systems are introduced for toll collection which are based on microwave technology (dedicated short-range communication; DSRC), satellite navigation (global navigation satellite system; GNSS), or automatic number plate recognition (ANPR).

While in Europe the standardized technology is based on 5.8 GHz according to the Comité Européen de Normalisation (CEN) standard, toll systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard based on 5.9 GHz will gradually replace the existing technology in the U.S.A. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for real-time vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, abbreviated as V2X, for applications that increase traffic safety as well as additional ITS solutions for traffic information, traffic management and entertainment.

Convergence on the ITS market

A common thread among all these forces driving the market is a convergence on the ITS market expected by Kapsch TrafficCom over the next five to ten years. The company is convinced that applications, platforms and technologies will become increasingly interconnected and converge over time. In the view of Kapsch TrafficCom, the future lies in “connected vehicles in cooperative systems”, which are V2X cooperative systems for real-time vehicle-to-vehicle (V2V) or vehicle-to-infrastructure (V2I) communication.

2 Economic situation of the group

2.1 Business development

The revenues of Kapsch TrafficCom Group reached EUR 488.9 million in fiscal year 2012/13, down by 11.1 % compared to the previous fiscal year. 70.0 % of the revenues were achieved in the segment Services, System Extensions, Components Sales (SEC) that accounts for the recurring part of the business. The segment Road Solution Projects (RSP) that encompasses the project business showed significantly lower revenues (down by 26.2 %) than in the previous year as ongoing and new projects did not generate comparable revenues and also fall short of the volume of the Polish implementation project that was realized last fiscal year.

In addition to the two large existing projects in South Africa and Belarus, which significantly impacted fiscal year 2012/13, the following additional projects were acquired:

- On 30 July 2012, the U.S. subsidiary Kapsch TrafficCom IVHS was selected to design, build and integrate a "managed lane" system (MLS) for both the North Tarrant Express (NTE) and LBJ Express projects in Dallas and Tarrant Counties in North Texas. The project scope encompasses delivery of a toll collection system (TCS), an intelligent transportation system (ITS) and a network communication system (NCS), creating a fully integrated MLS. The agreement covers more than thirty miles of "managed lanes" – specifically used, administered and tolled lanes for structuring the traffic according to different requirements and demands – with 65 toll lanes and 33 toll zones. The total contract value for the implementation of the system amounts to approximately USD 79 million (about EUR 64 million). The first phase of the system should start operation in November 2013.
- On 10 August 2012, Kapsch TrafficCom got the first, albeit small, order for the delivery of on-board units in the strategically important market of Brazil. Brazil is among the fastest growing markets in the ITS industry.
- On 28 August 2012, Kapsch TrafficCom Australia Pty. Ltd. was contracted by Interlink Roads to supply a new electronic tolling system to support capacity enhancement upgrades to the M5 South West Motorway in Sydney. The total contract value for the implementation of the system is approximately AUD 10 million (about EUR 8.5 million). The new tolling system will comprise replacement of roadside equipment plus a new back office system that will incorporate enhanced image processing capability to provide higher levels of accuracy and automation on image based transactions.
- On 11 March 2013, Kapsch TrafficCom was selected by the infrastructure development company HNTB and the Michigan Department of Transportation (MDOT) to deliver a truck parking system at five sites along the I-94 corridor in Michigan. The Kapsch solution consists of a 5.9 GHz dedicated short-range communications (DSRC) in-vehicle unit and roadside equipment with customized application software that provide drivers with real-time truck parking availability information from MDOT facilities and private truck stops. This system is the first truck parking system to be deployed in North America utilizing 5.9 GHz – the chosen technology for the U.S. DOT connected vehicle safety pilot program. The system will be fully delivered by December 2013. The contract has a rather low volume but a high strategic significance for implementation of the strategy of Kapsch TrafficCom Group.

Major changes and events at a corporate level during fiscal year 2012/13 include the following:

- On 4 May 2012, the founding of Kapsch TrafficCom do Brazil, São Paulo, Brazil, took place.
- On 6 July 2012, Kapsch TrafficCom PTE. LTD., Singapore, was founded.
- On 31 July 2012, Kapsch TrafficCom acquired an interest of 33 % in SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico, during an issue of new shares.
- On 9 November 2012, Kapsch TrafficCom Russia, Moscow, Russia, sold its share of 33 % in the joint venture LLC United Toll Systems, Moscow, Russia.
- On 29 March 2013, Kapsch TrafficCom acquired an interest of 20 % in GLONASS tolling systems OOO, Moscow, Russia.

2.2 Earnings situation

The revenues *of the Kapsch TrafficCom Group reached EUR 488.9 million in fiscal year 2012/13,* down by 11.1 % compared to the previous fiscal year (EUR 549.9 million). The segment Services, System Extensions, Components Sales (SEC) exhibited a growth in revenue, while the segment Road Solution Projects (RSP) showed significantly lower revenues than in the same period of the previous year.

The operating result (EBIT) *of the Kapsch TrafficCom Group was at EUR 15.3 million* and therefore 63.9 % lower than the previous year (EUR 42.2 million). The EBIT margin amounted to 3.1 % (previous year: 7.7 %).

Revenues and operating result (EBIT) by segment

In the segment Road Solution Projects (RSP), *revenues were reduced by 44.2 % to EUR 128.3 million* (previous year: EUR 229.9 million). The most significant factor for the decline in a year-on-year comparison was the completion of the implementation of the nationwide electronic truck toll collection system in Poland during the previous year. The project for the implementation of an electronic toll collection system in the South African province of Gauteng made no comparable contribution since it is already in the finalization phase and the originally expected revenues cannot be earned in full until the commissioning takes place. The new projects in Belarus, France, Australia and the U.S.A. as well as the extensions in Poland were also unable to compensate for this fall in revenue during fiscal year 2012/13.

The EBIT of the segment RSP was at EUR -51.7 million (previous year: EUR 4.1 million). As a result of the decreased revenues in comparison with the previous year, it was not possible to cover the regular costs associated with this segment, the continued expenditures for entry into new markets such as the U.S.A., Russia, Hungary, Slovenia and Singapore as well as the upfront costs for ongoing and upcoming tenders. Moreover, the project for the implementation of an electronic toll collection system in the South African province of Gauteng additionally weighed down the results. The reasons for this lie in the delay of the commissioning as a result of political discussions, the lower revenues than initially expected prior to the commissioning and additionally incurred costs and standby costs.

In the segment Services, System Extensions and Components Sales (SEC), *revenues increased by 11.1 % to EUR 342.3 million* (previous year: EUR 308.1 million). The operation project in Poland, which began in July 2011 and was therefore only relevant for nine months of the previous year, supplied a significant revenue contribution. The technical and commercial operation of the nationwide system in the Czech Republic and the technical operation including maintenance of the nationwide systems in Austria and Switzerland continued to provide stable revenue contributions. In contrast, the delayed start of the project in the South African province of Gauteng resulted on the one hand in revenues for the upkeep of the operational readiness that are lower compared to the ordinary revenues and on the other hand this led to the absence of the expected deliveries of on-board units.

The number of on-board units sold amounted to 9.3 million units (previous year: 11.2 million units). The lower volumes were associated with the delayed commissioning of the project in Gauteng, South Africa, and the initial deliveries for the nationwide electronic toll collection system in Poland that took place in the previous year. The increased units sold in North America had a positive effect.

The EBIT of the segment SEC was at EUR 66.1 million (previous year: EUR 37.3 million), the EBIT margin was therefore at 19.3 % (previous year: 12.1 %). The main factors for the increase in a year-on-year comparison were the stable EBIT contributions from the technical and commercial operation of the nationwide truck toll collection system in the Czech Republic, the technical operation, including maintenance, of the nationwide truck toll collection system in Austria and the first full year of earnings from the technical and commercial operation project in Poland. The competitive pricing within the framework of the contract extension with the E-ZPass Group, which has now led to globally typical margins in the U.S.A. as well, plus the lower contribution for the upkeep of the operational readiness and the absence of the profit contribution connected with the lack of on-board unit deliveries for the system operation in Gauteng, South Africa, burdened the EBIT of the segment.

In the segment Others (OTH), *revenues rose by 52.4 % to EUR 18.3 million* (previous year: EUR 12.0 million). This increase resulted largely from the production and deliveries for the GSM-R project of Kapsch CarrierCom. The segment OTH contributed 3.7 % to total revenues in fiscal year 2012/13 (previous year: 2.2 %).

The EBIT of the segment OTH was at EUR 0.9 million (previous year: EUR 0.8 million), the EBIT margin was therefore at 5.1 % (previous year: 6.5 %).

Revenues by segment		2012/13		2011/12		+/-%	2010/11	
Road Solutions Projects (RSP)								
Revenues (share of total revenues)	in million EUR	128.3	(26 %)	229.9	(42 %)	-44 %	158.9	(41 %)
EBIT	in million EUR	-51.7	(-40 %)	4.1	(2 %)	<-300 %	0.1	(0 %)
Services, System Extensions, Components Sales (SEC)								
Revenues (share of total revenues)	in million EUR	342.3	(70 %)	308.1	(56 %)	11 %	223.3	(57 %)
EBIT	in million EUR	66.1	(19 %)	37.3	(12 %)	77 %	48.3	(22 %)
Others (OTH)								
Revenues (share of total revenues)	in million EUR	18.3	(4 %)	12.0	(2 %)	52 %	6.4	(2 %)
EBIT	in million EUR	0.9	(5 %)	0.8	(7 %)	21 %	0.4	(7 %)

Revenues by region

Europe accounted again for the largest share of total revenues (59.1 %) in fiscal year 2012/13. The revenue decrease of EUR 52.5 million (-15.4 %) can be attributed largely to the completion of the implementation of the nationwide electronic truck toll collection system in Poland during the previous year. The ongoing implementation project in Belarus could not offset this. Revenues in the rest of the world region decreased by EUR 24.9 million (-22.2 %). The major factor here was the absence of deliveries of on-board units for the project in South Africa compared to the previous year. In the American region, revenues increased by EUR 11.2 million (17.6 %), mainly due to the project award for the implementation of a “managed lane” system in Texas. Revenues in Austria rose by EUR 5.3 million (16.1 %) mainly attributable to the increase in the segment OTH.

Revenues by region		2012/13		2011/12		+/-%	2010/11	
Austria (share of total revenues)	in million EUR	38.0	(8 %)	32.8	(6 %)	16 %	37.5	(10 %)
Europe (excl. Austria) (share of total revenues)	in million EUR	288.9	(59 %)	341.4	(62 %)	-15 %	182.0	(47 %)
Americas (share of total revenues)	in million EUR	74.8	(15 %)	63.6	(12 %)	18 %	27.6	(7 %)
Rest of the world (share of total revenues)	in million EUR	87.2	(18 %)	112.1	(20 %)	-22 %	141.5	(36 %)

Main positions of the consolidated statement of comprehensive income

The cost of materials and other production services *declined by EUR 29.7 million to EUR 257.6 million* (previous year: EUR 287.3 million). Compared to the previous year, the share of costs for materials and other production services in relation to revenues increased slightly from 52.2 % to 52.7 %.

The staff costs *increased by EUR 9.8 million to EUR 131.6 million* (previous year: EUR 121.7 million). Compared to the previous year, the average number of employees grew by 211 persons from 2,585 to 2,796. The staff cost ratio (staff costs in relation to total revenues) rose from 22.1 % to 26.9 %. This is due on the one hand to the staff requirements connected with the technical and commercial operation projects in Poland, the setup of the subsidiary in Belarus, the implementation of the project in Texas and the standby requirements in the South African project in Gauteng. On the other hand, it also results from the consistent implementation of the growth strategy that was decided last fiscal year and which required anticipative personnel developments.

Amortization of intangible assets and depreciation of property, plant and equipment *decreased by EUR 0.7 million to EUR 17.7 million* (previous year: EUR 18.4 million), resulting primarily from the decreased scheduled amortization of intangible assets from company acquisitions.

Other operating expenses *increased by EUR 4.8 million to EUR 87.8 million* (previous year: EUR 83.0 million). This increase occurred primarily in exchange rate losses that were largely realized in rental expenses and IT expenses. In contrast, legal and consulting fees as well as marketing and advertising expenses decreased.

The financial result *improved by EUR 7.2 million to EUR 1.3 million* (previous year: EUR -5.9 million). The increase in finance income can be attributed primarily to the sale of the minority shares in the joint venture LLC "United Toll Systems", Russia, as well as the sale of securities. The exchange rate gains, the majority of which were not yet realized, lay below those of the previous year. The finance costs stayed nearly on the same level as previous year. Within the exchange rate losses, the realized losses were reduced whereas the unrealized ones increased slightly.

The result from joint ventures and associates *was EUR 0.3 million* (previous year: EUR 0.0 million) and resulted mainly from the investment in SIMEX, Mexico.

The profit before income taxes *decreased by EUR 19.4 million to EUR 16.9 million* (previous year: EUR 36.3 million). Lower income taxes and higher finance income were able to partly compensate for the lower operating result (EBIT).

The profit for the period *decreased by EUR 10.7 million to EUR 16.7 million* (previous year: EUR 27.5 million), the earnings per share were at EUR 0.74 (previous year: EUR 1.62).

2.3 Assets and liabilities

The balance sheet total *increased by EUR 9.5 million to EUR 567.2 million* as of 31 March 2013 (31 March 2012: EUR 557.7 million).

The total equity *decreased by EUR 15.6 million to EUR 240.7 million* (31 March 2012: EUR 256.2 million). The equity ratio of Kapsch TrafficCom Group decreased slightly from 45.9 % on 31 March 2012 to 42.4 % on 31 March 2013.

In total assets, the most significant changes involved the current assets which rose from EUR 389.6 million in the previous year to EUR 403.1 million at the balance sheet date. Thanks to the increase of cash and cash equivalents as well as inventories, it was possible to compensate for the decrease of trade receivables and other current assets.

Non-current assets decreased by EUR 4.0 million to EUR 164.1 million (31 March 2012: EUR 168.1 million). Other financial assets and investments went down from EUR 51.2 million to EUR 38.1 million mainly due to the development of the shares in the Norwegian Q-Free ASA.

On the liabilities side, *the non-current liabilities rose by EUR 24.1 million to EUR 137.9 million* (31 March 2012: EUR 113.8 million) due to the financing of the implementation of the nationwide electronic truck toll collection system in Belarus.

The current liabilities increased by EUR 1.1 million to EUR 188.7 million (31 March 2012: EUR 187.6 million). The major change within this position occurred in the current financial liabilities that decreased from EUR 53.2 million to EUR 19.7 million mainly due to the return of the credit for the Polish project. However, this was more than compensated for by the rise in trade payables, current provisions and current tax payables.

In total, these balance sheet changes led to a clear improvement in the following figures:

- The free cash flow increased from EUR -49.7 million in the previous year to EUR 48.3 million in fiscal year 2012/13.
- The net debt significantly decreased from EUR -74.4 million in the previous year to EUR -40.5 million on 31 March 2013 despite the payable at term corporate bond amounting to EUR 75.0 million and the utilization of the financial liability for the nationwide electronic truck toll collection system in Belarus.

2.4 Financial position

Net cash flow from operating activities *was at EUR 67.2 million* (previous year: EUR -37.8 million). This was mainly attributable to the decrease in trade receivables and other current assets, the increase in trade payables and other current payables and the increase in current provisions, whereas the lower operating result (EBIT) and the increase in inventories weighed down the net cash flow from operating activities.

The net cash flow from investing activities in fiscal year 2012/13 *was at EUR -10.0 million* (previous year: EUR -16.7 million) and was largely determined by the expansion of production facilities, ongoing replacement investments and the acquisition of a share in SIMEX, Mexico. This was compensated partly by the sale of the minority shares in the joint venture LLC "United Toll Systems", Russia, as well as the sale of securities and proceeds from the disposal of property, plant and equipment and intangible assets.

The net cash flow from financing activities *was -22.5 million* (previous year: EUR 57.6 million), and it was negative due to the drawdown of current financial liabilities mainly from project financing as well as the payment of dividends totaling EUR 19.1 million. This could not be set off by the increase in non-current financial liabilities. The net cash flow from financing activities had a positive effect on the net debt.

Cash and cash equivalents *increased to EUR 79.0 million* as of 31 March 2013 (31 March 2012: EUR 44.9 million).

2.5 Non-financial performance indicators

Reliability and accuracy of installed systems. The toll transaction rate is a figure for assessing the accuracy and reliability of a toll collection system. It indicates the number of successful transactions in relation to all potential toll transactions of vehicles equipped with a functioning on-board unit. A high toll transaction rate translates to high toll income.

The average toll transaction rate of the existing truck toll collection system in Austria was at approximately 99.8 % in 2012, again reaching the high level of 2011. During the same period, the average transaction rate of the nationwide electronic toll collection system in the Czech Republic was approximately 99.6 %, up by 0.1 % from 99.5 % in the previous year. The calculation of the average transaction rate is based on methods agreed upon with the respective customer, meaning that comparisons between the average transaction rates achieved in different projects are only possible on a limited basis.

Staff. The average number of employees in the Kapsch TrafficCom Group in fiscal year 2012/13 was 2,796, which is 8.2 % higher than the average of 2,585 in fiscal year 2011/12. As of 31 March 2013, the group had a workforce of 3,013 (2,821 salaried and 192 non-salaried employees), of which more than half were located outside of Europe (roughly 1,200 employees in South Africa).

Training and education. Kapsch TrafficCom places great importance on the continued training and education of its employees. This involves not only promoting professional education but also providing seminars and workshops for developing personal and teamwork skills. In addition, training sessions tailored to the particular needs of employees are offered within the framework of the Kapsch Academy. A job rotation program promotes the international exchange of staff between the various locations, and select employees are prepared for their future tasks in a management trainee program.

Pension fund. Kapsch TrafficCom makes contributions to an external pension fund for employees of group companies in Austria under a defined contribution scheme. The amounts of the payments are based on the individual employee's income and the operating profit margin of the company.

Profit participation. Kapsch TrafficCom is aware of the employees' contribution to its success and acknowledges this through a profit participation plan. The Kapsch TrafficCom Group rewards the commitment of its employees by distributing to them up to 5 % of the group profit before income taxes. Country-specific upper limits have been established to ensure that the distribution reflects local purchasing power. Every employee receives a share, which is independent of the person's salary or wage and limited to EUR 1,500 per employee.

Advancement of women. Kapsch TrafficCom is committed to promoting the advancement of women in the workplace. Women are supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, Kapsch TrafficCom cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. The company also promotes women in the workforce through participation in specific programs such as "FIT Frauen in die Technik" or "FemTech". A committee for non-discrimination has been established within the Kapsch TrafficCom Group.

Quality. Kapsch TrafficCom AG defines its processes in an integrated management system for health and safety, security, environment and quality (HSSEQ). Valid certifications are held for quality management pursuant to ISO 9001 (since 2002), for occupational health and safety pursuant to OHSAS 18001 and for environmental management pursuant to ISO 14001 (since 2005). Kapsch TrafficCom has implemented the necessary measures in its internal processes and monitors them continuously. The certificate pursuant to ISO 27001 ensures the necessary information security management. The certificate pursuant to ISO 20000 for service management in connection with technical operations guarantees a high service quality in this area.

Environment. In the future, the group will strive to fulfill its responsibilities toward environmental protection even more extensively, particularly through the efficient and responsible use of natural resources.

Corporate social responsibility

Kapsch TrafficCom understands the challenge of long-term and responsible business activities and is dedicated to sustainability on an economic, environmental and social level. Regularly published sustainability reports will demonstrate the progress on a group level and the continuing establishment of predefined objectives.

Living up to its socio-political responsibility, the entire Kapsch Group – organized by Kapsch AG – further supports a number of contemporary art and cultural institutions and projects and even initiates its own projects in this field. Extensive social measures as well as select educational initiatives complement this approach, which the company considers to be an obligation both inside and outside the group.

Music. A major component of this commitment consists of sponsoring activities related to the Vienna Concert Hall (Wiener Konzerthaus), a cultural institution with an excellent reputation even far beyond Austria's borders. The Kapsch Group has been the main sponsor of the Vienna Concert Hall since 1992. The "Wien Modern" festival – one of the world's best known festivals of contemporary music – has been supported by Kapsch since its launch in 1989.

Visual arts. Promoting lesser-known artists is of particular concern to the Kapsch Group. In particular, young Austrian and international artists are assisted by sponsorship campaigns. One example is the photo calendar that the Kapsch Group has supported since 1994. The calendar is presented annually in late autumn at a private exhibition.

Educational institutions. As a company that is driven by technology and innovation, Kapsch TrafficCom is constantly interested in establishing contacts as early as possible with the best engineering talent. Since 2005, the Kapsch Group has supported the work of INiTS Universitäres Gründerservice Wien GmbH, which aims to support and guide young entrepreneurs in the implementation of ideas relating to well defined business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting select social projects at home and abroad. One example of the numerous projects is ICEP, the Institute for Cooperation in Development Projects, whose activities help improve the circumstances of people in developing countries. By directly promoting migration and integration, Kapsch TrafficCom contributes to social justice, the positive development of society and long-term safety and security.

2.6 Risk management

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG, focusing on project risk management and enterprise risk management (ERM).

Project risk management analyzes beginning in the bid phase of customer projects in institutionalized processes 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.

The enterprise risk management (ERM) analyzes not only the risks of key customer projects but also strategic, technological, organizational, financial, legal and IT risks, and reports them to the executive board and the audit committee of the supervisory board on a semi-annual basis. The goal of the ERM approach is early identification, analysis and control of all risks which might influence strategic and operational objectives 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.

The material risks faced by the Kapsch TrafficCom Group and the respective risk management measures are briefly explained below.

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch TrafficCom Group is generated in the segment Road Solution Projects (RSP). In this segment, the group regularly participates in tenders for the implementation and operation of large electronic toll collection systems as well as for the collection of tolls on specific road sections. On the one hand, there is a risk that tenders in which the 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, a risk exists that Kapsch TrafficCom may not win its bids for new projects due to technological, financial, formal or other reasons. Recurring revenues from the technical and commercial operation of systems also depend on the successful participation in tenders for systems.

In the past, the revenues of the Kapsch TrafficCom Group have been heavily influenced by the realization of implementation projects in the given fiscal year. In particular, significantly higher revenues were recorded in 2003 (implementation of a nationwide electronic truck toll collection system in Austria), 2006/07 (implementation of a nationwide electronic truck toll collection system in the Czech Republic) and 2010/11 (implementation of an electronic toll collection system in the South African province of Gauteng). In fiscal year 2011/12, sizeable revenues were generated from the implementation of a nationwide electronic truck toll collection system in Poland and in fiscal year 2012/13 from the implementation of a nationwide electronic truck toll collection system in Belarus.

The strategy of the Kapsch TrafficCom Group is aimed, among other things, at reducing this volatility of revenues through increased geographic diversification and increased diversification of the customer base and product portfolio as well as sustained growth in the share of technical and commercial system operation in total revenues in the interest of strengthening the segment Services, System Extensions, Components Sales (SEC).

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since electronic toll collection systems and other intelligent transportation systems are frequently sophisticated and technologically complex systems that must be implemented within a short timeframe, system and product defects or missed deadlines may occur due to the limited time available. Unexpected project modifications, lack of qualified personnel, quality defects, unexpected technical problems as well as performance problems

of suppliers or consortium members may also have a negative impact on project schedules. The failure to meet guaranteed performance levels or deadlines in some cases results in penalties and/or compensation for damages, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses that enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project in time would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom Group cannot execute projects in line within the set cost budgets.

Kapsch TrafficCom Group employs risk management methods and project risk management procedures based on IPMA (International Project Management Association) standards in order to guard against risks associated with projects.

Long-term contracts with public authorities. In many cases, the system contracts are awarded by public agencies. Framework agreements and service contracts in connection with toll collection projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to the Kapsch TrafficCom Group. Some long-term contracts include challenging requirements with regard to the performance of the implemented systems, components and processes. These requirements can, if they are not achieved, result in significant penalties, damages or even contract termination. On the other hand, some contracts include substantial bonus payments for over-fulfillment of performance requirements. In the case of long-term contracts, the margins earned can also differ from the original estimates due to changes in costs.

Liabilities arising from contracts concluded by the Kapsch TrafficCom Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While the 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

Capacity for innovation. The strong market position of the Kapsch TrafficCom Group is, to a large extent, based on its ability to develop state-of-the-art, efficient and reliable systems, components and products. Kapsch TrafficCom is committed to a permanent and integrated innovation process. In order to maintain its already strong position in technology, the Kapsch TrafficCom Group invests a considerable portion of its revenues in research and development activities. However, if the group does not succeed in developing new systems, components and products, this can be detrimental to its competitive position.

Since its capacity for innovation is based largely on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the group. In addition, any failures in protecting these technologies may have a negative impact on the group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties. The Kapsch TrafficCom Group places great importance on the protection of technologies and the company's internal know-how, e.g. through patents and non-disclosure agreements with other parties.

Acquisition and integration of companies as a part of the group's growth. One of the strategic objectives of the Kapsch TrafficCom Group is to grow internationally both by organic means and through select acquisitions and joint ventures. In the implementation of this strategy, the group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Country risk. The strong expansion of business activities in Eastern Europe and non-European countries has exposed the Kapsch TrafficCom Group to heightened political risks. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate ITS projects in these countries and can also affect the availability and accessibility of funds. There may also be interference with the property rights of the Kapsch TrafficCom Group or complications regarding business practices and activities.

Financial risks

Foreign exchange risk. The Kapsch TrafficCom Group maintains branches, offices and subsidiaries in a number of countries outside the eurozone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies rather than in euros. Although the group aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the consolidated financial statements (transaction risk). In addition, risks arise from the conversion of the separate financial statements of international companies into the group currency, the euro (translation risk). Fluctuations in exchange rates may also result in a change in the competitive position of the Kapsch TrafficCom 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 (Euribor, Pribor etc.). This exposes the Kapsch TrafficCom Group to interest rate risks. The group utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources must be available to ensure that the Kapsch TrafficCom Group can meet its payment liabilities at any time. Medium and long-term financing must be available in order to carry out large-scale projects (such as implementing a nationwide toll collection system under delayed payment terms from the client) and for acquiring other companies. Additionally, implementing large-scale projects often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).

In financing agreements, the Kapsch TrafficCom Group is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. A lack of liquid assets (even if the group is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch TrafficCom Group and the results of operations.

Liquidity risk is managed by ongoing, company-wide financial and cash planning. Potential liquidity shortages can thus be identified and mitigated.

Credit risk. The Kapsch TrafficCom Group is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of the Kapsch TrafficCom Group are public authorities, especially in connection with implementing and/or operating nationwide or regional toll collection systems. There is also a risk that the counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the recognition of impairment charges to receivables can be extremely detrimental to the net assets and financial position of the Kapsch TrafficCom Group and the results of operations.

Personnel risks

The success of the Kapsch TrafficCom Group depends heavily on key personnel with many years of experience in the industry. Moreover, the group's ability to recruit qualified staff, integrate them into the company and retain them over the long-term is crucial. The loss of key personnel and difficulties in the recruitment of personnel may adversely affect the success of the group. Kapsch TrafficCom Group has implemented a number of measures to counteract personnel risks, such as incentive schemes and employee development opportunities.

Legal risks

A variety of regulations and legal requirements must be observed in connection with participating in public tenders, implementing infrastructure for ITS solutions (such as toll stations) and the operation of toll collection systems. Identifying and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. The failure to meet regulations or official requirements can lead to severe penalties and can also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

With the expansion into new regions and new ITS business areas, the risk of patent infringement or the violation of property rights increases. Kapsch TrafficCom has implemented active intellectual property (IP) management as a separate function. In order to avoid legal actions and court proceedings, the Kapsch TrafficCom Group monitors potential intellectual property rights infringements continuously as well as prior to entry into new markets or regions.

IT risks

As a technology group, the Kapsch TrafficCom Group is exposed to typical IT risks relating to security, confidentiality and the availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system designed according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (information security management). The Kapsch TrafficCom Group is also certified according to ISO 20000 "IT service management" (similar to ITIL) for the operation of toll collection systems.

Opportunities

The ERM approach of Kapsch TrafficCom AG is not only concerned with risks; it also includes the periodic identification, assessment and management of opportunities. Significant opportunities for the Kapsch TrafficCom Group result from increased financing needs for infrastructure projects, relief for public budgets, global traffic growth, legislation to reduce the environmental impact of transportation, enhanced vehicle and fleet operations productivity and the increasing comfort and convenience expectations of travelers. In addition, many market opportunities arise from the geographic diversification as well as the increasing diversification of the customer base and product portfolio.

Summary assessment of the risk situation

From the current perspective, no risks have been identified that could endanger the continued operations of the Kapsch TrafficCom Group. Increasing geographic expansion, the diversification of the product and solution portfolio (strengthening of the ITS business) and an increased share of recurring revenues (further growth in the segment Services, System Extensions, Components Sales) are planned to further reduce the concentration of risks in the future.

2.7 Internal Control System (ICS) in regard to the finance process

Kapsch TrafficCom AG began analyzing and documenting its existing internal processes for financial reporting on an ongoing basis in fiscal year 2009/10. The results obtained so far have been presented at the quarterly meetings of the audit committee for assessment and discussion. The internal audit department ensures by audits of the subsidiaries of Kapsch TrafficCom AG that a reliable and functioning control system is implemented.

The Group IFRS Accounting Manual represents the cornerstone for financial accounting and reporting throughout the whole Kapsch Group. The manual is published and regularly updated by the Kapsch Group and contains the essential financial and reporting procedures based on the International Financial Reporting Standards (IFRS). Groupwide guidelines, work instructions and process descriptions represent another important pillar of the internal control system.

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

The accounting for all group transactions is handled by a variety of software solutions. In a number of countries, the accounting has been outsourced to locally-based tax accountants due to the size of the subsidiaries. Companies submit reporting packages to the head office on a quarterly basis which contain all accounting data pertaining to the statement of comprehensive income, balance sheet and cash flow statement. The data is then transferred into the central consolidation system (Hyperion Financial Management). This financial information is verified on a groupwide basis by the central Kapsch TrafficCom controlling department and subsequently forms the basis for the quarterly reports issued by the Kapsch TrafficCom Group 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 analyses with comparisons of current figures to figures from the budget and the previous period, forecasts, group financial statements and developments in the number of employees and order inflow as well as select financial figures.

In keeping with the decentralized structure of the Kapsch TrafficCom Group, local management is responsible for the implementation and monitoring of the internal control system. The managing directors of the individual subsidiaries are responsible for establishing and designing internal control and risk management processes that meet the needs of the given company in view of accounting procedures, as well as for ensuring compliance with the groupwide rules and guidelines in this respect. In order to assist the local management of the subsidiaries, the function of an ICS manager was established within the finance department of Kapsch TrafficCom AG. The duty of this function is to standardize and continously improve the ICS within the Kapsch TafficCom Group, to monitor the compliance and effectiveness of the controls and the improvement of found weaknesses and to report periodically to the audit committee of the supervisory board.

2.8 Research and development

The Kapsch TrafficCom Group has an international network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Kingston (U.S.A.) and Capetown (South Africa). As of 31 March 2013, the Kapsch TrafficCom Group employed more than 500 (previous year: more than 400) engineers in its research and development activities.

Research and development (R&D) have high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. The knowledge of entirely new technologies based on national and international standards and the ability to implement these form the foundation for successful business developments and also enable the entry into new markets. The current focus lies on the regions of North and South America, Russia, Australia and South-East Asia.

In the last fiscal year, the main focus of R&D was on the optimization and use of a new high-performance roadside infrastructure platform that integrates all major sensor systems into a single, common software platform. The aim was to use this platform in all international customer projects, to generate a high reusability of its basic components and ensure a low maintenance effort. This platform was already delivered to Portugal, the United States, Belarus and South Africa. Another focus was on the continuous reusability and quality of centralized components, which were used for the first time in this form in Belarus.

Major R&D activities included the prototyping of future ITS solutions. Worth mentioning is the participation in standardization activities for the European ITS-G5 and the U.S. WAVE technology regarding V2X communication (vehicle-to-vehicle, vehicle-to-infrastructure). Furthermore, pilot and demonstration projects were successfully carried out in the telematics test field and at the ITS world congress 2012 in Vienna in addition to the first 5.9 GHz commercial vehicle system pilot in den U.S.A. and a 5.9 GHz parking and electronic toll collection pilot in Singapore.

The new developed ITS vehicle platform enables vehicle-to-vehicle and vehicle-to-infrastructure-communication that delivers static and dynamic vehicle data such as size, weight, type of use, speed, direction and GPS coordinates. The research in the field of vehicle registration and vehicle classification led to the development of new video and sensor technologies with outstanding performance.

The main initiatives in the component business involved developing less expensive, energy-saving and reduced-size generations of on-board units based on DSRC, GNSS and 5.9 GHz technology.

Important organizational initiatives to reduce the costs and delivery times included further process changes, product and quality improvements on the subsystems in all R&D fields as well as the implementation of integrated development environments to cover the entire product life cycle (application life cycle management).

Successful R&D efforts are the foundation for sustained improvements in existing products and solutions as well as the continuous reduction of production, installation, operating and maintenance costs, all of which are essential for maintaining a technological and competitive advantage.

Research costs are recognized as expenses. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are met. Since the statement of comprehensive income is structured by expense type, the research and development costs are reported under various income statement items, in particular under the cost of materials and other production services, staff costs and other operating expenses.

In fiscal year 2012/13, the Kapsch TrafficCom Group invested approximately EUR 59.2 million in research and development (previous year: EUR 53.3 million), representing approximately 12 % (previous year: approximately 10 %) of total revenues.

2.9 Disclosures pursuant to Section 267 UGB in connection with Section 243a UGB

1. The registered share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million and is fully paid in. It is divided into 13 million no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. As of 31 March 2013, approximately 38.1 % of the shares of Kapsch TrafficCom AG were in free float (including approximately 4,2 % of funds managed by Capital Research and Management Company). As of 31 March 2013, KAPSCH-Group Beteiligungs GmbH held approximately 61.9 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, whose shares are equally held by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act *(Privatstiftungsgesetz).* As of 31 March 2013, no other shareholder held more than 10 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares convey special control rights.
5. There are no restrictions regarding the execution of the voting rights by employees with a stake in the company.
6. There are no special provisions on the appointment and removal of members of the executive board and the supervisory board.
7. No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
8. There are no agreements between Kapsch TrafficCom AG and members of the executive board or the supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.10 Outlook and targets

The 2013/14 fiscal year will be marked by a continuation of existing projects. In particular, the further developments in South Africa will influence the revenue and earnings situation. In addition, an invitation to tender has already begun in Slovenia. Additional tenders are expected in Belgium and the U.S.A. Extensive toll collection systems are under discussion in Bulgaria, Russia and the surrounding countries as well as in Germany. Naturally, Kapsch TrafficCom is following these discussions with great interest.

2.11 Material events after the balance sheet date

No major events occurred after the balance sheet date.

Vienna, 27 May 2013

Georg Kapsch	Erwin Toplak	André Laux
Chief Executive Officer	Chief Operating Officer	Executive Board member

Statement of all Members of the Executive Board.

Statement of all Members of the Executive Board pursuant to Section 82 Para. 4 No. 3 BörseG (Austrian Stock Exchange Act)

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

Vienna, 27 May 2013

Georg Kapsch
Chief Executive Officer

Erwin Toplak
Chief Operating Officer

André Laux
Executive Board member

Consolidated Financial Statements as of 31 March 2013.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2012/13	2011/12
Revenue	(1)	**488,937,192**	**549,921,391**
Other operating income	(2)	15,944,925	10,250,121
Changes in finished and unfinished goods and work in progress	(3)	4,715,407	-7,715,924
Other own work capitalized		280,792	196,825
Cost of materials and other production services	(4)	-257,567,332	-287,288,207
Staff costs	(5)	-131,554,950	-121,725,367
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-17,671,090	-18,399,507
Other operating expenses	(7)	-87,823,624	-83,019,586
Operating result		**15,261,319**	**42,219,746**
Finance income	(8)	14,115,415	7,209,800
Finance costs	(8)	-12,819,906	-13,083,030
Financial result	(8)	**1,295,509**	**-5,873,229**
Results from joint ventures and associates	(14)	327,203	-32,679
Profit before income taxes		**16,884,031**	**36,313,838**
Income taxes	(9)	-177,189	-8,861,709
Profit for the period		**16,706,842**	**27,452,129**
Other comprehensive income for the period			
Gains/losses recognized directly in equity:			
Available-for-sale financial assets		-10,693,827	11,596,162
Currency translation differences		-2,900,791	-1,541,864
Income tax relating to components of other comprehensive income		429,994	-78,020
Other comprehensive income for the period net of tax	(10)	**-13,164,624**	**9,976,278**
Total comprehensive income for the period		**3,542,218**	**37,428,406**
Profit attributable to:			
Equity holders of the company		9,682,668	20,599,568
Minority interests		7,024,174	6,852,560
		16,706,842	**27,452,129**
Total comprehensive income attributable to:			
Equity holders of the company			
Minority interests		-2,339,922	30,941,852
		5,882,139	6,486,554
		3,542,218	**37,428,406**
Earnings per share from the profit for the period attributable to the equity holders of the company (in EUR)	(29)	**0.74**	**1.62**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Consolidated balance sheet.

All amounts in EUR	Note	31 March 2013	31 March 2012
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	24,675,617	21,847,139
Intangible assets	(13)	79,170,076	80,378,811
Interests in joint ventures and associates	(14)	1,694,269	0
Other non-current financial assets and investments	(15)	38,085,392	51,229,052
Other non-current assets	(16)	941,573	3,420,384
Deferred tax assets	(22)	19,527,167	11,188,685
		164,094,095	**168,064,072**
Current assets			
Inventories	(17)	66,428,176	48,898,875
Trade receivables and other current assets	(18)	253,176,701	287,589,919
Other current financial assets	(15)	4,505,087	8,212,783
Cash and cash equivalents	(19)	79,022,460	44,929,361
		403,132,425	**389,630,938**
Total assets		**567,226,520**	**557,695,010**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(20)	13,000,000	13,000,000
Capital reserve		117,508,771	117,508,771
Retained earnings and other reserves		98,058,311	112,098,233
		228,567,083	**242,607,004**
Minority interests		**12,114,574**	**13,639,537**
Total equity		**240,681,656**	**256,246,542**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	104,371,856	74,255,766
Liabilities from post-employment benefits to employees	(23)	17,288,534	16,703,633
Non-current provisions	(26)	1,370,050	1,097,655
Other non-current liabilities	(24)	1,765,834	3,439,531
Deferred income tax liabilities	(22)	13,086,048	18,315,570
		137,882,323	**113,812,155**
Current liabilities			
Trade payables		80,220,031	59,013,463
Other liabilities and deferred income	(25)	52,520,345	53,047,511
Current tax payables		8,030,529	3,795,130
Current financial liabilities	(21)	19,658,281	53,249,432
Current provisions	(26)	28,233,354	18,530,776
		188,662,540	**187,636,313**
Total liabilities		**326,544,863**	**301,448,468**
Total equity and liabilities		**567,226,520**	**557,695,010**

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Consolidated statement of changes in equity.

All amounts in EUR						
	Attributable to equity holders of the company				Minority interests	Total equity
	Share capital	Capital reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of 31 March 2011	**12,200,000**	**70,077,111**	**4,249,003**	**89,816,711**	**15,170,566**	**191,513,391**
Proceeds from shares issued	800,000	47,431,660				48,231,660
Dividend for 2010/11				-13,000,000	-8,017,583	-21,017,583
Contributions from shareholders			90,667			90,667
Result for the period				20,599,568	6,852,560	27,452,129
Other comprehensive income for the period:						
Currency translation differences			-1,175,858		-366,006	-1,541,864
Fair value gains/losses on available-for-sale financial assets			11,518,142		0	11,518,142
Carrying amount as of 31 March 2012	**13,000,000**	**117,508,771**	**14,681,954**	**97,416,280**	**13,639,537**	**256,246,542**
Dividend for 2011/12				-11,700,000	-7,407,103	-19,107,103
Result for the period				9,682,668	7,024,174	16,706,842
Other comprehensive income for the period:						
Currency translation differences			-1,758,756		-1,142,035	-2,900,791
Fair value gains/losses on available-for-sale financial assets			-10,263,833		0	-10,263,833
Carrying amount as of 31 March 2013	**13,000,000**	**117,508,771**	**2,659,364**	**95,398,947**	**12,114,574**	**240,681,656**

Share capital

Following the capital increase on 27 July 2011 – 800,000 shares were issued – the registered share capital of the parent company amounts to EUR 13,000,000. The total number of shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

Capital reserve

Capital reserve include those reserves that have not been established from result of prior periods. The addition in the fiscal year 2011/12 resulted from the issuance of 800,000 shares. The placement price was fixed at EUR 61.25 per share.

Other reserves

Other reserves contain contributions from shareholders, effects of changes in the investment interest held in subsidiaries as well as reserves from other comprehensive income, for example currency translation differences and fair value gains/losses on available-for-sale financial assets after deduction of deferred taxes.

Consolidated retained earnings

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

Minority interests

Minority interests represent the third party shares in the equity of consolidated subsidiaries.

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Consolidated cash flow statement.

All amounts in EUR	Note	2012/13	2011/12
Cash flow from operating activities			
Operating result		15.261.319	42.219.746
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	17.671.090	18.399.507
Impairment charge		0	50.242
Increase/decrease in obligations for post-employment benefits	(23)	584.901	389.028
Increase/decrease in other non-current liabilities and provisions	(24, 26)	407.522	-2.973.804
Increase/decrease in other non-current receivables and assets		4.235.033	-537.793
Increase/decrease in trade receivables (non-current)	(16)	3.126.137	5.977.137
Increase/decrease in trade payables (non-current)	(24)	-2.060.803	-3.834.549
Other (net)		-4.055.119	-2.264.443
		35.170.080	57.425.071
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(18)	34.773.487	-92.190.370
Increase/decrease in inventories	(17)	-17.529.301	585.736
Increase/decrease in trade payables and other current payables		20.634.294	1.944.819
Increase/decrease in current provisions	(26)	9.702.578	13.808.826
		47.581.057	-75.850.989
Cash flow from operations		**82.751.137**	**-18.425.918**
Interest received	(8)	1.418.235	1.032.668
Interest payments	(8)	-7.166.594	-6.987.381
Net payments of income taxes		-9.824.954	-13.463.043
Net cash flow from operating activities		**67.177.824**	**-37.843.673**
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-12.686.263	-10.648.960
Purchase of non-current intangible assets	(13)	-7.547.597	-2.412.085
Purchase of securities and investments	(15)	-71.017	-4.781.127
Payments for the acquisition of shares in companies consolidated at equity	(14)	-1.702.325	-32.679
Proceeds from the disposal of property, plant and equipment and intangible assets		1.357.267	1.181.546
Proceeds from the disposal of securities and other financial assets		10.657.490	0
Net cash flow from investing activities		**-9.992.444**	**-16.693.304**
Cash flow from financing activities			
Proceeds from shares issued and contributions from shareholders		0	48.322.327
Dividends paid to company shareholders		-11.700.000	-13.000.000
Dividends paid to minority shareholders of group companies		-7.407.103	-8.017.583
Increase in other non-current financial liabilities	(21)	36.968.117	203.061
Decrease in other non-current financial liabilities	(21)	-19.781	0
Increase in current financial liabilities	(21)	5.321.641	42.794.567
Decrease in current financial liabilities	(21)	-45.636.936	-12.684.280
Net cash flow from financing activities		**-22.474.063**	**57.618.092**
Net decrease/increase in cash and cash equivalents		**34.711.317**	**3.081.114**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	44.929.361	42.000.584
Net decrease/increase in cash and cash equivalents		34.711.317	3.081.114
Exchange gains/losses on cash and cash equivalents		-618.218	-152.338
Cash and cash equivalents at end of year	(19)	**79.022.460**	**44.929.361**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Notes to the consolidated financial statements.

General information.

Kapsch TrafficCom Group is an international supplier of superior intelligent transportation systems (ITS).

The business activities of the Kapsch TrafficCom Group are subdivided into the following three segments:

- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

The segment Road Solution Projects relates to the installation of ITS solutions.

The segment Services, System Extensions, Components Sales relates to the sale of services (maintenance and operation) and components in the area of ITS solutions.

The segment Others relates to non-core business activities conducted by Kapsch Components GmbH & Co KG. In this segment, Kapsch TrafficCom Group offers engineering solutions, electronic manufacturing and logistics services to affiliated entities and third parties.

Group structure.

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

Under an initial public offering in June 2007 KAPSCH-Group Beteiligungs GmbH reduced its share in Kapsch TrafficCom AG to 69.67 %. As a result of a shift in share structure in the fiscal year ending 31 March 2009 as well as by issuing of further shares and sale of shares in the fiscal year ending 31 March 2012 it came to a further reduction to 61.90 %. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since 26 June 2007.

Consolidated group.

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

The following subsidiaries are part of the consolidated group:

- Kapsch TrafficCom AG, Vienna
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch Components GmbH & Co KG, Vienna
- Kapsch Components GmbH, Vienna
- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Kapsch-Busi S.p.A., Bologna, Italy
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom S.r.l., Milan, Italy

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- Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates
- Kapsch TrafficCom Russia OOO, Moscow, Russia
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria
- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus
- Jibesoev GmbH, Vienna
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom do Brasil, Sao Paulo, Brazil *)
- Kapsch TrafficCom France SAS, Paris, France
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia
- Kapsch TrafficCom Limited, Auckland, New Zealand
- Kapsch TrafficCom PTE.LTD., Tripleone Somerset, Singapore *)
- Kapsch TrafficCom South Africa (Pty) Ltd., Johannesburg, South Africa
- Electronic Toll Collection (PTY) Ltd., Centurion, South Africa
- Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa
- Kapsch TrafficCom B.V., Amsterdam, Netherlands
- Kapsch TrafficCom Holding II US Corp., McLean, USA
- Kapsch TrafficCom IVHS Technologies Holding Corp., McLean, USA
- Kapsch TrafficCom IVHS Holding Corp., McLean, USA
- Kapsch TrafficCom IVHS Inc., McLean, USA
- Kapsch TrafficCom Canada Inc., Mississauga, Canada
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico
- Kapsch TrafficCom Holding Corp., McLean, USA
- Kapsch TrafficCom U.S. Corp., McLean, USA
- KapschTrafficCom Inc., Carlsbad, USA
- Kapsch Telematic Services GmbH, Vienna
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services GmbH Deutschland, Berlin, Germany
- Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark
- Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark
- Kapsch Telematic Services sp. z o.o., Warsaw, Poland
- VTI Industrial Electronics (Proprietary Limited) (South Africa), Germiston, South Africa

*) Companies newly established in the fiscal year 2012/13

In the fiscal year 2012/13, SafeTCam (Pty) Ltd., Cape Town, South Africa, Traffic Software Solutions (Pty) Ltd., Cape Town, South Africa, Electronic Tolling Operations (Pty) Ltd., Cape Town, South Africa, Crestwave 61 (Pty) Ltd., Cape Town, South Africa and Crestwave 63 (Pty) Ltd., Cape Town, South Africa were liquidated.

The following entities are accounted for using the equity method:

Associates:

- SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico

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Accounting policies.

The accounting policies applied in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of 31 March 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). The consolidated financial statements as of 31 March 2013 are prepared under the historical cost convention, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date.

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 and income and expenses recorded during the reporting period. Although these estimates are made by the management board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity as well as areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 24.

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

a) New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2012/13

There are no new or amended standards and interpretations that are effective for the first time for the fiscal year 2012/13 that would be expected to have a material impact on the group.

b) Standards, interpretations and amendments to published standards that are not yet effective and that have not been early adopted by the group

IAS 19, ‘Employee benefits’, was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach currently applied by the group and recognize all actuarial gains and losses in other comprehensive income as they occur; to immediately recognize all past-service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). In accordance with IAS 19R, entities have to apply this standard to annual periods beginning on or after 1 January 2013. The group will apply IAS 19R in the next fiscal year 2013/14. Had the group applied IAS 19R already in fiscal year 2012/13, the operating result would have been increased by TEUR 139 and the total comprehensive income for the period would have been reduced by TEUR 3,979. The provisions at the balance sheet date as of 31 March 2013 would have been higher by TEUR 5,313.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010 and December 2011. It replaces the parts of IAS 39, ‘Financial Instruments: Recognition and Measurement’, that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity´s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities,

the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity´s own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The group will adopt IFRS 9 no later than the accounting period starting on 1 April 2015. Furthermore, the group will analyze the additional phase of IFRS 9 as soon as it is adopted by the IASB.

IFRS 10, 'Consolidated financial statements', builds on existing principles and introduces a single consolidation model for all entities; this model focuses on the subsidiary's control by the parent company. Furthermore, the standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group will apply IFRS 10 no later than the accounting period beginning on 1 April 2014. At present, the group does not expect IFRS 10 to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

IFRS 11, 'Joint Arrangements', changes the definition of joint ventures. In accordance with IFRS 11, a joint arrangement is defined as an agreement which gives two or more parties joint control of this arrangement. Joint control means the contractually agreed sharing of control of an arrangement and exists only when decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Each party to the joint arrangement has to account for its rights and obligations from a joint arrangement. The standard focuses on the sharing of the rights and obligations of the joint arrangement rather than on its legal form. According to IFRS 11 there are only two types of joint agreements: (i) joint operations and (ii) joint ventures. The previously applicable proportionate consolidation method will no longer be permitted for joint ventures. The parties to a joint venture have to account for the joint venture by using the equity method. IFRS 11 was adopted by European Commission Regulation dated 11 December 2012 and has to be applied for the first time retrospectively for annual periods beginning on or after 1 January 2014. The group will apply IFRS 11 in the fiscal year beginning on 1 April 2014. At present, the group does not expect IFRS 11 to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

IFRS 12, 'Disclosure of Interests in other Entities', summarizes the revised disclosures with regard to IAS 27 and IFRS 10, IAS 31 and IFRS 11 and IAS 28 in one standard. The group will apply IFRS 12 in the accounting period beginning on 1 April 2014. At present, the group does not expect IFRS 12 to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

IFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a definition of fair value and information on the disclosures to be made. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group will apply IFRS 13 in the accounting period beginning after 1 April 2013. At present, the group does not expect IFRS 13 to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

IAS 32, 'Financial Instruments: Presentation', complements the principles for setting off financial assets and financial liabilities. Setting of financial assets and financial liabilities will still only be possible if an entity currently has a legally enforceable right to set off the recognized amounts; it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Changes of this standard complement and clarify the application guidance with regard to the terms 'present times' and 'simultaneousness'. The group will apply IAS 32R in the fiscal year beginning on 1 April 2014. At present, the group does not expect IAS 32R to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group's presentation.

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IFRS 7, ‘Financial Instruments: Disclosures’, will provide for additional disclosures with regard to the offsetting of financial assets and financial liabilities in the future. The group applies IFRS 7R retrospectively in the fiscal year beginning on 1 April 2013. At present, the group does not expect IFRS 7R to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group’s presentation.

IAS 1, ‘Presentation of Financial Statements’, the changes aim at clarifying the presentation of the increasing number of items under other operating income. In the future, it will only be differentiated between items of other operating income that may be reclassified to the profit for the period and items that will never be reclassified. The changes do not deal with the contents of other operating income. The change was adopted on 5 June 2012 by the EU and will be applied by the group in the fiscal year beginning on 1 April 2013.

IAS 27, ‘Separate Financial Statements’, will in the future only include requirements for separate financial statements in accordance with IFRS and be applied by the group in the fiscal year beginning on 1 April 2014. At present, the group does not expect IAS 27 to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group’s presentation.

IAS 28, ‘Investments in Associates and Joint Ventures’, extends the compulsory application of the equity method to joint ventures. The change will be applied in the fiscal year beginning on 1 April 2014. At present, the group does not expect IAS 28 to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group’s presentation.

IFRS 1, ‘First-time Adoption of International Financial Reporting Standards’ (Revised), contains exemptions in the event of severe hyperinflation and eliminates fixed dates for first-time adopters. EU entities have to apply the new requirements for the first time in the fiscal year beginning on or after 1 January 2013. This change does not affect the group, since the group already prepares the consolidated financial statements in accordance with IFRS.

IFRIC 20, ‘Stripping Costs in the Production Phase of a Surface Mine’, treats the question relating to the recognition and measurement of waste removal costs incurred in surface mining activities. In accordance with the interpretation, entities have to derecognize capitalized stripping assets through revenue reserves in the opening balance, if applicable, provided that these assets cannot be associated to an identifiable part of mining asset. IFRIC 20 applies to annual periods on or after 1 January 2013 and does not affect the group.

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

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

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

2 Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated (full consolidation) from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances as well as unrealized gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in the profit for the period. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity 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 profit for the period.

c) Joint ventures

Joint ventures are entities where two or more ventures are bound by a contractual arrangement and this contractual arrangement establishes joint control. The group accounts for joint ventures using the equity method.

d) Associates

Associates are entities in which the group has significant influence but not control, generally accompanied by a shareholding of between 20 % and 50 % of the voting rights. Associates are accounted for using the equity method. From the date of acquisition, the group's share of its associates' post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognized in reserves. Goodwill on acquisition of associates is included in the investment in associates, net of any impairment losses.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to the profit for the period where appropriate.

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.

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3 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

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

In accordance with IFRS 3, any assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured at their full fair values, 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 any closer and with development potential, are capitalized as goodwill in the respective cash generating unit (CGU).

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is measured in accordance with IAS 39 and a resulting profit or loss recognized in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Any contingent consideration included in the financial statements resulting from business combinations prior to the application of IFRS 3 (2008) is still treated in accordance with the requirements under IFRS 3 (2004).

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 measures the goodwill at the acquisition date as:

- The fair value of the consideration transferred – if necessary plus
- The value recognized of all recognized non-controlling interests over 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.

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

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4 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 Euro, which is Kapsch TrafficCom Group's presentation currency.

a) Translation of financial statements in foreign currencies

In accordance with IAS 21, financial statements of foreign subsidiaries which are included in the consolidated financial statements are translated as follows:

The statement of comprehensive income of foreign entities (except for foreign entities from hyper-inflationary countries) that have a functional currency different from the Euro are translated into the group's presentation currency at average exchange rates of the fiscal year, balance sheets at the prevailing mean exchange rate at the balance sheet date. The reference rates of the European Central Bank (ECB) and Deutsche Bundesbank, which are accessible via Österreichische Nationalbank's website, serve as the basis for the translation. Exchange differences arising from the translation of the net investment subsidiaries are recognized in shareholders' equity under "Currency translation differences". When a foreign entity is sold, such exchange differences are recognized in the statement of comprehensive income as part of the gain or loss on disposal of shares in associates.

Goodwill and fair value write-ups arising on the acquisition of a foreign entity are treated as assets and liabilities of the respective foreign entity and translated at the closing rate.

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

	Average exchange rate		Exchange rate at the closing date	
EUR	2012/13	2011/12	2012/13	2011/12
AUD	1.251	1.319	1.231	1.284
CAD	1.296	1.371	1.302	1.331
CZK	25.277	24.722	25.740	24.730
PLN	4.168	4.174	4.180	4.152
SEK	8.612	9.002	8.355	8.846
USD	1.292	1.388	1.281	1.336
ZAR	10.946	10.210	11.820	10.232

In the fiscal year 2011/12, Kapsch Telematic Services IOOO, Minsk, the Republic of Belarus, was founded. As of the balance sheet date of 31 March 2013 the Republic of Belarus is still classified as a hyperinflationary economy. The group analyzed if IAS 29 (Financial Reporting in Hyperinflationary Economies) had to be applied to the subsidiary. Since the Euro is the functional currency and not the Belorussian Ruble (BYR), the classification of the Republic of Belarus as hyperinflationary economy has no impact on accounting for the Belorussian subsidiary and thus also does not affect the present consolidated financial statements. IAS 29 will not be applied.

b) Foreign currency transactions

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. Non-monetary items in the balance sheet are translated at historical exchange rates; non-monetary items which were recognized at their lower net realizable value are translated at the exchange rate prevailing at the time of measurement.

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

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5 Financial instruments and risk management

Primary financial instruments presented in the balance sheet include ‘cash and cash equivalents’, ‘securities’, ‘financial assets and investments’, ‘receivables and payables’ and ‘loans’. For the accounting policies applicable to these items, refer to the explanation of the respective balance sheet item.

The group’s activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The group’s risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group’s financial performance. The group does not employ hedge accounting as envisaged by IAS 39.

a) Foreign exchange risk

Foreign exchange risk is the risk arising from fluctuations in the currency of financial instruments. In particular, foreign exchange risk exists where business transactions are made or could arise in the normal course of business in a currency other than the group’s functional currency (referred to as foreign currency below).

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech crown, Polish zloty, South-African rand and the US dollar. Due to the terms of agreement in Euro no foreign exchange risk arises with regard to the Belorussian Ruble. Customer orders are mainly invoiced in the local currencies of the group companies. Only in cases in which the group expects to be exposed to significant foreign exchange risk, major orders denominated in foreign currencies are hedged by forward foreign exchange contracts.

If the exchange rate of the stated currencies (resulting from current and non-current receivables and payables) as of 31 March 2013 (31 March 2012) had changed by the percentage rate (‘volatility’) stated below, the profits before tax, provided all other variables had remained unchanged, would have been higher or lower, respectively, by the following amounts.

Currency	Volatility	Impact on the result for the period and on equity in TEUR	
		2012/13	2011/12
AUD	10 %	364	496
CAD	10 %	1,987	2,054
CZK	10 %	337	3,332
EUR	10 %	-3,436	-2,556
PLN	10 %	933	10,043
SEK	10 %	533	2,623
USD	10 %	3,192	3,570
ZAR	10 %	2,506	3,782

The effects for the Polish zloty in the fiscal year 2011/12 result from the implementation of the toll collection system project in Poland.

b) 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.

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For 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 short-term and long-term) financial liabilities account for approximately one third of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2013, this, as in the prior year, would not have had a material impact on the result of the group. At the balance sheet date, no financial derivatives were used to hedge the interest rate risk.

c) Credit risk

As part of the group's risk management policy, the group only engages in business relationships with third parties recognized as creditworthy and implements policies to ensure that the group sells to customers with appropriate credit histories. In addition, the group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain of the group's policies limit the amount of its credit exposure to any financial institution, depending on the rating of the institution. There is usually a credit risk in the implementation phase of large toll collection projects. With the exception of the toll collection projects in the Czech Republic, South Africa, Poland and the Republic of Belarus (see Note 18), there is no concentration of credit risk relating to trade receivables, since the group generally has a large number of customers worldwide. Based on the group's experiences, the default risk for trade receivables can be considered low.

The maximum credit risk is similar to book values:

All amounts in TEUR	2012/13	2011/12
Other non-current financial assets and investments	38,085	51,229
Other non-current assets	942	3,420
Trade receivables and other current assets	253,177	287,590
Cash and cash equivalents	79,022	44,929
	371,226	**387,168**

d) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated on group level. The management monitors the rolling forecasts of the group liquidity reserves to ensure that it has sufficient cash to meet operational needs and also to secure adequate scope of unutilized credit lines at any time so that the group will neither exceed the credit lines nor injure the credit agreements.

e) Equity price risk

The group is exposed to equity securities price risk resulting from a material investment, since a Norwegian investment held (Q-Free ASA), the net equity of which is subject to changes in exchange rates, is classified as available for sale in the consolidated balance sheet. The investment Q-Free ASA is dealt on the Stock Exchange.

The table below summarizes the impact of increases/decreases of the equity index of Q-Free ASA on the other comprehensive income for the period net of tax. The analysis is based on the assumption that the equity index increases/decreases by 10 % with all other variables held constant.

Index	Volatility	Impact on other comprehensive income and equity in TEUR	
		2012/13	2011/12
NO0003103103	10 %	3,200	4,098

f) Commodity price risk

The group is not exposed to any material commodity price risk.

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6 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 non-current development of the group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. The Kapsch Group's capital management strategy aims amongst others to ensure that the group companies' capital resources comply with local requirements. Furthermore, the group focuses on maintaining the gearing ratio on an annual average within a range from 25 % to 35 % in order to be still able to borrow at reasonable cost. The group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible that under certain circumstances the gearing ratio strategy and/or the required covenants may not be complied with.

In the reporting year, all external capital requirements resulting from the project financing of the nationwide truck toll collection systems in the Republic of Belarus and Poland were fulfilled.

The objective of this measure is to safeguard the ability to continue as a long-term going concern in order to show to shareholders and other stakeholders that their requirements can be fulfilled in a qualitative and sustainable way and that returns for shareholders and benefits for other stakeholders can be provided. Other essential objectives of the group's capital management include the financing of the envisaged growth path and the maintenance of an optimal capital structure.

All amounts in TEUR	2012/13	2011/12
Non-current financial liabilities	104,372	74,256
Current financial liabilities	19,658	53,249
Total financial liabilities	124,030	127,505
Cash on hand and at banks	79,022	44,929
Current securities	4,505	8,213
Net assets /Net debt	-40,503	-74,363
Equity	240,682	256,247
Net gearing	17 %	29 %

7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. A qualifying asset is an asset (inventories, manufacturing plants, toll collection projects, power generation facilities, intangible assets and investment in properties) that necessarily takes a substantial period of time (with regard to the group at least 12 months) to get 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.

In the fiscal year 2012/13 under review, the group did not meet the requirements of a qualifying asset for any capitalized asset; therefore, no borrowing costs were capitalized. For the toll collection system project in the Republic of Belarus, which fulfills the criteria of IAS 23, borrowing costs were considered in the project calculation.

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

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8 Property, plant and equipment

Property, plant and equipment is stated at 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:

The useful lives range between 3 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery and 3 to 10 years for other equipment, factory and office equipment. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

9 Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in acquiree at the acquisition date. If the acquisition costs are less than the net assets of the acquired subsidiary valued 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 the asset may be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the cash generating units, or groups of cash generating units, that is expected to benefit from the synergies of the business combination and reported the goodwill. Each unit or group of units to which the goodwill is allocated in that way represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. If an impairment requirement is identified, goodwill will be reduced immediately by the amount of the impairment.

The value in use of a cash generating unit corresponds to the present value, calculated using the discount cash flow method, of the future cash flows which the entity will receive from the cash generating unit. In order to determine the value in use, the expected future cash flows plus taxes based on the post-tax discount rate that reflects the current market expectations with regard to the interest effect and the specific risks of the cash generating units, are written down to their present values. In doing so, 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 data, on external studies on the future medium-term market development.

The fair value less selling cost 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.

Write-ups on goodwill are not made.

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b) Concessions and rights

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

c) Research and development costs

Research expenditures are recognized as an expense. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognized as an expense. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding three years. Development assets are tested for impairment annually in accordance with IAS 36.

10 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the asset should be impaired.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The difference between the net disposal proceeds and the carrying amount are recognized as income or expense in the result from operating activities. Gains are not classified as revenue.

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

11 Financial assets

a) Securities

Financial assets recognized under non-current assets and other short-term financial assets include available-for-sale securities and financial assets at fair value through profit and loss. Available-for-sale securities and financial assets at fair value through profit and loss are carried at fair value. Unrealized gains and losses arising from the changes in fair value of available-for-sale securities are recognized in equity under a separate item; unrealized gains and losses arising from the changes in fair value of financial assets at fair value through profit and loss are recognized immediately in the statement of comprehensive income.

The difference arising on the sale of financial assets between the proceeds and the carrying amounts is taken through profit or loss in the statement of comprehensive income. Additionally, the amount recognized in equity is taken through profit or loss in the statement of comprehensive income. All acquisitions and sales are recognized at the respective date of the transaction, transaction costs are included in acquisition costs (except for financial assets at fair value taken through profit and loss).

At each balance sheet date, the group assesses whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets. If such evidence exists, the group accounts for that impairment and the amounts previously recognized in equity are removed from equity and recognized through profit or loss in the statement of comprehensive income. The amount of the impairment is recognized as the difference between the carrying amount and the present value of the estimated future cash flows.

If, in subsequent periods, the fair value of the impaired financial instrument increases and that increase can be directly related to an event occurring after the impairment was recognized through profit or loss in the statement of comprehensive income, the group reverses the impairment loss. In the case of debt instruments (for available-for-sale financial instruments), the reversal is recognized in the profit for the period in the statement of comprehensive income; in the case of equity instruments, it is recognized directly in equity.

b) Other Investments

Other available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment.

At each balance sheet date, the group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If, in a subsequent period, the reason for the impairment is no longer valid, no reversal of the impairment is recognized.

c) Derivative financial instruments

For accounting purposes, derivative financial instruments are treated as standalone derivates (i.e. as independent transactions and not as hedging transactions) and thus classify as held-for-trading financial instruments and are valued 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 market values at the balance sheet date are recognized under financial assets and negative market values under other liabilities.

Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other income or expense or in financial result, depending on the derivative financial instrument's purpose.

The group does not employ hedge accounting as envisaged by IAS 39.

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12 Leases

a) Finance leases – Accounting for agreements from the lessee's perspective

Leasing agreements by which the group as lessee has substantially all the risks and rewards associated with the use of an asset are accounted for as finance leases.

The respective assets are capitalized under non-current assets at the net present value of minimum lease payments or the fair value of the leased asset, whichever is lower, and are depreciated over their expected useful lives or shorter lease term, if applicable. A liability with regard to finance leases is recognized in the same amount. The difference between the minimum lease payments and the accrued net present value is recognized as deferred interest expense. The interest component is spread over the agreed term of the lease using the effective interest rate method.

b) Operating leases – Accounting for agreements from the lessee's perspective

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

13 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 where there is a reasonable assurance that the group will comply with all attached conditions and the grant will be received.

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

14 Inventories

Inventories are stated at cost or, if lower, the 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 the 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.

15 Construction contracts

The group accounts for construction contracts in accordance with IAS 11. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The construction progress is represented by the ratio of costs incurred by the balance sheet date and the estimated total costs for the respective project.

The carrying amount results from comparing the total of accumulated costs incurred by the balance sheet date plus the profit calculated according to the percentage of completion method (prorated) or loss (in full) on the respective construction contract to the invoiced amounts. The balance is recognized either under current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

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16 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for bad debts. An allowance for bad debts is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was initially recognized, the reversal of the previously recognized impairment loss is recognized through profit or loss.

17 Cash and cash equivalents

For the presentation of the cash flow statement, cash and cash equivalents include cash on hand, deposits held at call and other cash at banks. Overdrafts are recognized in the balance sheet under current financial liabilities.

18 Provisions

Provisions are set up when the group has a present legal or constructive obligation to third parties as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If such a reliable estimate is not possible, no provisions are set up. Provisions are measured based on the 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.

Provisions for warranties and liabilities for construction flaws, serial and systems 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 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 of 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 nonperformance, whichever is lower. The recognition of impairment losses on assets dedicated to that "onerous" contract is, however, established prior to the recognition of the provisions for onerous contracts.

19 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.

For the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19, the projected unit credit method is used. 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 re-measures the schemes annually. The obligations for

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pension payments are calculated as the present value of future benefits using interest rates of government bonds whose term roughly equals the term of the liability. Actuarial gains and losses exceeding the corridor (= up to 10 % of benefit obligation or 10 % of plan assets, if any, at beginning of period) are charged to the statement of comprehensive income over the average remaining service period of the active staff entitled to the employee benefits.

The group applies IAS 19R in the fiscal year beginning on 1 April 2013. Future actuarial adjustments are recognized through other comprehensive income.

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 the same way as the calculation for liabilities arising from termination benefits, however, without taking the corridor method into consideration.

20 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 under equity are recognized under 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.

Deferred income tax assets / liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax assets/liabilities arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither IFRS profit or loss nor taxable profit or loss, it is not accounted for. Deferred income tax assets/liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Temporary differences mainly arise in connection with depreciation (amortization) periods of non-current assets, provisions for pension benefits, other post-employment benefits, differences regarding the measurement of receivables and payables and tax loss carry-forwards.

Deferred income tax assets/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.

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Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

21 Liabilities

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

22 Contingent liabilities

Contingent liabilities occur for two reasons. For one, they comprise possible obligations that arise from past events and whose existence will be confirmed by uncertain future events that are at least partly beyond an entity's control. For another, they comprise present obligations that fail to meet general or special recognition standards (i.e. the amount of settlement of an obligation cannot be measured with sufficient reliability or an outflow of resources to settle the obligations is not deemed probable).

The group discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote and a liability does not have to be recognized pursuant to IFRS.

23 Revenue recognition

In accordance with IAS 18, revenue is recognized in at fair value the statement of comprehensive income upon delivery and once the significant risks and rewards of ownership of the goods are transferred to the customer, net of discounts and eliminated sales within the group. Sales of services are recognized in the reporting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue for construction contracts (mainly toll collection projects) is recognized in accordance with the percentage-of-completion method provided the conditions under IAS 11 are met.

Other revenue is recognized by the group as follows:

- Revenue from expenses recharged is recognized on the basis of the accumulated amounts in accordance with the respective agreements.
- Interest income is recognized on a time-proportion basis using the effective interest method.
- Dividend income is recognized when the right to receive payment is established.

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24 Material accounting estimates and assumptions with regard to accounting policies

The group makes estimates and assumptions concerning the future development. The resulting accounting estimates will, by definition, rarely equal the related actual results.

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

The group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by management indicate that no material effect is to be expected if the actual final results should deviate by 10 % from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been reliable up to now.

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

Sensitivities for the acquired goodwill (break-even interest rate) are detailed in Note 13. The sensitivities for obligations for post-employment benefits and anniversary bonus obligations are detailed in Note 23 and 26.

25 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The executive board has been identified as the chief operating decision-maker.

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Notes to the consolidated financial statements.

Figures in the disclosure notes are presented in Euro thousands (TEUR) unless otherwise stated.

1 Segment Information

Operating segments

The group reports three main operating segments (see section "General Information"):

- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

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

The segment results for the fiscal year ended 31 March 2013 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Revenue	128.3	342.3	18.3	488.9
Operating result	-51.7	66.1	0.9	15.3

The segment results for the fiscal year ended 31 March 2012 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Revenue	229.9	308.1	12.0	549.9
Operating result	4.1	37.3	0.8	42.2

The segment assets and liabilities as of 31 March 2013 as well as capital expenditure, depreciation and amortization and other non-cash-effective positions for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Assets	153.9	259.9	10.5	424.4
Investments in joint ventures and associates	0.1	1.6	0.0	1.7
Unallocated assets				141.1
Total assets	**154.0**	**261.5**	**10.5**	**567.2**
Liabilities	73.0	112.2	4.2	189.4
Unallocated liabilities				137.1
Total liabilities	**73.0**	**112.2**	**4.2**	**326.5**
Capital expenditure	7.2	10.5	2.5	20.2
Depreciation and amortization	1.4	16.0	0.3	17.7
Other non-cash-effective positions	0.8	0.2	0.0	1.0

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The segment assets and liabilities as of 31 March 2012 as well as capital expenditure, depreciation and amortization and other non-cash-effective positions for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Assets	131.8	301.5	8.8	442.1
Investments in joint ventures and associates	0.0	0.0	0.0	0.0
Unallocated assets				115.6
Total assets	**131.8**	**301.5**	**8.8**	**557.7**
Liabilities	60.4	87.5	7.8	155.6
Unallocated liabilities				145.8
Total liabilities	**60.4**	**87.5**	**7.8**	**301.4**
Capital expenditure	0.0	13.1	0.0	13.1
Depreciation and amortization	2.7	15.6	0.2	18.4
Other non-cash-effective positions	0.0	0.3	0.0	0.3

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

	2012/13			2011/12		
	Revenue	Road Solution Projects	Services, System Extensions, Components Sales	Revenue	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	85.3	X	X	205.1	X	X
Customer 2	82.5		X	84.6	X	X
Customer 3	67.0	X		0.0		
Customer 4	57.9	X	X	72.4	X	X

Information by region

Revenue is segmented by the location of the customer and balance sheet figures by the location of the company.

The figures for the fiscal year ended 31 March 2013 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated group
Revenue	38.0	288.9	74.8	87.2	488.9
Non-current non-financial assets	18.4	35.4	46.6	3.5	103.8

The figures for the fiscal year ended 31 March 2012 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated group
Revenue	32.8	341.4	63.6	112.1	549.9
Non-current non-financial assets	12.6	42.0	43.8	3.7	102.2

Revenues per category

Revenues are classified into the following categories:

	2012/13	2011/12
Sales of goods	148,225	153,119
Sales of services	236,967	295,092
Sales of maintenance	34,064	32,573
Accrued/deferred sales, license sales and discounts on invoiced sales	69,681	69,137
	488,937	**549,921**

2 Other operating income

	2012/13	2011/12
Income from the sale of non-current assets	89	44
Income from costs recharged	156	75
Exchange rate gains on operative activities	5,146	2,297
Sundry operating income	10,554	7,834
	15,945	**10,250**

Sundry operating income mainly relates to research funding awards received and to the assumption of costs of transactions billed for the nationwide electronic truck toll collection system in the Czech Republic as well as a bonus of Kapsch TrafficCom AG, Vienna for waiving the right to terminate the rental agreement of the property Am Europlatz 2.

3 Change in finished and unfinished goods and work in progress

	2012/13	2011/12
Change in unfinished goods and work in progress	194	922
Change in finished goods	4,522	-8,638
	4,715	**-7,716**

4 Costs of materials and other production services

	2012/13	2011/12
Cost of materials	94,063	100,562
Cost of purchased services	163,505	186,726
	257,567	**287,288**

5 Staff costs

	2012/13	2011/12
Wages and salaries and other remunerations	106,373	99,313
Expenses for social security and payroll-related taxes and contributions	22,052	19,837
Expenses for termination benefits (see Note 23)	824	895
Expenses for pensions (see Note 23)	637	640
Contributions to pension funds and other external funds (see Note 23)	424	326
Fringe benefits	1,246	714
	131,555	**121,725**

As of 31 March 2013, the number of staff amounted to 3,013 persons (31 March 2012: 2,705 persons) and averaged 2,796 persons in the fiscal year 2012/13 (2011/12: 2,585).

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6 Amortization of intangible assets and depreciation of property, plant and equipment

	2012/13	2011/12
Depreciation of property, plant and equipment	8,440	7,065
Amortization of intangible assets	9,231	11,335
	17,671	**18,400**

Low-value assets are capitalized as property, plant and equipment or intangible assets and written off in the year of acquisition, if similar assets are not material.

7 Other operating expenses

	2012/13	2011/12
Rental expenses	11,479	9,798
Legal and consulting fees	9,561	13,799
Exchange rate losses on operative activities	9,485	4,690
Travel expenses	9,425	9,801
Communication and IT expenses	9,269	7,767
Marketing and advertising expenses	9,140	10,467
License and patent expenses	5,528	4,168
Automobile expenses	5,099	3,970
Insurance costs	3,696	3,056
Maintenance	2,867	2,982
Office expenses	2,706	3,680
Training costs	2,244	2,005
Taxes and charges	1,627	603
Commissions and other fees	1,462	1,121
Allowance and write-off of receivables	930	135
Transport costs	915	1,746
Adjustment of provision for warranties	765	266
Losses on disposal of non-current assets	37	99
Impairment Charge	0	50
Other	1,587	2,816
	87,824	**83,020**

The item “Other” includes membership dues and bank charges as well as other administrative and selling expenses.

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8 Financial result

	2012/13	2011/12
Interest and similar income:		
Interest income	1,286	893
Income from securities	132	139
Income from interest accretion of long-term receivables	647	380
Gains from the disposal of financial assets	8,337	0
Income from other investments	7	1
Gains from changes of the fair value of derivative financial instruments	0	27
Currency translation differences	3,706	5,769
	14,115	**7,210**
Interest and similar expenses:		
Interest expense	-7,167	-6,987
Expense from interest accretion of long-term payables	-252	-236
Currency translation differences	-5,401	-5,859
	-12,820	**-13,083**
	1,296	**-5,873**

9 Income taxes

	2012/13	2011/12
Current taxes	-13,490	-9,647
Deferred taxes (see Note 22)	13,313	785
Total	**-177**	**-8,862**
Thereof income/expense from group taxation	-680	-1,905

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:

	2012/13	2011/12
Profit before income taxes	16,884	36,314
Arithmetic tax expense based on a tax rate of 25 % (2011/12: 25 %)	-4,221	-9,078
Unrecognized deferred tax assets on current losses	-1,961	-2,518
De-recognition of deferred tax assets recognized on prior year losses	0	-130
Utilization of previously unrecognized tax losses	323	40
Different foreign tax rates	709	1,385
Tax allowances claimed and other permanent tax differences	810	1,019
Income and expenses not subject to tax and other differences	1,836	420
Adjustment in respect to prior year	2,326	0
Recognized tax expense	**-177**	**-8,862**

The adjustment in respect to prior year results from an amended profit allocation for tax purposes in the Polish subsidiary in connection with the toll collection project completed in the previous year and affects both current and deferred taxes.

For further information on deferred tax assets and liabilities see Note 22.

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10 Other comprehensive income

2012/13	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-8,254	-180	-8,434
Gains/losses recognized in the profit for the period	-2,440	610	-1,830
Currency translation differences	-2,901		-2,901
Fair value changes recognized in equity	**-13,595**	**430**	**-13,165**

2011/12	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	11,596	-78	11,518
Currency translation differences	-1,542		-1,542
Fair value changes recognized in equity	**10,054**	**-78**	**9,976**

11 Additional disclosures on financial instruments by category

	2012/13	2011/12
Available-for-sale financial assets:		
Other non-current financial assets and investments	35,692	51,229
Other current financial assets	4,505	8,213
	40,197	**59,442**
Loans and receivables:		
Other non-current assets	3,335	3,420
Trade receivables	72,048	80,495
Cash and cash equivalents	79,022	44,929
	154,406	**128,844**
Financial liabilities at (amortized) cost:		
Non-current financial liabilities	104,372	74,256
Other non-current liabilities	1,766	3,440
Trade payables	80,220	59,013
Current financial liabilities	19,658	53,249
	206,016	**189,958**

Financial instruments are recognized in the statement of comprehensive income with the following net results included in the profit for the period:

	2012/13	2011/12
Available-for-sale financial assets	8,477	167
Loans and receivables	238	1,183
Financial liabilities at (amortized) cost	-7,419	-7,224
	1,296	**-5,873**

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12 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 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**
Currency translation differences	0	56	36	-29	63
Reclassification	0	0	0	1	1
Additions	943	3,602	1,301	4,803	10,649
Disposals	-31	-38	-872	-265	-1,205
Scheduled depreciation	-867	-3,547	0	-2,650	-7,065
Carrying amount as of 31 March 2012	**4,301**	**7,410**	**1,261**	**8,875**	**21,847**
Acquisition/production cost	7,690	41,412	1,261	20,539	70,902
Accumulated depreciation	-3,389	-34,002	0	-11,664	-49,055
Carrying amount as of 31 March 2012	**4,301**	**7,410**	**1,261**	**8,875**	**21,847**
Currency translation differences	-3	54	6	-168	-112
Reclassification	4	496	-698	198	0
Additions	326	5,872	2,763	3,724	12,686
Disposals	0	-9	-1,241	-56	-1,306
Scheduled depreciation	-807	-4,404	0	-3,229	-8,440
Carrying amount as of 31 March 2013	**3,821**	**9,419**	**2,091**	**9,344**	**24,676**
Acquisition/production cost	8,006	46,897	2,091	23,378	80,372
Accumulated depreciation	-4,185	-37,478	0	-14,034	-55,697
Carrying amount as of 31 March 2013	**3,821**	**9,419**	**2,091**	**9,344**	**24,676**

13 Intangible assets

	Capitalized development costs	Concessions and rights	Goodwill	Prepayments	Total
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**0**	**88,687**
Currency translation differences	0	2	695	0	696
Reclassification	0	-1	0	0	-1
Additions	0	1,469	943	0	2,412
Disposals	0	-31	0	0	-31
Impairment charge	0	-50	0	0	-50
Scheduled amortization	-60	-11,275	0	0	-11,335
Carrying amount as of 31 March 2012	**63**	**30,338**	**49,979**	**0**	**80,379**
Acquisition/production cost	8,743	55,952	49,979	0	114,674
Accumulated amortization	-8,681	-25,614	0	0	-34,295
Carrying amount as of 31 March 2012	**63**	**30,338**	**49,979**	**0**	**80,379**
Currency translation differences	0	-25	499	0	475
Additions	0	3,503	780	3,264	7,548
Disposals	0	0	0	0	0
Scheduled amortization	-60	-9,171	0	0	-9,231
Carrying amount as of 31 March 2013	**3**	**24,646**	**51,258**	**3,264**	**79,170**
Acquisition/production cost	9,199	59,178	51,258	3,264	122,899
Accumulated amortization	-9,196	-34,533	0	0	-43,729
Carrying amount as of 31 March 2013	**3**	**24,646**	**51,258**	**3,264**	**79,170**

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The addition to the goodwill in the fiscal year 2012/13 results from subsequent earn-out payments for the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, which are accounted for under the rules of IFRS 3 (2004). Earn-out payments related to the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina amounting to TEUR 746 are still outstanding.

For the purpose of impairment testing, goodwill was allocated to four cash-generating units (CGU) **("Road Solution Projects, Electronic Toll Collection", "Road Solution Projects, Intelligent Transportation Systems", "Services, System Extensions, Components Sales, Electronic Toll Collection" as well as "Services, System Extensions, Components Sales, Intelligent Transportation Systems").** The following assumptions were made:

	Road Solutions Projects, Electronic Toll Collection	Road Solution Projects, Intelligent Transportation Systems	Services, System Extensions, Components Sales Electronic Toll Collection	Services, System Extensions, Components Sales Intelligent Transportation Systems
The carrying amount of goodwill allocated to the CGU	39,278	0	11,247	733
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	0	0	0	0
Determination of recoverable amount of CGU	Value in use	Value in use	Value in use	Value in use

Cash-generating unit "Road Solution Projects, Electronic Toll Collection":

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that after the successful implementation of road toll collection systems, in particular in Austria, the Czech Republic, Switzerland, Australia, South America, South Africa and Poland, demand for toll collection systems will increase, in particular as a result of tight public budgets.
- The planning for the "Road Solution Projects, Electronic Toll Collection" segment is based on projects in the Republic of Belarus, America, France, Australia and Poland as well as the fact that tenders in several countries are already in the pipeline or in progress.
- 4 years of detailed planning
- 11.6 % (2011/12: 12.2 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 2.0 % (2011/12: 3.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate at which the value in use corresponds to the carrying amount is 18.1 % (2011/12: 56.2 %).

Cash-generating unit "Services, System Extensions, Components Sales, Electronic Toll Collection":

Key assumptions for determining expected cash flows of the CGU:

- The Management has based its determination on the assumption that the group will remain the preferred supplier for operation, maintenance and supply of components for toll collection projects installed in previous years.

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- The planning for the “Services, System Extensions, Components Sales, Electronic Toll Collection” segment is based on ongoing maintenance for existing toll collection systems in Austria, Switzerland, the Czech Republic, Australia, South America, South Africa and Poland, on the commercial operation in the Czech Republic, South Africa and Poland. With the completion of the nationwide electronic truck toll collection system in the Republic of Belarus the ongoing technical maintenance and the commercial operation is contracted as well. Furthermore expansions of completed nationwide electronic toll collection systems of Kapsch TrafficCom and long-term customer contracts for supply of components, especially to North America, Australia, Spain, Portugal, Denmark, France, Greece, Chile, Thailand, South Africa and Poland are included.
- 4 years of detailed planning
- 11.6 % (2011/12: 12.2 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 2.0 % (2011/12: 3.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- The Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based, will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate where the value in use corresponds to the carrying amount is 59.2 % (2011/12: 34.4 %).

Cash-generating unit “Services, System Extensions, Components Sales, Intelligent Transportation Systems”:

Key assumptions for determining expected cash flows of the CGU:

- The Management has based its determination on the assumption that Kapsch TrafficCom will perform the technical maintenance and commercial operation after implementation of nationwide Intelligent Transportation Systems. Expansions of these systems and the supply with specific components are included here.
- The planning for the “Services, System Extensions, Components Sales, Intelligent Transportation Systems” segment is based especially on road safety and traffic monitoring systems in South Africa, the Czech Republic and Poland.
- 4 years of detailed planning
- 11.6 % (2011/12: 12.2 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 2.0 % (2011/12: 3.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- The Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based, will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate where the value in use corresponds to the carrying amount is 79.9 % (2011/12: 34.4 %).

Development costs relate to expenses which in accordance with IAS 38 are capitalized and amortized over 3 years once the assets are available for commercial use. Additional research and development costs of the group in the fiscal year 2012/13 amounted to EUR 59.2 million (2011/12: EUR 53.3 million). In the fiscal year 2012/13, EUR 27.4 million thereof (2011/12: EUR 23.1 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 31.8 million (2011/12: EUR 30.2 million) was recognized as an expense.

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14 Interests in joint ventures and associates

Interests in joint ventures and associates developed as follows:

	2012/13	2011/12
Carrying amount as of 31 March of prior year	**0**	**0**
Addition from foundation and acquisition	1,547	33
Disposal	-172	0
Share in result	327	-33
Currency translation differences	-8	0
Carrying amount as of 31 March of fiscal year	**1,694**	**0**

On 31 July 2012 the group acquired 33 % of the shares in SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico. Taking potential voting rights into account (options for purchase of the remaining shares) the group has the majority of the shares. As the potential voting rights are not assessed to be substantial the presumption of control was rebutted. As significant influence over the financial and business policies exists, the investment is accounted for using the equity method. At the last balance sheet date as of 31 December 2012, total assets of SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico amounted TEUR 9,987, liabilities amounted to TEUR 5,895, revenue amounted to TEUR 10,878 and the profit for the year amounted to TEUR 738.

The group founded, on 17 May 2011, together with 2 partners the joint venture LLC United Toll Systems, Moscow, Russia. The group holds a 33.3 % interest in this company. On 9 November 2012, the joint venture was sold by Kapsch TrafficCom Russia OOO, Moscow, to the majority shareholder Mostotrest for the amount of EUR 6 million.

15 Current and non-current financial assets

	2012/13	2011/12
Other non-current financial assets and investments	38,085	51,229
Other current financial assets	4,505	8,213
	42,590	**59,442**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other non-current financial assets	Total
Carrying amount as of 31 March 2011	**3,483**	**24,916**	**6,092**	**34,490**
Currency translation differences	0	0	63	63
Additions	0	4,781	942	5,723
Disposals	0	0	-467	-467
Change in fair value	136	11,284	0	11,420
Carrying amount as of 31 March 2012	**3,619**	**40,981**	**6,629**	**51,229**
Currency translation differences	0	0	202	202
Additions	71	0	48	118
Disposals	-20	0	-4,485	-4,505
Change in fair value	15	-8,974	0	-8,959
Carrying amount as of 31 March 2013	**3,684**	**32,008**	**2,394**	**38,085**

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Other current financial assets	Available-for-sale securities	Other	Total
Carrying amount as of 31 March 2011	**8,037**	**0**	**8,037**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	176	0	176
Carrying amount as of 31 March 2012	**8,213**	**0**	**8,213**
Additions	0	0	0
Disposals	-4,413	0	-4,413
Change in fair value	705	0	705
Carrying amount as of 31 March 2013	**4,505**	**0**	**4,505**

As of 31 March 2013, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of 31 March 2013, investments classified as available-for-sale mainly relate to a 19.76 % investment in the listed company Q-Free ASA, Trondheim, Norway.

Unrealized gains and losses are recognized in other comprehensive income of the period (see Note 10).

Other non-current financial assets relate to a fixed-term investment (2012/13: TEUR 2,394, 2011/12: TEUR 5,653). This fixed-term investment is pledged as collateral for guarantees issued by the group.

Fair value-hierarchies and determination of fair value:

Financial assets and liabilities have to be classified in one of the three following fair value-hierarchies according to IFRS 7.27 A

Level 1. There are quoted prices in active markets for identical assets and liabilities. In the group, the investment in Q-Free ASA, Trondheim, Norway as well as listed equity instruments are attributed to Level 1.

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

Level 3. Financial instruments are included in level 3 if the valuation information is not based on observable market data.

Fair value-hierarchies according to IFRS 7.27 A	2012/13	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data
Non-current financial assets				
Available-for-sale securities	3,684	2,931	753	0
Available-for-sale investments	32,003	32,003	0	0
	35,687	**34,934**	**753**	**0**
Current financial assets				
Available-for-sale securities	4,505	4,505	0	0
	4,505	**4,505**	**0**	**0**
Total	**40,192**	**39,439**	**753**	**0**

In the fiscal year 2012/13, other non-current financial assets amounting TEUR 2,399 are recognized at amortized cost.

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Fair value-hierarchies according to IFRS 7.27 A	2011/12	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data
Non-current financial assets				
Available-for-sale securities	3,619	2,936	683	0
Available-for-sale investments	40,977	40,977	0	0
	44,595	**43,913**	**683**	**0**
Current financial assets				
Available-for-sale securities	8,213	8,213	0	0
	8,213	**8,213**	**0**	**0**
Total	**52,808**	**52,126**	**683**	**0**

In the fiscal year 2011/12, other non-current financial assets amounting TEUR 6,634 are recognized at amortized cost.

16 Other non-current assets

	2012/13	2011/12
Truck toll collection system Czech Republic	940	3,420
Other	1	0
	942	**3,420**

Other non-current assets relate to trade receivables (non-current) that are due from the Czech Ministry of Transport for the installation of the Czech truck toll collection system. As in the prior year, they fall due between 1 and 5 years as of the balance sheet date.

Non-current receivables were discounted on the basis of cash flows using an interest rate of 3.00 – 4.00 % (for that part which was funded by external loans) and an interest rate for alternative investments of 2.89 % (for that part which was funded by internal cash flows of the group). Thus, the fair values approximate the carrying amounts.

Gross cash flows of other non-current assets are as follows:

	2012/13	2011/12
Up to 2 years	847	2,964
Between 2 and 3 years	139	623
More than 3 years	1	0
	986	**3,586**

17 Inventories

	2012/13	2011/12
Purchased parts and merchandise, at acquisition cost	33,393	20,637
Unfinished goods and work in progress, at production cost	10,177	9,984
Finished goods, at production cost	22,787	18,265
Prepayments on inventories	71	13
	66,428	**48,899**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amounts to TEUR 14,048 (2011/12: TEUR 12,136).

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18 Trade receivables and other current assets

	2012/13	2011/12
Trade receivables	72,426	80,905
Allowance for bad debts	-378	-410
Trade receivables – net	72,048	80,495
Amounts due from customers for contract work	96,709	141,592
Amounts due from customers for service and maintenance contracts	31,296	18,829
Receivables from tax authorities (other than income tax)	17,374	13,593
Other receivables and prepaid expenses	35,749	33,081
	253,177	**287,590**

Allowance for bad debt developed as follows:

	2012/13	2011/12
Balance as of 31 March of the prior year	**-410**	**-1,079**
Addition	-184	-135
Utilization	5	223
Disposal	204	581
Currency translation differences	8	0
Balance as of 31 March of the reporting year	**-378**	**-410**

Maturity structure of trade receivables and other current assets:

	2012/13	2011/12
Not yet due	237,490	271,768
Overdue, but not impaired:		
Less than 60 days	8,053	12,434
More than 60 days	8,012	3,798
	253,554	**288,000**

Given the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts. There is no concentration of credit risk with respect to trade receivables (except for the toll collection projects in the Czech Republic, South Africa and Poland), as the group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the truck toll collection system of the Czech Republic amounting to TEUR 983 (2011/12: TEUR 3,010) and to the operation and maintenance of the system amounting to TEUR 22,312 (2011/12: TEUR 30,009) are due from Ředitelstvím silnic a dálnic ČR (RSD), a company of the Czech Republic. Trade receivables from the toll collection project in Poland due from GDDKiA (Generalna Dyrekcja Dróg Krajowych i Autostrad) amount to TEUR 9,042 (2011/12: TEUR 2,944).

Trade receivables amounting to TEUR 15,387 (2011/12: TEUR 6,840) were pledged as collateral to banks (see Note 21).

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Amounts due from customers for contract work are as follows:

	2012/13	2011/12
Construction costs incurred plus recognized gains	166,706	347,600
Less amounts billed and prepayments received	-69,997	-206,008
	96,709	**141,592**

As of 31 March 2013, amounts due from customers for contract work relate to the toll collection project in the Republic of Belarus amounting to TEUR 68,717 (2011/12: TEUR 0) as well as extensions to the toll collection system in Poland amounting to TEUR 11,136 (2011/12: TEUR 107,253).

Revenues from construction contracts amounts to TEUR 92,702 (2011/12: TEUR 199,273).

19 Cash and cash equivalents

	2012/13	2011/12
Cash on hand	67	60
Deposits held with banks	78,955	44,870
	79,022	**44,929**

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.

20 Share capital

	2012/13	2011/12
Carrying amount as of 31 March of fiscal year	**13,000**	**13,000**

Following the capital increase on 27 July 2011 – 800,000 shares were issued – the registered share capital of the parent company amounts to EUR 13,000,000. The placement price was fixed at EUR 61.25 per share, resulting in gross proceeds of EUR 49 million for the group. The total number of shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

21 Current and non-current financial liabilities

	2012/13	2011/12
Current		
Loans for project financing	5,833	34,000
Other current loans	13,825	19,249
	19,658	**53,249**
Non-current		
Corporate bond	74,125	73,957
Loans for project financing	29,167	0
Other non-current loans	1,080	299
	104,372	**74,256**
Total	**124,030**	**127,505**

The corporate bond of Kapsch TrafficCom AG was successfully placed in November 2010 with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25 %. The effective interest rate amounts to 4.54 %.

All other non-current liabilities mature in 1 to 5 years.

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The fair values and the gross cash flows of current and non-current financial liabilities are as follows:

	2012/13	2011/12
Carrying amount	**124,030**	**127,505**
Fair value	**127,164**	**124,192**
Gross cash flows:		
Up to 1 year	24,311	53,249
Between 1 and 3 years	27,095	9,732
Between 3 and 5 years	87,851	6,286
More than 5 years	0	75,529
	139,257	**144,796**

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

	2012/13	2011/12
Total financial liabilities:		
Carrying fixed interest rates	79,046	119,957
Carrying variable interest rates	44,984	7,548
	124,030	**127,505**
Average interest rates:		
Current loans	1.10 – 3.21 %	1.56 – 2.70 %
Loans for project financing	5.23 %	1.37 – 1.95 %
Corporate bond	4.54 %	4.54 %
Other	1.59 – 2.90 %	2.50 – 3.86 %

Trade receivables (current) amounting to TEUR 15,387 (2011/12: TEUR 6,840) were pledged as collateral for bank guarantees and loans.

For project financing of the Belorussian toll collection system, with an outstanding amount of TEUR 35,000 as of 31 March 2013 (2011/12: TEUR 0), Kapsch TrafficCom AG obtained a guarantee of a bill of exchange of the Oesterreichischen Kontrollbank Aktiengesellschaft (OeKB) as well as a participation guarantee G4 of OeKB with a value up to TEUR 61,000 (maximum amount of the loan commitment). The claims of the participation guarantee G4 have been assigned as security of the lending banks.

A bill of exchange amounting to TEUR 1,425 (2011/12: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities

	2012/13	2011/12
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	8,134	9,457
Deferred tax assets to be recovered within 12 months	11,393	1,732
	19,527	**11,189**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	4,711	6,887
Deferred tax liabilities to be recovered within 12 months	8,375	11,429
	13,086	**18,316**
Deferred tax assets net (+) / deferred tax liabilities net (-)	**6,441**	**-7,127**

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Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to TEUR 20,104 (2011/12: TEUR 15,154) have not been recognized because it was uncertain whether there would be sufficient taxable profits available against which to offset them. These tax loss carry-forwards origin from foreign subsidiaries with the predominant part not expiring before 2030. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

Deferred income tax assets and liabilities are offset, taking maturities into account, when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets/liabilities are attributable to the following positions:

	31 March 2011	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2012
Deferred tax assets					
Tax loss carry-forwards	3,219	10,274	0	31	13,524
Provisions disallowed for tax purposes	1,077	7,094	0	35	8,206
Depreciation disallowed for tax purposes	894	214	0	4	1,112
Other	2,921	1,671	-78	-11	4,503
	8,110	**19,253**	**-78**	**59**	**27,343**
Deferred tax liabilities					
Special depreciation/amortization of non-current assets	2	339	0	10	351
Construction Contracts	0	23,465	0	118	23,583
Gains from recognition at fair value	11,454	-2,931	0	0	8,523
Other	4,420	-2,406	0	-2	2,012
	15,876	**18,468**	**0**	**126**	**34,470**
Total change	**-7,766**	**785**	**-78**	**-68**	**-7,127**

	31 March 2012	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2013
Deferred tax assets					
Tax loss carry-forwards	13,524	-7,672	0	-177	5,675
Provisions disallowed for tax purposes	8,206	-410	0	-65	7,731
Depreciation disallowed for tax purposes	1,112	397	0	3	1,512
Other	4,503	3,893	430	-25	8,800
	27,343	**-3,791**	**430**	**-264**	**23,718**
Deferred tax liabilities					
Special depreciation/amortization of non-current assets	351	98	0	7	456
Construction Contracts	23,583	-16,538	0	-91	6,955
Gains from recognition at fair value	8,523	-2,050	0	0	6,473
Other	2,012	1,386	0	-6	3,393
	34,470	**-17,104**	**0**	**-89**	**17,277**
Total change	**-7,127**	**13,313**	**430**	**-174**	**6,441**

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23 Liabilities from post-employment benefits to employees

Amounts recognized in the balance sheet:

	2012/13	2011/12
Termination benefits	7,196	6,452
Pension benefits	10,092	10,251
	17,289	**16,704**

Termination benefits

The obligation to set up a provision for termination benefits is based on the respective labor law.

Retirement benefits

Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on past service cost and are not covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the group (see Note 5).

Termination benefits and pension benefit obiligations were valued based on an interest rate of 3.75 % (2011/12: 5.0 %) and compensation increases based on a rate of 2.0 % (2011/12: 3.0 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2011/12: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 2.0-3.0 % (2011/12: 2.0-3.0 %).

The following amounts are recognized in the statement of comprehensive income as expenses for termination benefits:

	2012/13	2011/12
Current service cost	216	459
Interest expense	501	358
Actuarial losses	107	79
Total, included in staff costs (Note 5)	**824**	**895**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**6,452**	**5,912**
Total expense according to the table above	824	895
Payments	-80	-355
Carrying amount as of 31 March of fiscal year	**7,196**	**6,452**
Actuarial present value of obligations (defined benefit obligation)	9,064	8,220
Unrecognized actuarial gains/losses	-1,868	-1,768
Amount recognized in the balance sheet	**7,196**	**6,452**

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the **discount rate**			
Defined benefit obligation (DBO)	+/- 0.5 %	400	-374
Expected annual interest expenses (IC)	+/- 0.5 %	-31	29
Expected annual service costs (CSC)	+/- 0.5 %	14	-13
Impact of changes in **salary increases**			
Defined benefit obligation (DBO)	+/- 0.5 %	-362	384
Expected annual interest expenses (IC)	+/- 0.5 %	-14	14
Expected annual service costs ((CSC)	+/- 0.5 %	-13	14
Impact of changes in **fluctuation**			
Defined benefit obligation (DBO)	+/- 0.5 %	9	-8
Expected annual interest expenses (IC)	+/- 0.5 %	0	0
Expected annual service costs (CSC)	+/- 0.5 %	1	-1

Amounts for the reporting period and the 4 prior years are as follows:

	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of obligations	9,064	8,220	7,094	6,516	6,152
Unrecognized actuarial gains/losses	-1,868	-1,768	-1,183	-954	-857
Liability in the balance sheet	**7,196**	**6,452**	**5,912**	**5,561**	**5,294**

The following amounts are recognized in the statement of comprehensive income as expenses for retirement benefits:

	2012/13	2011/12
Current service cost	9	44
Interest expense	595	581
Actuarial adjustment	32	15
Total, included in staff costs (Note 5)	**637**	**640**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**10,251**	**10,616**
Total expense according to the table above	637	640
Payments	-837	-1,064
Currency translation differences	41	59
Total	**10,092**	**10,251**
Carrying amount as of 31 March of fiscal year	**10,092**	**10,251**
Actuarial present value of obligations (defined benefit obligation)	13,537	11,902
Unrecognized actuarial gains/losses	-3,445	-1,650
Amount recognized in the balance sheet	**10,092**	**10,251**

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

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the discount rate			
Defined benefit obligation (DBO)	+/- 0.5 %	746	-683
Expected annual interest expenses (IC)	+/- 0.5 %	-40	37
Expected annual service costs (CSC)	+/- 0.5 %	1	-2
Impact of changes in salary increases			
Defined benefit obligation (DBO)	+/- 0.5 %	-540	580
Expected annual interest expenses (IC)	+/- 0.5 %	-20	22
Expected annual service costs ((CSC)	+/- 0.5 %	0	0

Amounts for the reporting period and the 4 prior years are as follows:

	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of obligations	13,537	11,902	11,877	9,998	9,891
Unrecognized actuarial gains/losses	-3,445	-1,651	-1,261	-1,243	-971
	10,092	**10,251**	**10,616**	**8,755**	**8,920**
Fair value of plan assets	0	0	-213	0	0
Liability in the balance sheet	**10,092**	**10,251**	**10,403**	**8,755**	**8,920**
Experience adjustment on plan liabilities	1,467	237	50	266	491
Experience adjustment on plan assets	0	0	0	0	0

24 Other non-current liabilities

	2012/13	2011/12
Truck toll collection system Czech Republic	778	2,587
Other	988	853
	1,766	**3,440**

Other non-current liabilities relate to trade payables (non-current) amounting to TEUR 778 (2011/12: TEUR 2,587) due to subcontractors for the installation of the Czech truck toll collection system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years as of the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck toll collection system (see Note 16). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities mainly relate to the non-current portion of a contingent payment obligation amounting to TEUR 394 (2011/12: TEUR 610) from the acquisition of the “Mobility Solutions” business of TechnoCom Corporation, Encino, U.S.A., in the fiscal year ending 31 March 2013.

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The gross cash flows of other non-current liabilities are as follows:

	2012/13	2011/12
Less than 2 year	872	1,870
Between 2 and 3 years	406	944
More than 3 years	667	851
	1,945	**3,665**

25 Other liabilities and deferred income

	2012/13	2011/12
Amounts due to customers for contract work	12,333	0
Prepayments received	113	1,056
Non-current employee liabilities	17,150	16,821
Liabilities to tax authorities (other than income tax)	3,766	3,406
Other liabilities and deferred income	19,158	31,765
	52,520	**53,048**

Amounts due to customers for contract work detail as follows:

	2012/13	2011/12
Construction costs incurred plus recognized gains	-139,101	0
Less amounts billed and prepayments received	151,434	0
	12,333	**0**

As of 31 March 2013, amounts due to customers for contract work mainly relate to the toll collection project in South Africa.

26 Provisions

	2012/13	2011/12
Non-current	1,370	1,098
Current	28,233	18,531
	29,603	**19,628**

The provisions changed as follows:

	31 March 2011	Addition	Utilization	Disposal	Currency translation differences	31 March 2012
Obligations from anniversary bonuses	605	290	0	-27	0	868
Other	81	223	-81	0	7	230
Non-current provisions, total	**686**	**513**	**-81**	**-27**	**7**	**1,098**
Warranties	1,480	249	-426	-83	8	1,229
Losses from pending transactions and rework	0	12,320	0	0	63	12,382
Legal fees, costs of litigation and contract risks	1,442	697	-35	-1,085	3	1,022
Other	1,800	3,412	-1,220	-71	-23	3,897
Current provisions, total	**4,722**	**16,678**	**-1,681**	**-1,239**	**51**	**18,531**
Total	**5,408**	**17,190**	**-1,763**	**-1,266**	**58**	**19,628**

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	31 March 2012	Addition	Utilization	Disposal	Currency translation differences	31 March 2013
Obligations from anniversary bonuses	868	408	0	-94	0	1,182
Other	230	18	-58	-6	5	188
Non-current provisions, total	**1,098**	**426**	**-58**	**-100**	**5**	**1,370**
Warranties	1,229	1,698	-101	-973	57	1,910
Losses from pending transactions and rework	12,382	6,661	-429	0	-100	18,514
Legal fees, costs of litigation and contract risks	1,022	2,251	-686	-59	-5	2,524
Other	3,897	5,652	-2,825	-1,447	9	5,286
Current provisions, total	**18,531**	**16,261**	**-4,041**	**-2,479**	**-39**	**28,233**
Total	**19,628**	**16,687**	**-4,099**	**-2,579**	**-34**	**29,603**

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 3.75 % (2011/12: 5.0 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2011/12: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 2.0 % (2011/12: 3.0 %). In the position "Addition" interest effects amounting TEUR 42 (2011/12: TEUR 28) are included.

In the following sensitivity analysis for anniversary bonuses, the impacts resulting from changes in significant actuarial assumptions were changed, whereas the other impact quantities were kept constant. However in reality it will be rather likely that several of these impact quantities will change.

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the **discount rate**			
Defined benefit obligation (DBO)	+/- 0.5 %	46	-43
Expected annual interest expenses (IC)	+/- 0.5 %	-4	4
Expected annual service costs (CSC)	+/- 0.5 %	4	-4
Impact of changes in **salary increases**			
Defined benefit obligation (DBO)	+/- 0.5 %	-41	44
Expected annual interest expenses (IC)	+/- 0.5 %	-2	2
Expected annual service costs ((CSC)	+/- 0.5 %	-4	4
Impact of changes in **pension increases**			
Defined benefit obligation (DBO)	+/- 0.5 %	49	-46
Expected annual interest expenses (IC)	+/- 0.5 %	2	-2
Expected annual service costs (CSC)	+/- 0.5 %	5	-4

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 goup 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.

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The provision for losses from pending transactions and rework was set up for expected losses from not yet completed construction contracts at the balance sheet date.

Other provisions mainly include provisions for commissions and bonuses, credits receivable and project costs, discounts granted to customers and legal and consulting fees.

27 Contingent liabilities, other commitments and operating lease commitments

The group's contingent liabilities primarily result from large-scale projects. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance and bid bonds as well as sureties.

Details of contingent liabilities and other commitments are as follows:

	2012/13	2011/12
Contract, warranty, performance and bid bonds		
Toll collection system South Africa, Gauteng	98,202	114,113
Toll collection system North America	21,225	0
Toll collection system Poland	9,194	43,501
Truck toll collection system Austria	8,500	8,500
City Highway Sydney and Melbourne	2,775	1,811
Truck troll collection system Czech Republic	2,494	4,471
Tender Slovenia	2,000	0
Toll collection system Portugal	1,820	1,820
Other	2,842	906
	149,052	**175,121**
Bank guarantees	**1,780**	**1,722**
Sureties	**64**	**524**
	150,896	**177,366**

For details of securities for above-mentioned contingent liabilities and other commitments, see Note 15 and Note 21. Further assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 10,772 (2011/12: TEUR 8,796) were pledged in favour of a Swedish bank in order to secure contingent liabilities.

Financial obligations from lease contracts:

The future payments from non-cancellable obligations from rental and operating lease contracts are presented below:

	2012/13	2011/12
Up to 1 year	12,641	10,279
Between 1 and 5 years	28,486	26,521
Over 5 years	20,528	5,113
	61,655	**41,914**

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28 Related parties

The following transactions were performed with related parties:

KAPSCH-Group Beteiligungs GmbH, Vienna

Since January 2005 the company has provided services to the group in the area of group consolidation and legal advice. Expenses incurred by the group in the fiscal year 2012/13 amounted to TEUR 501 (2011/12: TEUR 484). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the group amounting to TEUR 22 (2011/12: TEUR 22).

For the project in South Africa (Gauteng), the company issued parental guarantees in favor of Kapsch TrafficCom AG to Unicredit Bank Austria AG, Vienna, and to Raiffeisen Bank International AG, Vienna, in September 2009. As of the balance sheet date 31 March 2013, the assumed guarantees amount to EUR 26.9 million. The annual fee for the assumption of the liabilities is 0.5 % of the guaranteed amounts. Expenses incurred by the group in the fiscal year 2012/13 amounted to TEUR 257 (2011/12: TEUR 242).

KAPSCH-Group Beteiligungs GmbH acts as the tax group leader in a tax group formed in March 2005, of that Austrian subsidiaries of this group are also members. Accordingly, all post-formation tax effects of the group companies that are tax group members are considered to be related party transactions.

Kapsch Aktiengesellschaft, Vienna

In connection with the use of the KAPSCH trademark and logo, the company invoices license fees to the group. The glicense fee amounts to 0.5 % of all third-party sales of the group. Expenses incurred by the group in the fiscal year 2012/13 amounted to TEUR 2,327 (2011/12: TEUR 2,812).

Activities in the area of corporate development, public relations, sponsoring and other marketing activities are carried out centrally by Kapsch Aktiengesellschaft for all group companies. Cost allocated to the group in the fiscal year 2012/13 amounted to TEUR 2,224 (2011/12: TEUR 1,919).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the board of the company, Georg Kapsch, and costs for consulting services of certain supervisory board members of the company) to the group. Expenses incurred by the group in the fiscal year 2012/13 amounted to TEUR 1,355 (2011/12: TEUR 1,582).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the group in the fiscal year 2012/13 amounted to TEUR 492 (2011/12: TEUR 361). In addition Kapsch Aktiengesellschaft maintains a softwaretool and invoiced TEUR 70 (2011/12: TEUR 70) to the group for this service. In fiscal year 2011/12 proportionate cost for the participation of managers at the Management Convention in Istanbul amounting to TEUR 322 were invoiced to the. In the fiscal year 2012/13 no Management Convention has taken place.

Kapsch Partner Solutions GmbH, Vienna

The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the group and provides apprentices and trainees. Expenses incurred by the group in the fiscal year 2012/13 amounted to TEUR 2,293 (2011/12: TEUR 1,510).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 14 (2011/12: TEUR 7).

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Kapsch Financial Services GmbH, Vienna

The company leases telephone and IT equipment (hardware and software) to the group and provides call center services and IT support. Expenses incurred by the group in the fiscal year 2012/13 amounted to TEUR 1,173 (2011/12: TEUR 1,043).

Kapsch BusinessCom AG, Vienna

The company delivers hardware (IT equipment) on behalf of Kapsch TrafficCom AG, Vienna, and provides maintenance and other services for various customer projects, the four largest of which by far are the "truck toll collection system Austria", the "truck toll collection system Czech Republic", the "truck toll collection system Poland" and the "truck toll collection system of the Republic of Belarus". The deliveries and services performed amounted to TEUR 6,499 in the fiscal year 2012/13 (2011/12: TEUR 3,044).

The company provides IT, data processing and telephone services to the group amounting to TEUR 4,431 (2011/12: TEUR 3,838), as well as other services amounting to TEUR 482 (2011/12: TEUR 456).

The group invoices consulting services in the area of public relations to the company. Income of the group resulting from these services in the fiscal year 2012/13 totaled TEUR 14 (2011/12: TEUR 44).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 72 (2011/12: TEUR 76) and other services amounting to TEUR 122 (2011/12: TEUR 162).

Kapsch CarrierCom AG, Vienna

Kapsch TrafficCom AG provides services in the area of public relations to the company. Income of the group resulting from this service in the fiscal year 2012/13 amounted to TEUR 28 (2011/12: TEUR 44).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 880 (2011/12: TEUR 766), manufacturing services for GSM-R amounting to TEUR 2,753 (2011/12: TEUR 1,869) and provides the company with other deliverables and performances amounting to TEUR 347 (2011/12: TEUR 33).

Kapsch CarrierCom France SAS, Paris

Kapsch Components GmbH & Co KG provides logistic and manufacturing services to the company for GSM-R projects amounting to TEUR 9,542 (2011/12: TEUR 5,879) and provides the company with other deliverables and performances amounting to TEUR 153 (2011/12: TEUR 0).

Kapsch BusinessCom s r.o., Prague

The company provides technical maintenance services for the Czech truck toll collection system and is responsible for the current IT support for the Czech subsidiaries. Expenses incurred for this in the fiscal year 2012/13 totaled TEUR 1,978 (2011/12: TEUR 2,114). Furthermore, the company provided public relations services amounting to TEUR 98 in the fiscal year 2012/13 (2011/12: TEUR 100) and other services amounting to TEUR 87 (2011/12: TEUR 146).

Kapsch Sp. z o.o., Warsaw

Die Company provides hardware (IT equipment) to the group and renders maintenance and other services for the customer project in Poland. These services amounted to TEUR 2,733 in the fiscal year 2012/13 (2011/12: TEUR 4,678).

Kapsch Immobilien GmbH, Vienna

In the fiscal year 2012/13 Kapsch Immobilien GmbH sold the property Am Europlatz 2 at 31 August 2012. Lease expenses incurred in the period from April to August 2012 by the group amounted to TEUR 1,394 (2011/12: TEUR 3,266). Since that time further lease expenses have not to be shown as related parties. For waiving the right to terminate the rental agreement a bonus of TEUR 1,340 was agreed.

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The company provides services in the area of motor vehicle management and automotive services amounting to TEUR 123 (2011/12: TEUR 101) in the fiscal year 2012/13.

Lease income of the group resulting from the sub-lease to related parties in the fiscal year 2012/13 totaled TEUR 438 (2011/12: TEUR 362).

Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold at arm's length. Liabilities for pension benefits include pension obligations (pensions in payment) to the widow of Dr. Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

The following tables provides an overview of revenues and expenses at the respective balance sheet date as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2012/13	2011/12
Parent company		
Revenue	0	0
Expenses	779	758
Affiliated companies		
Revenue	14,396	9,350
Expenses	25,320	23,122
Other related parties		
Revenue	1,426	0
Expenses	2,690	4,511

	2012/13	2011/12
Parent company		
Trade receivables and other assets	563	494
Trade payables and other payables	1,053	998
Affiliated companies		
Trade receivables and other assets	2,246	2,707
Trade payables and other payables	11,544	9,486
Other related parties		
Trade receivables and other assets	102	0
Trade payables and other payables	291	290

29 Earnings per share

Earnings per share (basic earnings) are calculated by dividing the profit for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares. As of 31 March 2013, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2012/13	2011/12
Profit for the period attributable to equity holders of the company (in EUR)	9,682,668	20,599,568
Weighted average number of ordinary shares	13,000,000	12,744,262
Earnings per share (in EUR)	**0.74**	**1.62**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

30 Events after the balance sheet date

No material events have occurred after balance sheet date

31 Supplementary disclosures

The consolidated group companies are listed in the notes to the consolidated financial statements under the item "consolidated group". The parent company Kapsch TrafficCom AG, Vienna, directly or indirectly holds 100 % of the shares in the fully consolidated subsidiaries, with the exception of Kapsch Telematic Services sp. z o.o. , Poland, Electronic Toll Collection (PTY) Ltd., South Africa, Kapsch Telematic Services Danmark A/S, Denmark, Kapsch Telematic Services Solutions S/A, Denmark, Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services GmbH Deutschland, Germany, Kapsch Telematic Services Kft., Hungary, Kapsch Telematic Services spol. s r.o., Czech Republic, Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic, TMT Services and Supplies (Pty) Ltd., South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., South Africa, Electronic Tolling Operations (Pty) Ltd., South Africa, TMT Services and Supplies (North) (Pty) Ltd., South Africa, Berrydust 51 (Pty) Ltd., South Africa, Kapsch Telematic Services IOOO, Minsk, Republic of Belarus. With regard to additional disclosures in accordance with § 265 (2) 1 UGB for the companies mentioned above, the protection-of-interest clause pursuant to § 265 (3) UGB was applied.

The average number of staff in the fiscal year 2012/13 was 2,579 salaried employees and 217 waged earners (2011/12: 2,404 salaried employees and 181 waged earners).

Expenses for the auditor

The expenses for the auditor amount to TEUR 130 (2011/12: TEUR 128) and are broken down as follows:

	2012/13	2011/12
Audit of the consolidated financial statements	56	58
Other assurance services	54	53
Other services	20	17
	130	**128**

Compensation and other payments to members of the executive and the supervisory board

The compensation paid to members of the executive board is shown below:

Executive board remuneration in TEUR	Fixed 2012/13	Variable 2012/13	Total 2012/13	Total 2011/12
Georg Kapsch	450	384	834	1,022
Erwin Toplak	391	100	491	442
André Laux	292	90	382	359
Total	**1,133**	**574**	**1,707**	**1,823**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Expenses for termination benefits for members of the executive board amount to TEUR 64 (2011/12: TEUR 59).

Individual pension agreements are granted to Erwin Toplak and André Laux. Annually, approximately TEUR 20 (2011/12: TEUR 19) is paid by Kapsch TrafficCom AG to an external pension fund.

Remunerations paid to supervisory board members amount to TEUR 29 (2011/12: TEUR 8)

As in the previous years, no advances or loans were granted to members of the executive and supervisory board, nor any guarantees issued in their favor.

In the fiscal year 2012/13, the following persons served on the executive board:
Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak
André Laux

In the fiscal year 2012/13, the following persons served on the supervisory board:
Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy-Chairman)
Sabine Kauper

Delegated by the works council:
Ing. Christian Windisch
Claudia Rudolf-Misch

Authorized for issue:

Vienna, 27 May 2013

Georg Kapsch	Erwin Toplak	André Laux
Chief Executive Officer	Chief Operating Officer	Executive board member

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2013 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Auditor’s Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of KAPSCH-Group Beteiligungs GmbH, Vienna, for the fiscal year from 1 April 2012 to 31 March 2013. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2013, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 March 2013, and the notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company’s management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the statutory provisions of Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance of whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor ’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group’s preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the group as of 31 March 2013 and of its financial performance and its cash flows for the fiscal year from 1 April 2012 to 31 March 2013 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Comments on the Management Report for the group.

Pursuant to statutory provisions, 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 other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 27 May 2013

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

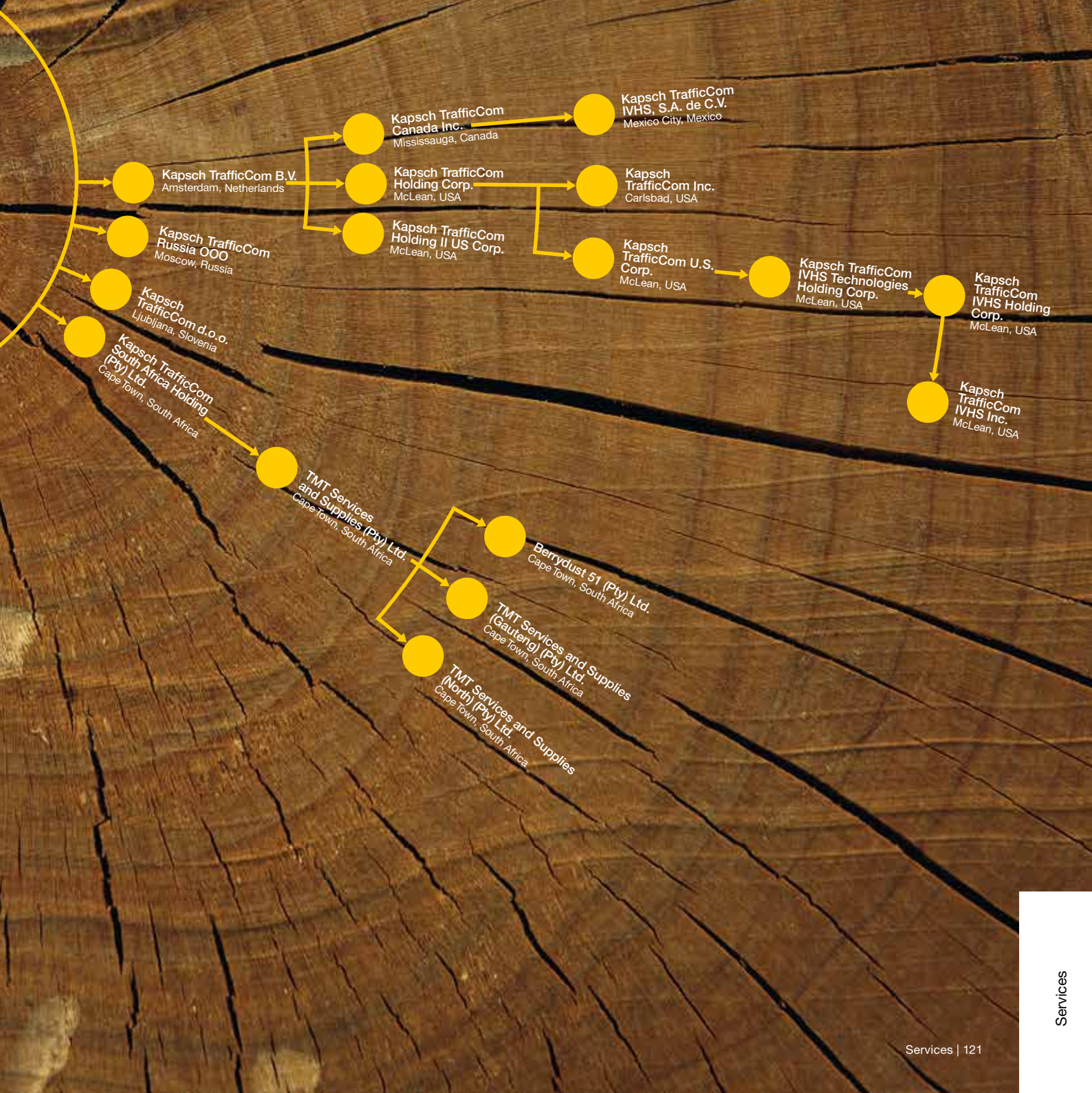
signed:
Mag. Felix Wirth
Austrian Certified Public Accountant

Kapsch TrafficCom AG
Vienna, Austria
Kapsch TrafficCom Kazakhstan LLC
Astana, Kazakhstan
Kapsch TrafficCom S.r.l.
Milan, Italy
Kapsch-Busi S.p.A. a socio unico
Bologna, Italy
Kapsch TrafficCom Construction & Realization spol. s r.o.
Prague, Czech Republic
Kapsch Telematik Technologies Bulgaria EAD
Sofia, Bulgaria
Kapsch Telematik Services IOOO
Minsk, Belarus
Kapsch Telematic Services GmbH
Vienna, Austria
Kapsch Components GmbH & Co KG
Vienna, Austria
Kapsch Components GmbH
(General Partner of Kapsch Components GmbH & Co KG)
Vienna, Austria
Jibesoev GmbH
Vienna, Austria
ArtiBrain Software Entwicklungsgesellschaft mbH
Vienna, Austria
Kapsch TrafficCom Argentina S.A.
Buenos Aires, Argentina
Kapsch TrafficCom Ltd.
Manchester, United Kingdom
Transport Telematic Systems - LLC
Abu Dhabi, United Arab Emirates
Kapsch TrafficCom AB
Jönköping, Sweden
Kapsch TrafficCom South Africa (Pty) Ltd.
Johannesburg, South Africa
VTI Industrial Electronics (Proprietary Limited) (South Africa)
Germiston, South Africa
Electronic Toll Collection (PTY) Ltd.
Centurion, South Africa
Kapsch TrafficCom PTE. LTD.
Tripleone Somerset, Singapore
Kapsch TrafficCom Limited
Auckland, New Zealand
Kapsch TrafficCom (M) Sdn Bhd
Kuala Lumpur, Malaysia
Kapsch TrafficCom France SAS
Paris, France
Kapsch TrafficCom Chile S.A.
Santiago de Chile, Chile
Kapsch TrafficCom do Brazil
São Paulo, Brazil
Kapsch TrafficCom Australia Pty Ltd
Melbourne, Australia
Kapsch Telematic Services Sp. z o.o.
Warsaw, Poland
Kapsch Telematic Services Kft.
Budapest, Hungary
Kapsch Telematic Services GmbH Deutschland
Berlin, Germany
Kapsch Telematic Services Solutions A/S
Copenhagen, Denmark
Kapsch Telematic Services Danmark ApS
Copenhagen, Denmark
Kapsch Telematic Services spol. s r.o.
Prague, Czech Republic

Services.

Kapsch TrafficCom AG and its Subsidiaries.

The parent company Kapsch TrafficCom AG holds, with the exception of the subsidiaries listed in note 31 to the consolidated financial statements, directly or indirectly 100 % of the shares in the fully consolidated subsidiaries. The company also has a representative office in Beijing, China, as well as in Zagreb, Croatia. Kapsch Components GmbH & Co KG is the sole general partner *(Komplementär)* of Kapsch Components KG.



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Corporate History.

	Company milestones	Business milestones
1991	Founding of the toll collection division of Kapsch AG	
1995		Contract for the realization of the Ecopoint System – the world's first emissions-based traffic management system – in Austria
1999	Acquisition of the toll collection division of Bosch Telecom, Germany	Launch of the world's first electronic toll collection system for multi-lane free-flow traffic on an urban motorway on the Melbourne City Link in Australia Implementation of the nationwide infrastructure and enforcement systems for the truck system "Leistungsabhängige Schwerverkehrsabgabe" (LSVA) in Switzerland Installation of a single-lane electronic toll collection system on the Öresund and Storebaelt bridges connecting Sweden and Denmark
2000	Acquisition of Combitech Traffic Systems AB, Sweden	
2002	Kapsch TrafficCom AG demerged from Kapsch AG	Installation of the first single-lane electronic toll collection system on the African continent on the Platinum Toll Highway in South Africa
2004		Launch of the nationwide electronic truck toll collection system in Austria Establishment of three electronic toll collection systems in Chile between 2004 and 2006
2005	Founding of Kapsch Telematic Services GmbH	
2006	Acquisition of DPS Automation S.A. Argentina	
2007	Initial public offering on 26 June 2007	Launch of the nationwide electronic truck toll collection system in the Czech Republic Contract to implement an electronic toll collection system in New Zealand Establishment of the largest toll station in Asia on Highway No. 8 in New Delhi, India
2008	Acquisition of assets of TechnoCom Corp., U.S.A.	Establishment of toll collection systems for three of the largest urban motorways in Bangkok, Thailand
2009	Purchase of a 20.47 % stake in Q-Free ASA, Norway	Contract to establish an electronic toll collection system for multi-lane free-flow traffic in the South African province of Gauteng
2010	Acquisition of the U.S., Canadian and Mexican business of Mark IV IVHS Acquisition of a majority stake in TMT (Pty) Ltd. in South Africa Issue of corporate bonds	
2011	Capital increase	Launch of the nationwide electronic toll collection system in Poland Kapsch TrafficCom IVHS selected by E-ZPass Group in the U.S.A. as supplier for new 10-year technology and service contract
2012	Acquisition of a 33 % stake in the Mexican system integrator SIMEX	Contract to design, build and operate an electronic toll collection system for multi-lane free-flow traffic in Belarus

Glossary.

ANPR	Automatic number plate recognition – method that uses optical character recognition (OCR) on images to automatically identify the license plate number of a vehicle
ATMS	Advanced traffic management systems to monitor traffic, optimize signal timing, and regulate the flow of traffic
AVIS	Systems for transmitting traffic-related vehicle information to travelers before or during the trip as well as for providing navigation services
CEN	Comité Européen de Normalisation (European Committee for Standardization) – responsible for defining common legislative procedures for contractual obligations among toll operators to achieve interoperability in toll collection systems in Europe (CEN Standards)
CVO	Commercial vehicle operations – systems for operating commercial vehicles in order to enhance freight carrier productivity and safety
DSRC	Dedicated short-range communication – one-way or two-way short- to medium-range wireless communication channels designed for communication between on-board and roadside equipment
ETC	Electronic toll collection to enable drivers to pay toll fees without stopping at toll stations
GDP	Gross domestic product is the market value of all officially recognized final goods and services produced within a country in a given period of time
GHz	Gigahertz
GNSS	Global navigation satellite system – standard generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage
GPS	Global positioning system
GSM	Global system for mobile communication – standard to describe technologies for digital cellular networks
IMF	International Monetary Fund, headquartered in Washington, D.C., United States, is a special organization of the United Nations to promote international economic cooperation, international trade, employment, and exchange rate stability
ISO	International organization for standardization
ITS	Intelligent transportation systems, in which information and communication technologies are employed to support and optimize road transportation, including infrastructure, vehicles, users and industry
MHz	Megahertz
OECD	The Organisation for Economic Co-operation and Development is an international economic organization of 34 countries founded in 1961 to stimulate economic progress and world trade
OHSAS	Occupational Health and Safety Assessment Series
On-board unit	An on-board unit (OBU) is an electronic device readable and writeable via wireless communication. An OBU identifies a vehicle and/or serves as a payment means and/or as data memory for vehicle and/or personal data
PVTMS	Public vehicle transportation management systems to facilitate management of both local and long-distance public transportation
TEUR	Thousand euros
Transceiver	A roadside mounted radio communication device for the bidirectional data exchange to on-board units by means of dedicated short-range communication (DSRC). In the U.S.A. often referred to as reader
Transponder	A transponder is an on-board equipment with a dedicated short-range communication (DSRC) interface and a buzzer as the only human-machine interface to the driver
WAVE	Wireless access in vehicular environment refers to a set of emerging standards for mobile wireless radio communications
VÖNIX	The VBV Austrian Sustainability Index is a stock index that comprises listed Austrian companies that play a leading role in terms of their social and environmental performance
V2X	Vehicle-to-X is the abbreviation for vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, a core technology for managing and improving future traffic safety and mobility

Nine-Year Review of Key Data.

Earnings Data[1]		2012/13	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Revenues	in million EUR	488.9	549.9	388.6	216.0	200.3	185.7	198.6	116.2	121.9
EBITDA	in million EUR	32.9	60.6	62.5	32.0	35.0	39.0	30.8	21.0	18.7
EBITDA margin	in %	6.7	11.0	16.1	14.8	17.5	21.0	15.5	18.1	15.4
EBIT	in million EUR	15.3	42.2	48.9	24.5	29.0	34.9	26.9	17.3	13.0
EBIT margin	in %	3.1	7.7	12.6	11.4	14.5	18.8	13.5	14.9	10.7
Profit before tax	in million EUR	16.9	36.3	41.3	43.9	21.9	42.8	27.0	17.8	13.5
Profit for the period	in million EUR	16.7	27.5	28.4	36.5 (22.5)[8]	16.4	32.1	20.3	12.3	14.2
Earnings per share[2]	in EUR	0.74	1.62	1.81	2.64 (1.49)[8]	1.06	2.60	2.04	1.24	1.43
Free cash flow[3]	in million EUR	48.3	-49.7	-19.4	41.8	21.6	-13.4	-40.9	14.8	11.5
Capital expenditure[4]	in million EUR	20.2	13.1	8.3	4.8	22.2	4.0	2.3	1.3	3.0
Employees[5]		3,013	2,705	2,167	1,023	946	824	774	569	572
Business Segments		**2012/13**	**2011/12**	**2010/11**	**2009/10**	**2008/09**	**2007/08**	**2006/07**	**2005/06**	**2004/05**
Road Solution Projects (RSP)										
Revenues (share of total revenues in %)	in million EUR	128.3 (26 %)	229.9 (42 %)	158.9 (41 %)	45.8 (21 %)	56.8 (28 %)	47.0 (25 %)	105.0 (53 %)	18.7 (16 %)	30.0 (25 %)
EBIT (EBIT margin)	in million EUR	-51.7 (-40.3 %)	4.1 (1.8 %)	0.1 (0.1 %)	-20.9 (-45.6 %)	-1.7 (-2.9 %)	6.3 (13.4 %)	11.6 (11.0 %)	2.7 (14.5 %)	2.2 (7.2 %)
Services, System Extensions, Components Sales (SEC)										
Revenues (share of total revenues in %)	in million EUR	342.3 (70 %)	308.1 (56 %)	223.3 (57 %)	161.9 (75 %)	135.6 (68 %)	128.8 (69 %)	80.6 (41 %)	76.2 (66 %)	78.0 (64 %)
EBIT (EBIT margin)	in million EUR	66.1 (19.3 %)	37.3 (12.1 %)	48.3 (21.6 %)	45.3 (28.0%)	31.7 (23.4 %)	29.1 (22.6 %)	15.8 (19.6 %)	13.5 (17.7 %)	11.5 (14.7 %)
Others (OTH)										
Revenues (share of total revenues in %)	in million EUR	18.3 (4 %)	12.0 (2 %)	6.4 (2 %)	8.3 (4 %)	8.0 (4 %)	10.0 (5 %)	13.0 (7 %)	21.3 (18 %)	13.9 (11 %)
EBIT (EBIT margin)	in million EUR	0.9 (5.1 %)	0.8 (6.5 %)	0.4 (6.7 %)	0.2 (1.9 %)	-1.0 (-12.6 %)	-0.4 (-4.3 %)	-0.5 (-3.7 %)	1.1 (5.2 %)	-0.6 (-4.5 %)
Regions		**2012/13**	**2011/12**	**2010/11**	**2009/10**	**2008/09**	**2007/08**	**2006/07**	**2005/06**	**2004/05**
Austria[6]	in million EUR	38.0 (8 %)	32.8 (6 %)	37.5 (10 %)	42.4 (20 %)	37.8 (19 %)	36.6 (20 %)	47.3 (24 %)	57.9 (50 %)	51.0 (42 %)
Europe[6]	in million EUR	288.9 (59 %)	341.4 (62 %)	182.0 (47 %)	117.1 (54 %)	122.8 (61 %)	105.2 (57 %)	122.9 (61 %)	29.4 (25 %)	27.7 (23 %)
Americas[6]	in million EUR	74.8 (15 %)	63.6 (12 %)	27.6 (7 %)	12.1 (6 %)	14.0 (7 %)	18.8 (10 %)	15.4 (8 %)	9.4 (8 %)	23.8 (20 %)
Rest of World[6]	in million EUR	87.2 (18 %)	112.1 (20 %)	141.5 (36 %)	44.5 (21 %)	25.6 (13 %)	25.2 (14 %)	13.0 (7 %)	19.5 (17 %)	19.4 (16 %)
Balance Sheet Data		**31 March 2013**	**31 March 2012**	**31 March 2011**	**31 March 2010**	**31 March 2009**	**31 March 2008**	**31 March 2007**	**31 March 2006**	**31 March 2005**
Total assets	in million EUR	567.2	557.7	450.1	295.1	324.5	298.4	227.2	131.9	133.5
Total equity[7]	in million EUR	240.7	256.2	191.5	168.2	134.2	133.4	45.6	39.1	37.4
Equity ratio[7]	in %	42.4	45.9	42.5	57.0	41.4	44.7	20.1	29.6	28.0
Net assets (+) / debt (-)	in million EUR	-40.5	-74.4	-47.2	35.3	5.0	28.4	-12.5	37.2	29.4
Capital employed	in million EUR	364.7	383.8	288.7	187.5	193.4	161.3	78.2	48.6	47.8
Net working capital	in million EUR	243.9	285.7	175.9	104.6	122.3	131.4	56.8	43.2	42.5

1 Only continuing operations
2 Earnings per share 2012/13 relate to 13.0 million shares, 2011/12 relate to a weighted average number of 12.74 million shares, 2010/11, 2009/10 and 2008/09 relate to 12.2 million shares, 2007/08 relate to 11.7 million outstanding shares and in each of 2006/07, 2005/06 and 2004/05 relate to 10.0 million shares
3 Operating cash flow minus capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments) plus proceeds from the disposal of property, plant and equipment and intangible assets
4 Capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)
5 As of 31 March of each year
6 Revenues (share of total revenues in %); Europe excl. Austria
7 Incl. minority interests
8 Adjusted for the fair value adjustment of the share in Q-Free ASA, Norway

Financial Calendar.

19 August 2013	Interim financial report fiscal year 2013/14-Q1
12 September 2013	Ordinary shareholders' meeting for fiscal year 2012/13
19 September 2013	Deduction of dividend for fiscal year 2012/13 (ex-day)
26 September 2013	First day of payment for fiscal year 2012/13 dividend
27 November 2013	Interim financial report fiscal year 2013/14-Q2
26 February 2014	Interim financial report fiscal year 2013/14-Q3
25 June 2014	Results fiscal year 2013/14
10 September 2014	Ordinary shareholders' meeting for fiscal year 2013/14
17 September 2014	Deduction of dividend for fiscal year 2013/14 (ex-day)
24 September 2014	First day of payment for fiscal year 2013/14 dividend

Information on the Kapsch TrafficCom Shares.

Investor Relations Officer	Marcus Handl	**Stock exchange**	Vienna, Prime Market
Shareholders' Telephone	+43 50 811 1120	**ISIN**	AT000KAPSCH9
E-Mail	ir.kapschtraffic@kapsch.net	**Trading Symbol**	KTCG
Website	www.kapschtraffic.com	**Reuters**	KTCG.VI
		Bloomberg	KTCG AV

Kapsch Group.

The Kapsch Group is one of the most successful technology firms in Austria that also plays a key global role. The company was founded 120 years ago and today it sets benchmarks in the promising future markets of Intelligent Transportation Systems (ITS), Railway and Public Operator Telecommunications as well as Information and Communication Technology (ICT). The Kapsch Group comprises the three key companies of Kapsch TrafficCom, Kapsch CarrierCom and Kapsch BusinessCom. A family-run company headquartered in Vienna, Kapsch develops and implements new technologies to the commercial benefit of its customers. The Kapsch Group, which in the fiscal year 2012/13 generated revenues of nearly EUR 930 million, offers a wide range of innovative solutions, systems and services, thus making a significant contribution to the responsible and sustained creation of a mobile and networked world. The companies of the Kapsch Group employ over 5,000 people in about 100 subsidiaries and representative offices around the globe.

Annual report of KapschTrafficCom AG 2012/13 as a download or digital print.

With the iKapsch app for your iPhone, you can view the Kapsch TrafficCom annual report in digital form. Use the App Store on your iPhone to install the iKapsch app, then start the 'iKapsch print' module in the iKapsch app. You will receive the annual report in digital form for reading or for printing out from your iPhone or PC.

Kapsch TrafficCom is a provider of intelligent transportation systems (ITS) in the application fields of road user charging, urban access and parking, road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems. Kapsch TrafficCom covers with end-to-end solutions the entire value creation chain of its customers as a one-stop shop, from components and subsystems to their integration and operation. The solutions of Kapsch TrafficCom help to provide funding for infrastructure projects, to increase traffic safety, to optimize traffic flow, and to reduce environmental pollution from traffic. The core business is to design, build and operate electronic toll collection systems for multi-lane free-flow traffic. References in 43 countries on all continents make Kapsch TrafficCom a recognized supplier of electronic toll collection worldwide. As part of the Kapsch Group, a family-owned Austrian technology group founded in 1892, Kapsch TrafficCom, headquartered in Vienna, Austria, has subsidiaries and representative offices in 33 countries, has been listed on the Vienna Stock Exchange (KTCG) since 2007, and generated with more than 3,000 employees revenues of EUR 488.9 million in fiscal year 2012/13.

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Kapsch TrafficCom

kapsch >>>

EN

What Will Move Us **Tomorrow?**

Visions of Future Mobility.

Annual Report on Fiscal Year 2011/12.

always one step ahead

Discussions of the future of mobility are influenced by a number of aspects: technology, economic and transportation policy, structural development, environmental and climate protection, communication and quality of life, to name a few. This year's annual report from Kapsch TrafficCom gives voice to people who are directly or indirectly involved with these complex challenges. What personal expectations, what dream visions of the future of mobility are held, for instance, by an international transportation expert or a truck driver who travels the highways of many countries as part of his daily work? Whatever the mobility of the future might bring: Kapsch TrafficCom is always one step ahead – with innovative solutions for Intelligent Transportation Systems (ITS) and Electronic Toll Collection (ETC). For the transportation infrastructure of today and tomorrow.

Modern road infrastructure today relies on an adequate road network and telematic solutions, factors that complement each other. More importantly, without one or the other, the defined objectives cannot be achieved.

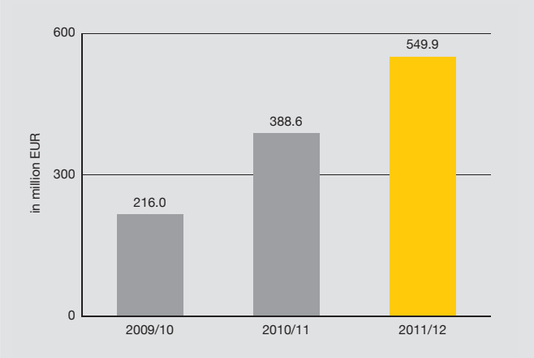
Magdalena Jaworska
GDDKiA, Deputy General Director for
National Roads and Motorways, Poland

Highlights of the Fiscal Year.

Earnings Data		2011/12	2010/11	+/- %	2009/10
Revenues	in million EUR	549.9	388.6	42 %	216.0
EBITDA	in million EUR	60.6	62.5	-3 %	32.0
EBITDA margin	in %	11.0	16.1		14.8
EBIT	in million EUR	42.2	48.9	-14 %	24.5
EBITDA margin	in %	7.7	12.6		11.4
Profit before tax	in million EUR	36.3	41.3	-12 %	43.9
Profit for the period	in million EUR	27.5	28.4	-3 %	36.5
Earnings per share [1]	in EUR	1.62	1.81	-11 %	2.64
Free cash flow [2]	in million EUR	-50.9	-19.9	156 %	41.6
Capital expenditure [3]	in million EUR	13.1	8.3	58 %	4.8
Employees [4]		2,705	2,167	25 %	1,023
On-board units delivered	in million units	11.2	5.2	115 %	3.5
Business Segments		**2011/12**	**2010/11**	**+/- %**	**2009/10**
Road Solution Projects (RSP)					
Revenues (% of total revenues)	in million EUR	229.9 (42 %)	158.9 (41 %)	45%	45.8 (21 %)
EBIT (EBIT margin)	in million EUR	4.1 (1.8 %)	0.1 (0.1 %)	>300 %	-20.9 (-45.6 %)
Services, System Extensions, Components Sales (SEC)					
Revenues (% of total revenues)	in million EUR	308.1 (56 %)	223.3 (57 %)	38 %	161.9 (75 %)
EBIT (EBIT margin)	in million EUR	37.3 (12.1 %)	48.3 (21.6 %)	-23 %	45.3 (28.0 %)
Others (OTH)					
Revenues (% of total revenues)	in million EUR	12.0 (2 %)	6.4 (2 %)	88 %	8.3 (4 %)
EBIT (EBIT margin)	in million EUR	0.8 (6.5 %)	0.4 (6.7 %)	82 %	0.2 (1.9 %)
Region		**2011/12**	**2010/11**	**+/- %**	**2009/10**
Austria – Revenues (% of total revenues)	in million EUR	32.8 (6 %)	37.5 (10 %)	-13 %	42.4 (20 %)
Europe [5] – Revenues (% of total revenues)	in million EUR	341.4 (62 %)	182.0 (47 %)	88 %	117.1 (54 %)
Americas – Revenues (% of total revenues)	in million EUR	63.6 (12 %)	27.6 (7 %)	130 %	12.1 (5 %)
Rest of World – Revenues (% of total revenues)	in million EUR	112.1 (20 %)	141.5 (36 %)	-21 %	44.5 (21 %)
Balance Sheet Data		**31 March 2012**	**31 March 2011**	**+/- %**	**31 March 2010**
Total assets	in million EUR	557.7	450.1	24 %	295.1
Total equity [6]	in million EUR	256.2	191.5	34 %	168.2
Equity ratio [6]	in %	45.9	42.5		57.0
Net assets (+) / debt (-)	in million EUR	-74.4	-47.2	58 %	35.3
Capital employed	in million EUR	383.8	288.7	33 %	187.5
Net working capital	in million EUR	285.7	175.9	62 %	104.6
Stock Exchange Data		**2011/12**	**2010/11**	**+/- %**	**2009/10**
Number of shares [4]	in million	13.0	12.2	7 %	12.2
Free float [4]	in %	38.1	31.6		31.6
Closing price [4]	in EUR	63.5	62.5	2 %	25.3
Market capitalization [4]	in million EUR	825.5	762.5	8 %	308.2
Share performance	in %	1.6	247.4		70.9
Dividend per share	in EUR	0.90 [7]	1.00	-10 %	0.75

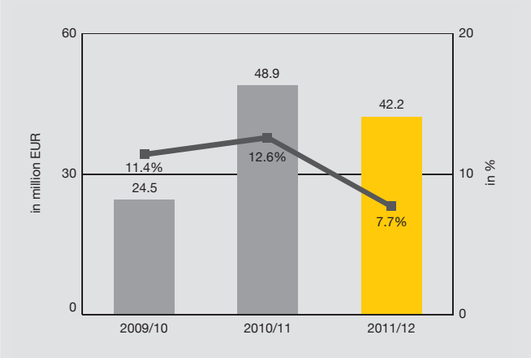
1 Earnings per share 2011/12 relate to a weighted average number of 12.74 million shares
2 Operating cash flow minus capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)
3 Capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)
4 As of 31 March of each year
5 Excl. Austria
6 Incl. minority interests
7 Proposal of the executive board subject to approval of the shareholders' meeting on 24 August 2012

Revenues



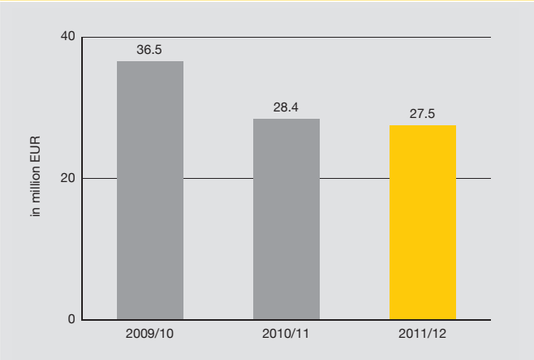
Revenues increased by 42 % or EUR 161.3 million to EUR 549.9 million.

EBIT and EBIT margin



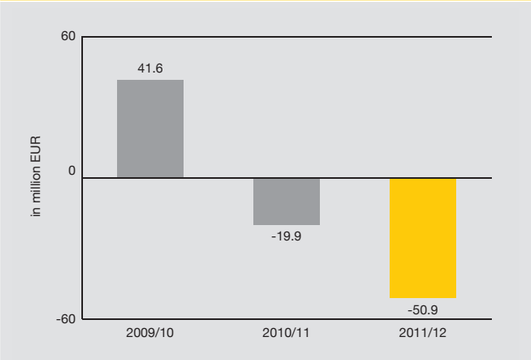
EBIT decreased by 14 % to EUR 42.2 million, the EBIT margin to 7.7 %.

Profit for the period



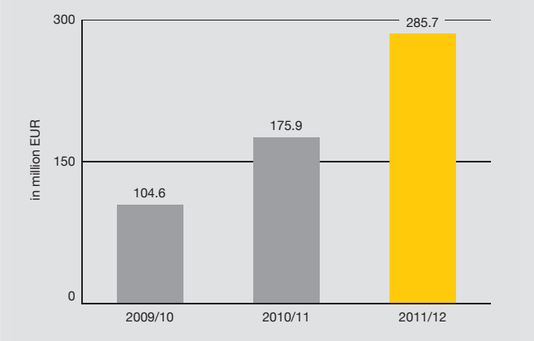
Profit for the period remained mostly unchanged at EUR 27.5 million.

Free cash flow [2]



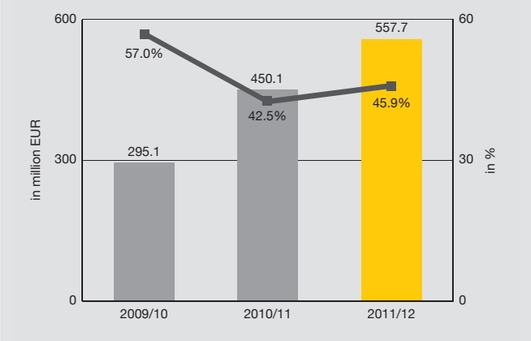
Free cash flow decreased by 156 % to EUR -50.9 million.

Net working capital



Net working capital increased by 62 % to EUR 285.7 million.

Total assets and equity ratio [3]



Total assets increased by 24 % to EUR 557.7 million, the equity ratio was at 45.9 %.

System implementation in Poland

On 3 July 2011, we launched the nationwide electronic toll collection system viaTOLL on the existing road network of around 1,560 kilometers for all vehicles above 3.5 tons after an implementation period of only eight months.

The system was completed in stages up to the end of December 2011 and finally accepted on 21 February 2012.

In the first nine months of the operation, the system generated toll revenues of approximately PLN 615 million (EUR 147 million).

The revenues of EUR 205.3 million correspond to 37 % of total revenues, making Poland the largest sales market in fiscal year 2011/12.

System implementation in South Africa

In South Africa, the start of the electronic toll collection system for multi-lane free-flow traffic in the Gauteng province has been delayed.

On 28 April 2012 – just two days before the final scheduled commissioning deadline – the start of the fully completed system was suspended by court order due to a lawsuit.

On 23 May 2012, the government elected to appeal the court decision.

Technology and service contract with the E-ZPass Group

On 22 July 2011, Kapsch TrafficCom IVHS was selected as supplier by the E-ZPass Group for the new ten-year technology and service contract.

We will therefore continue providing on-board units and readers as well as ancillary equipment and services to support the operation of the largest interoperable toll collection system in the world.

The E-ZPass Group is a coalition of 24 toll agencies in 14 U.S. states. Most of the contracts with the agencies were already signed by 31 March 2012.

First contract award in Portugal

In July 2011, we received the order for implementation of an electronic toll collection system for multi-lane free-flow traffic on more than 100 kilometers of Portugal's primary road network.

The system for the Portuguese operator ASCENDI will be completed in stages by October 2013. The first toll stations are already operating.

Upon completion, we will take over the technical operation including maintenance of the system.

Contract award in Russia

On 29 December 2011, the contract for the maintenance and toll-based operation of a 400 kilometer segment of the M4 Don highway was concluded.

The contract encompasses the implementation of a toll collection system as well as traffic information and management systems.

The contract was awarded to LLC "United Toll Systems", a joint venture in which our Russian partner Mostotrest holds the controlling stake of 51 % and Kapsch TrafficCom Russia holds 33.3 %.

Upon implementation, LLC "United Toll Systems" will take over the operation of the systems for 10 years with a three-year extension option.

Contract award in Belarus

On 29 February 2012, we concluded the implementation of a nationwide electronic toll collection system for a road network that will total 2,743 km upon completion of the final project stage in Belarus.

The total contract value for the implementation of the system (excluding operation) amounts to approximately EUR 267 million, of which EUR 158 million will go toward the first two phases. The first phase of the system will start operation on 1 July 2013.

Each phase will be financed and implemented by Kapsch TrafficCom and repaid within three years from the start of the operation.

Upon implementation, we will take over operation of the system for 20 years.

Contract award in France

In March 2012, we concluded an agreement with the French toll service provider Axxès regarding the supply of on-board units based on global navigation satellite system (GNSS) technology as well as central solutions for a charging system.

The order relates to the introduction of a distance-based truck tax in France as part of the Ecotaxe project.

With a total value of more than EUR 25 million, this is our largest contract for GNSS technology so far.

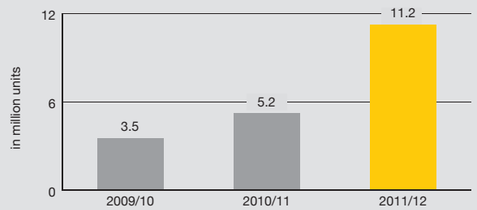
Extension of contract in Austria

In October 2011, we reached a basic agreement with Asfinag Mautservice GmbH on the extension of the operation and maintenance contract for the nationwide electronic toll collection system on roughly 2,200 kilometers of motorways and expressways in Austria.

The contract currently terminates at the end of 2013, and a new annex to the contract now extends the termination up to the end of 2018.

At an average toll transaction rate of 99.9 %, the system generated toll revenues of about EUR 1.1 billion in 2011.

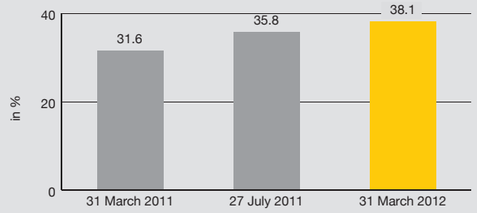
Business with on-board units



We increased the volume of on-board units delivered to an all-time high of 11.2 million units.

Of this volume, 43 % of the deliveries went to America, 30 % to Europe and 27 % to other countries.

Increase of free float



On 27 July 2011, Kapsch TrafficCom AG issued 800,000 new shares of approved capital. The gross proceeds reached EUR 49 million. Together with the sale of shares by the core shareholder KAPSCH-Group Beteiligungs GmbH to increase the free float and thus the liquidity of the shares, this increased the free float from 31.6 % as at 31 March 2011 to 38.1 % as at 31 March 2012.

Strategy 2016 and organization

The strong growth of Kapsch TrafficCom in recent years, the planned continuation of this growth as well as the expected changes in the market environment require the further development of the group.

In fiscal year 2011/12, we defined the strategy up to the year 2016, which we have now begun implementing.

On one hand, the organization must be adapted to our growth and its efficiency must be increased; on the other, we can develop additional growth prospects by expanding into new fields of business and markets.

Innovation award

At Intertraffic Amsterdam, one of the world's biggest trade exhibitions for traffic, our new tunnel safety product, Automatic Camera Calibration (ACC), was awarded the Intertraffic Innovation Award in the "Safety" category.

ACC beat numerous other entries to win by virtue of its extraordinary speed, precision, cost efficiency and clear safety benefits.

With ACC, we have a revolutionary and simple way of calibrating tunnel cameras within the framework of our Incident Detection System 2.0.

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To improve general readability, generic masculine pronouns and word forms have been used where appropriate and the consistent quotation of academic titles was neglected. An overview of the technical terms used in this document can be found in the glossary on page 96. This annual report was created with the greatest possible care, and all data has been checked conscientiously. Nevertheless, the possibility of layout and printing errors cannot be completely excluded. Slight differences in calculations may arise due to the rounding of individual items and percentages. The English translation is for convenience; only the German text is binding.

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

Always one step ahead.

Our company philosophy is concisely expressed in a single phrase: always one step ahead. Striving for global quality and innovation leadership in the rapidly growing market of intelligent transportation systems (ITS), we are always the decisive step ahead of the competition.

Kapsch is always looking to the future. Visionary ideas combined with entrepreneurial expertise are a high priority at Kapsch TrafficCom. Based on the technology applied in systems around the world, we are helping to define the future for drivers, road operators and commercial service providers with innovative traffic applications. At the same time, we are committed to consistent value creation and we accept our responsibility toward society.

Kapsch is always innovative. Taking advantage of the newest technologies in practical applications is an integral part of the company strategy and a key element of the success of Kapsch TrafficCom. Our networked international research and development centers are therefore constantly searching for new, forward-looking applications. This has given rise to pioneering projects of ITS applications such as Section Control, Weigh in Motion, Incident Detection System, Traffic Flow Analysis and Hazardous Goods Transport Tracking, which offer added value to our customers and enable new commercial applications. A system-independent perspective, an international pool of experts and a sound business attitude allow us to develop high-performance products and solutions used around the world.

Kapsch is always striving for excellence. The systems of Kapsch TrafficCom offer customers high return on investment through outstanding transaction performance and system security – all thanks to state-of-the-art technologies, more than 2,700 dedicated employees and our many years of experience. Around the world, more than 70 million delivered on-board units and about 18,000 equipped lanes provide for safe and reliable operation. We follow an integrated management system for health and safety, security, environment and quality (HSSEQ) whose processes are based on the standard according to ISO and are frequently audited.

Kapsch is always aware of its responsibilities. We are aware that we make a meaningful contribution to shaping a sustainable future. The solutions of Kapsch TrafficCom provide a wide range of benefits: they contribute to the financing of infrastructure projects, improve traffic safety and help prevent traffic jams, which also reduces CO_2 emissions. You can learn how we address sustainability and our related responsibilities in our sustainability report.

Kapsch is always close to its customers. Our solutions are experienced by people around the world. The international success of Kapsch TrafficCom is exemplified by more than 280 customer references in 41 countries on all 5 continents. We offer products, systems and services for high-performance intelligent transportation systems as a one-stop shop and cover the entire value creation chain of our customers with our end-to-end solution portfolio.

Mobility has much to do with communication, prosperity and freedom. That is why we need transportation systems that are equally accessible to all people. New drive technologies and more efficient networking of the various modes of transport will make this possible.

Gabriele Zuna-Kratky
Director of the Vienna Museum of Technology

Letter from the **Chief Executive Officer.**

Georg Kapsch, Chief Executive Officer

Dear Shareholders.

Fiscal year 2011/12 was an eventful one for the Kapsch TrafficCom Group. This annual report demonstrates just how much we have achieved. Our existing projects as well as new orders contributed to our strong continued growth. The 42 % increase in revenues reflects in particular the progress of our major projects in Poland and South Africa but also the successful expansion of our business in the U.S.A. The volume of delivered on-board units also paints a clear picture: after delivering 5.2 million units in the previous year, the volume in the reporting year rose to an impressive 11.2 million. Furthermore, the completion and the start of the operation of the nationwide electronic toll collection system in Poland and the new projects we have recently acquired give us good reason to view the future with optimism.

On the other hand, we are less than pleased by the operating results for the reporting period. Delays in the system implementation and the resulting considerable reduction in operating income in Poland and South Africa made for disappointing developments in the second half of 2011/12. With a negative EBIT in the third quarter and only weak positive developments in the fourth quarter, we clearly missed our target of a two-digit EBIT margin this year. Despite all this, I am able to report today that the uncertainties surrounding these two projects, at least those over which we have control, have been significantly reduced and in many cases eliminated.

Major project in Poland completed. In Poland, after an implementation period of only eight months, we started the operation of the nationwide electronic toll collection system viaTOLL on 3 July 2011 and completed it in stages up to the end of December. The system acceptance finally took place on 21 February 2012. Up to this time, we were already covering the ongoing expenses despite significantly reduced revenues from the operation of the system due to the delayed system acceptance. Payment of the last system installation milestone was also linked to this. Recent months proved challenging in this regard, but we are nevertheless quite satisfied with the result. In the first quarter of 2012/13, we will be able to generate the full revenues from the operation of the system for the first time. The net payment of EUR 103.3 million received in April will also be reflected strongly in the free cash flow.

Delay in South Africa. The start of the electronic toll collection system for multi-lane free-flow traffic in the South African province of Gauteng has been delayed. On 28 April 2012 – just two days before the scheduled commissioning deadline – the start of the fully completed system in South Africa was suspended indefinitely by court order due to a lawsuit. On 23 May 2012, the government elected to appeal the court decision.

New projects and markets support continued growth. By contrast, our business in the U.S.A. has developed extremely successfully following extensive investments over recent years in developing this market for Kapsch TrafficCom. This is highlighted in particular by the strategic significance of the success we achieved in July 2011. Kapsch TrafficCom IVHS was selected by the E-ZPass Group – a coalition of 24 toll agencies in 14 U.S. states and operator of the world's largest interoperable toll collection system – as supplier for the new ten-year technology and service contract.

Another bright spot of our fiscal year was the contract for maintenance and toll-based operation of a highway section in Russia obtained by our joint venture with the Russian construction company Mostotrest. In addition to a toll collection system, the joint venture will be implementing a traffic information and management system to enhance the traffic safety and control. The operation contract has a ten-year term with an extension option. Already in the previous year, we equipped intersections in the city of Kazan with fully electronic red light, lane and speed monitoring systems. With this important order, we have now taken another major step into the Russian market, which is one of the world's most rapidly growing ITS markets.

In February 2012, we also received a major order in Belarus, where we will be implementing a nationwide electronic toll collection system, followed by 20 years of operation. We were able to offer a financing model that involves prefinancing of the individual phases by Kapsch TrafficCom and repayment within three years of the start of operation. This confirms our belief that we must increasingly offer intelligent and creative financing models in the future.

In Portugal, we were contracted to build an electronic toll collection system for multi-lane free-flow traffic on a stretch of over 100 km. The system will be completed in stages by October 2013. After implementation, we will take over technical operation including maintenance.

In March, we concluded an agreement with the French toll service provider Axxès regarding the supply of on-board units based on global navigation satellite system (GNSS) technology as well as central solutions for a charging system in connection with the introduction of a distance-based truck tax in France as part of the Ecotaxe project. This is the largest GNSS technology contract obtained by Kapsch TrafficCom so far.

In Austria, we reached a basic understanding in July 2011 regarding the extension of the operation and maintenance contract for the nationwide electronic truck toll collection system to expire at the end of 2013. From a historical perspective, this is our first operation contract to expire, which makes us all the more pleased to have arrived at an early understanding with Asfinag Mautservice GmbH regarding an extension to the end of 2018.

Five years on the stock exchange – a look back. I would like to take this opportunity to invite you to look back somewhat farther than just the current reporting period. As of the publication of this annual report, Kapsch TrafficCom AG will have been a publicly listed company for almost exactly five years. On the occasion of our IPO on 26 June 2007, we presented you with a growth story. Today, I am pleased to confirm this growth: Since that

day, we have entered into new markets and our revenue has increased considerably from EUR 200 million to EUR 550 million. Our global employee population of roughly 2,700 is today four times larger than it was, and over half of our employees are already working outside of Europe. The value of the Kapsch TrafficCom Group as measured by the stock market has more than doubled since the IPO.

In this time, we have realized many important projects. We have implemented toll collection systems on all five continents, and we handle the operation of existing systems. We have grown both organically and with the help of major acquisitions, such as the one in the U.S.A. in 2010. In this way, the Kapsch TrafficCom Group has been able to significantly strengthen its market position and expand its market share. At the same time, we strengthened our capital base through the issue of corporate bonds in November 2010 as well as new shares in July 2011 in order to remain a reliable partner and continue our growth.

Looking forward: Strategy 2016 and a new organizational structure. Five years are a good beginning, but we are striving for further growth as well as global leadership in quality and innovation. In the previous year, we defined our new strategy until the year 2016 as well as five strategic paths that will guide us during the coming years. Put simply, we want to grow in our core business of electronic toll collection and also expand both regionally and by moving into new business fields. We are planning to increasingly offer selected ITS applications even beyond toll collection systems, as we are already doing successfully in individual projects. We want to prepare ourselves for the convergence of the ITS market that we expect in the next five to ten years and secure our long-term growth prospects. In parallel to this, we have developed a new company structure aligned with the strategic requirements to ensure maximum efficiency in our day-to-day business. We will adapt the structure of Kapsch TrafficCom Group to ensure that global synergies are identified and that decision-making processes are accelerated.

The challenges of change. With the planned changes to our group, we believe we are well prepared for the expected market developments and for our continued growth. Nevertheless, we are also aware of the associated challenges – both on the market and internally. The new organization must be actively embraced by all our employees. I would therefore like to first thank you all for the dedication that has made Kapsch TrafficCom successful over the years.

Thanks also to my colleagues on the executive board, Erwin Toplak and André Laux, for their outstanding cooperation. I also thank the supervisory board for their advice and consultations. Long-term partnerships bind us to our customers, both contributing to and confirming the success of Kapsch TrafficCom. My gratitude therefore extends to our customers as well for their excellent cooperation.

Last but not least, I thank you, our esteemed investors, for your trust in our company. We hope you continue to share in our journey of growth.

Georg Kapsch
Chief Executive Officer

Corporate Governance Report.

In June 2007, the executive board (*Vorstand*) and supervisory board (*Aufsichtsrat*) resolved to apply the rules of the Austrian Code of Corporate Governance (the Code) as far as they are consistent with the specific situation of the company. The Code as amended in January 2012 is available (together with the version as of January 2010, which was relevant for the past fiscal year) for download under www.corporate-governance.at. Compliance with the Code is evaluated by the compliance officer together with internal audit on an annual basis.

Corporate Governance Declaration.

In the fiscal year 2011/12 ended 31 March 2012, Kapsch TrafficCom AG complied with the L-Rules and C-Rules of the Code in the January 2010 version, with the exception of C-Rule 53 (the company does not intend to establish independence criteria that differ from the general requirement set forth in the Code as it believes such additional criteria are not required) and C-Rule 67 (due to the intense competition in the industry in which the company is active, it will not make available to all shareholders all information at the same time it may make available to financial analysts).

Executive Board.

Kapsch TrafficCom AG has a two-tier management and oversight structure in accordance with the Austrian Stock Corporation Act *(Aktiengesetz)*, consisting of the executive board *(Vorstand)* and the supervisory board *(Aufsichtsrat)*. The executive board is responsible for directing the business and represents the company in dealings with third parties. The supervisory board is responsible for appointing and dismissing the members of the executive board and supervising the business conducted by the executive board. Although the supervisory board does not actively manage the company, the executive board must obtain the consent of the supervisory board before engaging in certain transactions in accordance with the Austrian Stock Corporation Act *(Aktiengesetz)*, the company's articles of association and the executive board's internal rules of procedure *(Geschäftsordnung)*.

Erwin Toplak, Chief Operating Officer Georg Kapsch, Chief Executive Officer André Laux, Executive Board Member

Pursuant to the articles of association, the executive board consists of one to four members appointed by the supervisory board for a term of up to five years. The executive board currently consists of three members.

Name	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Telematic Services and Region North America	1959	2002	2014
Erwin Toplak (COO)	Sales Region 1[1], Business Development, System Engineering, Research & Development and Technical Operations	1961	2002	2014
André Laux (Executive Board Member)	Sales Region 2[1], Business Development, Product and Project Management	1962	2010	2013

1 The sales regions have developed historically and are addressed in the case of Region 1 by Kapsch TrafficCom AG and in the case of Region 2 by Kapsch TrafficCom AB, Sweden.

Georg Kapsch was appointed CEO of Kapsch TrafficCom AG in December 2002 and also holds functions in some of its direct and indirect subsidiaries. Since October 2000, Georg Kapsch has also served as the CEO of KAPSCH-Group Beteiligungs GmbH. He has been a member of the executive board of Kapsch AG since July 1989 and was appointed as its CEO in October 2001. Georg Kapsch studied business administration at the Vienna University of Economics and Business Administration *(Wirtschaftsuniversität Wien)* and graduated in 1981. He has been the chairman of the Technical University of Applied Sciences Vienna *(Fachhochschule Technikum Wien)* since September 2002 and of the Austrian Electronic Association *(Österreichischer Elektronikverband)* since December 2002. He was the vice president of the Association of the Austrian Electrical and Electronics Industries *(Fachverband der Elektro- und Elektronikindustrie)* between January 2003 and June 2012. In December 2008, Georg Kapsch was appointed president of the Vienna Regional Group of the Federation of Austrian Industries *(Industriellenvereinigung Wien)* and on 21 June 2012 he was also elected president of the Federation of Austrian Industries *(Industriellenvereinigung Österreich)*.

In addition, Georg Kapsch serves as CEO of DATAX HandelsgmbH, as chairman of the supervisory board of Kapsch CarrierCom AG, as deputy chairman of the supervisory board of Kapsch Business Com AG as well as member of the supervisory board of Teufelberger Holding AG.

Erwin Toplak has been a member of the executive board of Kapsch TrafficCom AG since June 2002 and also holds functions in some of its direct and indirect subsidiaries. He has been employed by the Kapsch Group since 1991, first as marketing and sales manager of the newly established toll collection division of Kapsch AG (1991–1994) and later as senior manager (1994–1999) as well as director (1999–2002) of the traffic control systems division of Kapsch AG. Erwin Toplak graduated from the polytechnic *(Höhere Technische Lehranstalt)* in Graz in 1984 with a degree in telecommunications and electrical engineering. He is vice president of the Austrian Electrotechnical Association *(Österreichischer Verband für Elektrotechnik).*

André Laux has joined the Kapsch TrafficCom Group in December 2007, has been a member of the executive board of Kapsch TrafficCom AG since 1 April 2010 and also holds functions in some of its direct and indirect subsidiaries. He began his professional career in different sales and management positions, both internationally and domestically (1988-1997), after completing a degree in business administration in Germany and England. In 1997, he became director of the German chip maker ODS Landis & Gyr in Munich. In 2000, André Laux transferred within the group to become CEO of Skidata AG in Salzburg. In 2004, he took over as CEO of Winter AG in Munich.

Workflow. The areas of responsibility of the individual executive board members, the procedures (such as requirements and procedures to pass resolutions) as well as the transactions that require approval by the supervisory board are defined in the articles of association and the internal rules of procedure for the executive board. The executive board holds regular meetings to exchange information and pass resolutions on all issues that fall under the competence of the entire executive board.

Remuneration. In the fiscal year 2011/12, the aggregate fixed and variable remuneration for the members of the executive board, including the cross-charge from Kapsch AG for the services of Georg Kapsch, amounted to EUR 1.82 million (fiscal year 2010/11: EUR 1.57 million).

Georg Kapsch is employed by Kapsch AG. His work is part of the management and consulting services provided by Kapsch AG, which are billed to Kapsch TrafficCom AG and disclosed in the notes to the consolidated financial statements under “Related parties”.

Erwin Toplak. The remuneration of Erwin Toplak is based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 28 % of the base compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, Erwin Toplak is entitled to a severance payment that equals eleven times his monthly salary. Mr. Toplak is required to comply with a non-competition clause for one year following the termination of his executive board position (unless he terminates for cause). In addition, he has an individually defined pension scheme for which Kapsch TrafficCom AG pays approximately TEUR 14 annually to an outside pension fund. As of 31 March 2012, Erwin Toplak held 152,728 shares of Kapsch TrafficCom AG, corresponding to about 1.2 % of the share total of 13 million.

André Laux. The remuneration of André Laux is determined based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 34 % of the base compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, André Laux is required to comply with a non-competition clause for one year following termination of his executive board position (unless he terminates for cause). André Laux has an individually defined pension scheme for which Kapsch TrafficCom AG pays approximately TEUR 5 annually to an outside pension fund.

Executive board remuneration 2011/12 in TEUR	Fixed	Variable	Total
Georg Kapsch	444	578	1,022
Erwin Toplak	378	64	442
André Laux	285	74	359
Total	**1,107**	**716**	**1,823**

Directors and officers liability insurance. The members of the executive board are insured against financial losses with a directors and officers liability insurance policy. In addition to the executive board, the policy also covers the members of the supervisory board as well as key managers of the Kapsch TrafficCom Group. Because a collective premium is paid, it is not possible to allocate a specific amount to individual members of the executive board.

Supervisory Board.

Pursuant to the articles of association, the supervisory board consists of three to six members elected by the shareholders' meeting, plus the representatives delegated by the works council *(Betriebsrat)* according to the Austrian Labor Constitutional Act *(Arbeitsverfassungsgesetz)*. The current members are:

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2013
Kari Kapsch	Deputy chairman	1964	2002	2013
Sabine Kauper	Member [1,2]	1968	2011	2014
Christian Windisch	Member [3]	1963	2002	–
Claudia Rudolf-Misch	Member [3]	1967	2010	–

1 Member meeting the criteria of rule C-54 of the Code
2 Since 22 August 2011 (until such date William Morton Llewellyn)
3 Delegated by the works council; without information on expiration since the works council may recall a member it has delegated at any time

Franz Semmernegg has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002. Since June 2005, he has been chairman of the supervisory board. Franz Semmernegg has been the CFO of KAPSCH-Group Beteiligungs GmbH since April 2005. He also serves as the CEO of Kapsch BusinessCom AG and has been a member of the executive board of Kapsch BusinessCom AG since March 2003. In addition, he has also been the CFO of Kapsch AG since October 2001 and was a member of the executive board of Schrack BusinessCom AG from 1999 to September 2001. In 1998, Franz Semmernegg was responsible for the successful management buy-out of Schrack BusinessCom AG from Ericsson Austria AG and was previously involved in management functions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997). He graduated with a degree in business administration (1992) and a Ph.D. (1997) from the University of Graz *(Karl-Franzens-Universität).*

In addition, Franz Semmernegg serves as a member of the executive board of CALPANA business consulting GmbH, Kapsch Smart Energy GmbH, Kapsch Cashpooling and Hedging GmbH as well as Kapsch IT Services for finance and industries GmbH. He also serves as a member of the advisory board of Kapsch Sp. z.o.o., Kapsch BusinessCom Kft., Kapsch BusinessCom s r.o. (Prague), Kapsch s r.o. (Bratislava), Kapsch S.R.L. and Enso GmbH.

Kari Kapsch has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and the deputy chairman since June 2005. He previously served as deputy chairman of the supervisory board from June 2002 to December 2002 and as chairman of the supervisory board from December 2002 to June 2005. Kari Kapsch has also been the COO of KAPSCH-Group Beteiligungs GmbH since December 2005. In addition, he is also the COO of Kapsch AG and CEO of Kapsch CarrierCom AG. He is involved in several industry-related associations and was the chairman of the executive board of Young Industry Vienna *(Junge Industrie Wien)* and deputy chairman of Young Industry Austria *(Junge Industrie Österreich)* from 1996 to 2002. Kari Kapsch graduated with a degree (1988) and a Ph.D. (1992) in physics from the University of Vienna *(Universität Wien).*

In addition, Kari Kapsch is a member of the executive board of Kapsch Immobilien GmbH, chairman of the board of Kapsch BusinessCom AG and as well a member of the advisory board of Kapsch Sp. z.o.o., Kapsch BusinessCom Kft., Kapsch BusinessCom s r.o. (Prague), Kapsch s r.o. (Bratislava) and Kapsch S.R.L.. Kari Kapsch is the brother of Georg Kapsch, the CEO of Kapsch TrafficCom AG.

Sabine Kauper, holds a master's in business administration. She was most recently the CFO of Sunselex AG in Munich and completed a training program to become a qualified supervisory board member with certification by Deutsche Börse AG. From the year 2000 to December 2011, she worked for Phoenix Solar AG, Germany, and was a member of the executive board of Phoenix Solar AG since 2007. As Chief Financial Officer she was responsible for Finance, Personnel and Organizational Development, International Processes and IT, Internal Audit and Legal. Sabine Kauper has been on the supervisory board of SKW Stahl-Metallurgie Holding AG since 2009. She obtained a master's degree in business administration with electives in tax and auditing. After completion of her degree course, she worked for an auditing company for four years.

Christian Windisch has been a member of the supervisory board delegated by the works council since November 2002. He joined Kapsch Group in September 1984 and is currently employed in quality management. Christian Windisch graduated from the polytechnic *(Höhere Technische Lehranstalt)* in Vienna with a degree in telecommunications and electrical engineering.

Claudia Rudolf-Misch has been a member of the supervisory board of Kapsch TrafficCom AG delegated by the works council since November 2010. She joined Kapsch TrafficCom in June 2004 and is responsible for the integrated management systems HSSEQ (Health-Safety-Security-Environment-Quality). She is a certified manager and auditor according to ISO 9001, ISO 14001 and OHSAS 18001. Claudia Rudolf-Misch received an MBA in 2001.

All members elected by the shareholders' meeting are considered independent as defined by rule C-53 of the Code and the guidelines for independence according to appendix 1 of the Code. Sabine Kauper is also independent of the principal shareholder of KAPSCH-Group Beteiligungs GmbH as defined by rule C-54 of the Code.

The supervisory board held four meetings in the past fiscal year. No member of the supervisory board attended less than half the meetings. In the past fiscal year, there were no transactions requiring approval in accordance with § 95 para. 5 no. 12 of the Stock Corporation Act *(Aktiengesetz)* with members of the supervisory board or with companies in which a member of the supervisory board has a significant financial interest, with the exception of the transactions listed in the notes to the consolidated financial statements under "Related parties".

Remuneration. The members of the supervisory board and its committees receive reimbursement of actual expenses, including reasonable travel expenses. In addition, the shareholders' meeting may provide for the annual remuneration of supervisory board members. On 24 June 2009, the annual shareholders' meeting resolved to grant William Morton Llewellyn remuneration of TEUR 3 per meeting. Remuneration of TEUR 8 was paid for the past fiscal year until his resignation on 22 August 2011. No other member of the supervisory board receives specific remuneration for such office; any remuneration for Sabine Kauper for the past fiscal year needs to be resolved upon by the annual general meeting on 24 August 2012.

Kapsch AG renders additional, remunerated consulting services to Kapsch TrafficCom AG, which are performed in part by Franz Semmernegg and/or Kari Kapsch.

Directors and officers liability insurance. The members of the supervisory board are insured against financial losses with a directors and officers liability insurance policy. In addition to the supervisory board, the policy covers the members of the executive board as well as key managers of the Kapsch TrafficCom Group. Because a collective premium is paid, it is not possible to allocate a specific amount to individual members of the supervisory board.

Committees of the Supervisory Board.

The supervisory board has established an audit committee *(Prüfungsausschuss)* and a committee for executive board matters *(Ausschuss für Vorstandsangelegenheiten)*.

The committee for executive board matters is responsible for the relationship between the company and the members of the executive board (including remuneration issues), except for the appointment or dismissal of members of the executive board. It consists of two members of the supervisory board elected by the shareholders' meeting, including the chairman of the supervisory board. The current members of the committee for executive board matters are Franz Semmernegg (chairman) and Kari Kapsch. The committee for executive board matters held no meeting in the past fiscal year.

The audit committee is responsible for the duties set out in section 92 para 4a Stock Corporation Act *(Aktiengesetz)*. These responsibilities include the review and preparation of the approval of the financial statements and consolidated financial statements, the audit of the corporate governance report, the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profit and the preparation of a report to the annual shareholders' meeting. Furthermore, the audit committee prepares the proposal of the supervisory board for the selection of an auditor, reviews the accounting process and the effectiveness of the internal control and risk management systems.

One member of the audit committee must be a financial expert *(Finanzexperte).* Persons who were previously members of the executive board, managing directors or auditors of the company or persons who certified the company's annual or consolidated financial statements within the last three years do not qualify as financial experts and may not serve as chairman of the audit committee. The current members of the audit committee are Franz Semmernegg (chairman/financial expert), Kari Kapsch and Christian Windisch. The audit committee held a total of four meetings in the past fiscal year.

In addition to the members of the audit committee, the audit committee meetings must be attended by the executive board and a representative of the auditor, if requested by the chairman of the audit committee or required by law.

Promotion of Women to the Executive and Supervisory Boards and Senior Positions.

Kapsch TrafficCom AG has no specific plan for promoting women to the executive board, the supervisory board or senior positions in the company and its subsidiaries. Candidates are always selected with a view to identifying the best person for the job, regardless of gender. Women are employed in various senior positions throughout Kapsch TrafficCom AG (such as head of finance & administration) and its subsidiaries. Currently two members and thus one third of all members of the supervisory board are female, Claudia Rudolf-Misch (delegated by the works council) and Sabine Kauper (elected by the general meeting).

Women are supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, Kapsch TrafficCom cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. The company also promotes women in the workforce through participation in specific programs such as "FIT *Frauen in die Technik*" or "FemTech". A specific trainee program "Women into Sales" has been established within the Kapsch TrafficCom Group in addition to a committee for non-discrimination.

Report of the Supervisory Board.

Franz Semmernegg, Chairman of the Supervisory Board

The Kapsch TrafficCom AG supervisory board held a total of four meetings during the fiscal year from 1 April 2011 to 31 March 2012. No member of the supervisory board attended less than half of all meetings. The supervisory board was informed by the executive board on an ongoing basis in writing and verbally as well as in the meetings held jointly with the executive board on the position, development and strategy of the company. It also monitored and advised the executive board during the period under review. The chairman of the supervisory board was in regular contact with the chairman of the executive board in order to discuss business development, strategy and risk management.

PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as independent auditor appointed by the general meeting has audited and issued an unqualified audit opinion on the annual separate financial statements and the annual consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2012 as well as the management report on the company and the group dated 30 May 2012, each as prepared by the executive board. The annual separate financial statements and the annual consolidated financial statements, the executive board's proposal for the distribution of profit, the auditors' reports (including the management letter) as well as the corporate governance report were discussed in detail with the executive board and the independent auditors at a meeting of the audit committee and subsequently presented to the supervisory board. The supervisory board reviewed such documents in accordance with Section 96 of the Austrian Stock Corporation Act *(Aktiengesetz)* and approved the annual separate financial statements in line with Section 96 para. 4 of the Austrian Stock Corporation Act *(Aktiengesetz).* The supervisory board concurs with the executive board's proposal for the distribution of profit.

The audit committee held a total of four meetings during the fiscal year from 1 April 2011 to 31 March 2012 and met the responsibilities as set out in section 92 para 4a of the Austrian Stock Corporation Act *(Aktiengesetz).*

The supervisory board extends its thanks to the members of the executive board and all employees of Kapsch TrafficCom AG for their work in fiscal year 2011/12.

Vienna, 11 June 2012

Franz Semmernegg
Chairman of the Supervisory Board

» I see four challenges for the future of mobility: avoiding traffic jams, increasing passenger vehicle seating capacity (efficient passenger models), improvements in switching modes of transport and a distribution of expenses appropriate to the cost origins. «

Wilhelm Rasinger
President of the IVA Association for Investors and supervisory board member at various Austrian stock corporations

Kapsch TrafficCom **Shares.**

Stock Markets in Fiscal Year 2011/12.

International stock markets. In the international stock markets, the year 2011 was characterized by heavy price losses and high volatility. The intensification of the euro debt crisis and weak economic outlooks led to significant share price drops, especially in the second half of the year. The European share index DJ Euro Stoxx, the DAX and the Japanese Nikkei 225 finished 2011 at more than 15 % below the closing values of the previous year; in the U.S.A., the Dow Jones Industrial was able to recover in the fourth quarter and achieve growth of about 5 %. This was followed in the first quarter of 2012 by clear easing on the financial markets: two interest rate cuts by the European Central Bank at the end of 2011, the easing of the euro crisis, satisfactory company results and, not least, the stabilization of the economic expectations reduced the volatility and allowed the international share index to rise by 10 to 20 %. In consequence, the Dow Jones Industrial and the Nikkei 225 both finished March 2012 above the closing values of the previous year's quarter.

Vienna Stock Exchange. Compared with international developments, the prime index of the Vienna Stock Exchange ATX experienced a much more significant loss in value during 2011. The contraction by roughly 35 % can be attributed to the weighting of bank shares as well as the economic proximity of Austria to the CEE countries and Italy, among other factors. The market capitalization on 31 December 2011 was roughly EUR 66 billion, considerably below the previous year's value of EUR 94 billion. In the first quarter of 2012, the ATX was able to regain some ground. It surpassed the 2,000-point mark, and although it was still well below the value from the same quarter of 2011, it was roughly 14 % above the year-end value for 2011.

Kapsch TrafficCom Shares in Fiscal Year 2011/12.

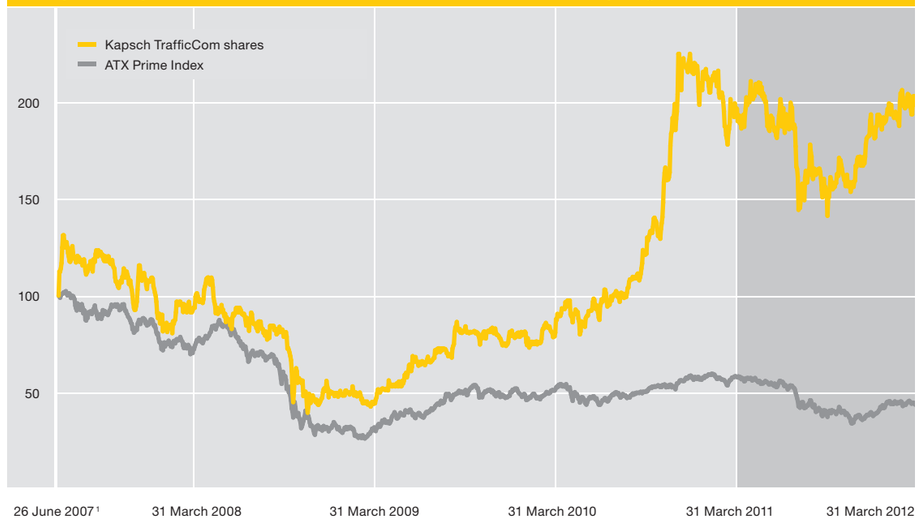
The shares of Kapsch TrafficCom have been listed in the Prime Market of the Vienna Stock Exchange since 26 June 2007. They are included in the ATX Prime Index and since 2009 also in the Austrian sustainability index, VÖNIX. As a member of the United Nations Global Compact (UNGC), Kapsch TrafficCom is committed to corporate social responsibility and sustainable development.

In July 2011, Kapsch TrafficCom undertook a capital increase and was able to successfully place 800,000 new shares of approved capital with institutional investors at a price of EUR 61.25 per share. This also increased the share capital from EUR 12.2 million to EUR 13.0 million. The gross proceeds of EUR 49 million strengthened the financial basis for further growth. The first trading day for the new shares was 1 August 2011.

In the 2011/12 fiscal year, Kapsch TrafficCom shares were able to significantly outperform the developments on the Austrian stock market. After the stock markets fell heavily at the start of September 2011, Kapsch TrafficCom shares remained more stable than the rest of the market and also made a slight recovery as of the start of 2012. On the closing date of the 2011/12 fiscal year (31 March 2012), the share price was EUR 63.50; compared with the 2010/11 closing price on 31 March 2011 of EUR 62.50, this represents an increase of 1.6 %. The comparison index ATX Prime lost 24.6 % during the same period.

From the floatation in 2007 with an offer price of EUR 32 up to the reporting date on 31 March 2012, Kapsch TrafficCom shares have increased in value by 98 %, while the ATX Prime and the prime index ATX fell by roughly 55 % during the same period against the backdrop of economic turbulence.

Development of Kapsch TrafficCom shares and ATX Prime Index from 26 June 2007 to the reporting date on 31 March 2012



1 Offer price on 26 June 2007 and opening value for ATX Prime Index on 26 June 2007, each indexed to 100

Based on a closing price of EUR 63.50 per share as of 31 March 2012 and a quantity of 13.0 million shares, Kapsch TrafficCom's market capitalization was EUR 825.5 million (31 March 2011: EUR 762.5 million). The average daily turnover of the Kapsch TrafficCom shares on the Vienna Stock Exchange was approximately EUR 1.04 million (double count), down by about 16 % compared to the previous year's value of EUR 1.24 million (double count).

Key data on the shares		2011/12	2010/11	2009/10	2008/09	2007/08
Weighted Ø number of shares [1]	in million	12.74	12.20	12.20	12.20	11.70
Earnings per share [2]	in EUR	1.62	1.81	2.64	1.06	2.60
Dividend per share	in EUR	0.90 [5]	1.00	0.75	0.50	0.90
Free cash flow per share	in EUR	-3.99	-1.63	3.41	1.63	-1.26
Offer price per share [3]	in EUR					32.00
Share price [1]	in EUR	63.50	62.50	25.26	14.80	31.82
P/E ratio [1]	in EUR	39.29	34.56	9.57	13.96	12.23
Market capitalization [1]	in million EUR	825.50	762.50	308.17	180.56	388.20
Performance of shares	in %	1.60	247.40	70.90	-53.49	-0.56
Performance of ATX Prime	in %	-24.59	45.21	69.80	-68.63	-26.00
Ø daily trading volume [4]	in million EUR	1.04	1.24	0.26	0.30	1.49

1 As of 31 March
2 Relate to the weighted Ø number of shares; earnings per share calculated from the profit for the period attributable to the equity holders of the company
3 On 26 June 2007
4 Double count
5 Proposal of the executive board subject to approval of the shareholders´ meeting on 24 August 2012

Dividend Policy.

Kapsch TrafficCom follows a clear dividend policy. Accordingly, the executive board recommends a distribution of dividends in a long-term average that would reflect a payout ratio of approximately one-third of group annual profits. For the fiscal year 2011/12, the executive board will make a proposal to the shareholders' meeting on 24 August 2012 calling for the approval of a dividend of EUR 0.90 per share (2010/11: EUR 1.00 per share). The executive board's proposal reflects a payout ratio of approximately 57 % in relation to the profit for the period attributable to equity holders of the company (2010/11: approximately 55 %), a ratio that exceeds the long-term average based on the dividend policy. This deviation is related to one-time effects and the realization of projects which may lead to profit fluctuations from period to period. In general, Kapsch TrafficCom views itself as a dividend-bearing company, and this is reflected in a continuous absolute payout ratio in compliance with the long-term dividend policy, insofar as company developments permit this.

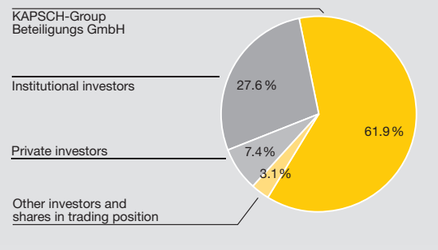
Shareholder Structure.

As of 31 March 2012, approximately 38.1 % (31 March 2011: approximately 31.6 %) of the shares were in free float, whereas the remaining approximately 61.9 % (31 March 2011: approximately 68.4 %) were held by KAPSCH-Group Beteiligungs GmbH. As of 31 March 2012, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom. The increase of the free float compared to the previous year resulted from the issuance of new shares in July 2011 and the sale of 300,000 shares by the core shareholder KAPSCH-Group Beteiligungs GmbH in March 2012 in order to increase the free float and the liquidity of the shares.

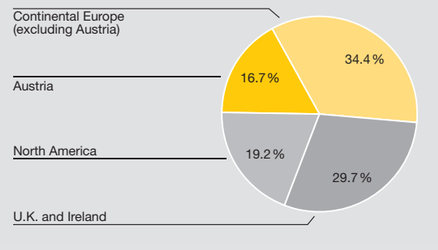
Core shareholder. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH. The shares in DATAX HandelsgmbH are held in equal proportions by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private trust under the Austrian Law for Private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

Free float. Kapsch TrafficCom AG has a widely diversified shareholder structure. In addition to the core shareholder, KAPSCH-Group Beteiligungs GmbH (61.9 %), 27.6 % is held by institutional investors, with the top ten investors holding in aggregate 65.8 % of that share. The share of private investors totals 7.4 %, including the shares held by Erwin Toplak, the COO of Kapsch TrafficCom AG. The remaining 3.1 % is held by other investors, including shares in trading positions. Based on information available to the company, the majority of the institutional investors come from Anglo-Saxon countries, the U.K. and Ireland (29.7 %) as well as North America (19.2 %). Austrian institutional investors hold 16.7 % of the shares, and the remaining 34.4 % is attributable to investors in continental Europe (excluding Austria).

Shareholder structure as at 31 March 2012



Geographical distribution of institutional investors



Corporate Bonds.

On 3 November 2010, Kapsch TrafficCom AG issued a 4.25 % corporate bond with a volume of EUR 75 million and a tenor of seven years until 2017. The corporate bond is listed in the Regulated Market of the Vienna Stock Exchange. Based on information available to the company, more than 70 % of the bonds are held by retail investors, while the remainder is held by domestic and international institutional investors. The proceeds were intended to finance the acquisition of Mark IV IVHS and the capital requirements of other potential projects. The bonds traded at EUR 103.49 at the end of the period on 31 March 2012.

Investor Relations.

Professional investor relations have a high priority at Kapsch TrafficCom. This department reports directly to the CEO, but its work is also integrated closely with the head of finance and administration. The goal of investor relations activities at Kapsch TrafficCom is to provide a comprehensive view of the company, thereby facilitating an appropriate valuation of the Kapsch TrafficCom shares and the corporate bonds.

The CEO and the investor relations team participated in international road shows and investor conferences in Europe and the U.S.A. once again during the fiscal year 2011/12, meeting with numerous investors throughout the world to discuss the company as well as its development and strategy. The Kapsch TrafficCom website, which offers comprehensive and up-to-date information about the company and all relevant investor topics, was completely redesigned and expanded in the reporting year.

Research Reports. Regular analysis by reputable domestic and international investment banks maintains the visibility of the Kapsch TrafficCom shares in the financial community. Kapsch TrafficCom AG is currently covered by four analysts (in alphabetical order):

- Berenberg (London, U.K.)
- Deutsche Bank (Vienna, Austria)
- Erste Group (Vienna, Austria)
- Raiffeisen Centrobank (Vienna, Austria)

Vienna Stock Exchange Award 2012. In May 2012, Kapsch TrafficCom received the Vienna Stock Exchange Award 2012 in the category "Small and mid caps" for the second consecutive time. The Vienna Stock Exchange Award is a joint initiative of Aktienforum, Cercle Investor Relations Austria (C.I.R.A.), the Austrian National Bank (OeNB), the Austrian Association for Financial Analysis and Asset Management (ÖVFA), the Association of Austrian Investment Companies (VÖIG), the Vienna Stock Exchange and the Representative for Capital Market Development and Corporate Governance. The purpose of this award is to honor companies for their excellent work on the Austrian capital market.

» If we want to overcome the complex challenges for the mobility of tomorrow, we need not just the newest technologies but also the best minds. «

Prof. Emil Simeonov
Director of the Institute for Applied Mathematics & Natural Sciences
and Head of the Master Intelligent Transport Systems program
at the UAS Technikum Wien

About Us.

Our Strategy up to 2016.

WE ARE	5-Path Strategy	WE WILL BE
A provider of primarily electronic toll collection (ETC)	Exploit the ETC market growth	A provider of electronic toll collection (ETC) and of select intelligent transportation systems (ITS)
	Enter new ITS segments	
	Expand product business	
	Enter new regional markets	
	Prepare for the convergence of the ITS market	

We follow a focused, long-term expansion strategy. Our strategic goals are to significantly increase revenues still further while maintaining a double-digit EBIT margin. Over the long-term, we plan to generate three-fourths of our business via recurring revenues in order to reduce the volatility of the cash flows resulting from the project business as well as to significantly increase the proportion of business with select ITS applications other than electronic toll collection.

In this way, we are preparing the Kapsch TrafficCom Group for the convergence of the ITS market that we expect in the next 5 to 10 years: applications, platforms and technologies will presumably become increasingly interconnected and converge over time. In our view, the future lies in "connected vehicles in cooperative systems", which are systems for real-time interaction between vehicles (car-to-car communication) as well as between vehicles and infrastructure (car-to-infrastructure communication). As a prerequisite for this, we strive for global leadership in quality and innovation.

5-path strategy. These goals are underpinned by five paths that will show us the way in the upcoming years. The major strategic implications are the continued growth and the preparation for the expected convergence of the ITS market. Electronic toll collection (ETC) is and will remain our core business, but we need and want to expand our offering even more to become a provider of ETC and select intelligent transportation systems (ITS) in the future.

Firstly, we will participate in the strong growth expected in the ETC market. We see significant opportunities for the implementation and operation of toll collection systems around the world. We intend to capitalize on our strong position and further increase our market share. On one hand, we must strive to win as many nationwide projects as possible; on the other, we must further develop our systems to maintain our technological advantage. The existing organization has to be adapted to handle several large projects in parallel and to ensure that small projects are executed in a cost-efficient way.

Secondly, we will enter specific segments of the ITS market with an eye toward convergence. We aim to create a complementary and future-oriented portfolio that capitalizes on synergies that benefit us by leveraging existing sales channels, existing technologies or the project organization we already have in place and our customers by helping them to manage the transition from today's conventional ITS systems to future-oriented ITS applications. We see ourselves as well-positioned for this objective since the 5.9 GHz technology that we developed in the U.S.A. is likely to become the enabling technology for many of the ITS segments we plan to address.

Thirdly, we will expand our product business. For many of these additional ITS applications, the sale of open market products, including indirectly via partners such as system integrators and value-added resellers, as well as the small-scale project business will presumably be of greater initial importance than in our large toll collection projects, which focus on the system as a whole. Over time, however, we intend to create complete solutions in the ITS space as well. We must also prepare the organization for this.

Fourthly, we will enter new regional markets. Already today, Kapsch TrafficCom is active around the globe, but there are still markets in which we are hardly or not at all represented. We see further opportunities and growth potential for us in the large operation projects in Europe as well as those in South America and South East Asia. We also view the U.S.A. as among these markets, and we are already one step ahead there after the acquisition of Mark IV IVHS in 2010.

We will also offer products and smaller scale systems for emerging markets in which conventional manual tolling is often still the preferred way of collecting tolls, although ETC systems will eventually be introduced in the long run.

Fifthly, we will prepare for the convergence of the ITS market in order to secure our long-term growth. For the future topic of "connected vehicles in cooperative systems", we will actively participate in standardization processes and research projects while also establishing contacts with the automotive industry as a new target group.

New, efficient organizational structure. The strong growth in recent years and its planned continuation within the strategy up to 2016 require the adaptation of our company structures. We must first adapt the organization for sustained growth and thereby increase our efficiency. Additional growth prospects also lie in expanding into new fields of business and markets. On one hand, the increasingly regional orientation in the future should bring greater focus onto the three sales regions, allowing us to act in a more decentralized fashion as our size grows. On the other hand, we want to create space for additional ITS segments.

Successful implementation of these changes requires that our employees not only understand the technologies but also anticipate the future business models of our customer. We believe that it will become increasingly important in the future to offer business models as well as creative and intelligent financing models. This is the only way to secure a competitive edge and make ourselves hard to imitate.

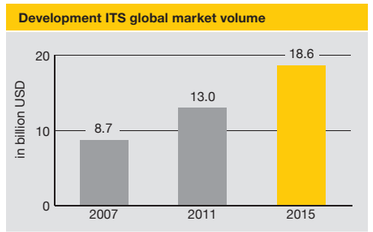
For this reason, we will continue to invest directly in employee education and development, and employees will continue to enjoy the fruits of their success, the success of Kapsch TrafficCom. The existing core values of Kapsch TrafficCom – dynamism, respect, responsibility, family, discipline, performance, transparency and freedom – and their realization in daily business life should continue to foster a good working atmosphere in the future while forming the basis for embracing diversity on the global market.

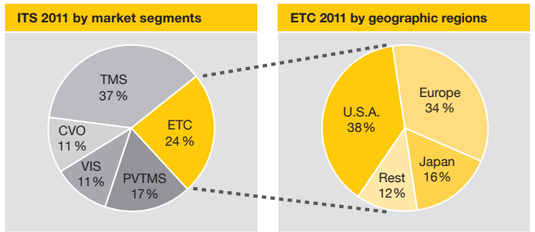
Our Market.

We address the intelligent transportation systems (ITS) market. Intelligent transportation systems employ information and communication technologies to support and optimize road transportation, including infrastructure, vehicles and users. The market comprises the following segments:

Electronic Toll Collection	ETC	Enabling drivers to pay toll fees without stopping at toll stations.
Traffic Management Systems	TMS	Monitoring traffic, optimizing signal timing, and regulating the flow of traffic.
Commercial Vehicle Operations	CVO	Systems for operating commercial vehicles in order to enhance freight carrier productivity and safety.
Public Vehicle Transportation Management Systems	PVTMS	Facilitating management of both local and long-distance public transportation.
Vehicle Information Systems	VIS	Increasing traffic safety and security.

Market volume. According to Global Industry Analysts (May 2008 and September 2010), the volume of the ITS market amounted to USD 13.0 billion in 2011 and is expected to continue growing.





Market segmentation. The largest ITS market segment in 2011 was Traffic Management Systems, accounting for almost 37 % (USD 4.8 billion). Based on a worldwide volume of about USD 3.1 billion, Electronic Toll Collection had an ITS market share of about 24 % in 2011. The largest geographic region for ETC in 2011 was the U.S.A. at 38 %, followed by Europe at 34 %.

Market growth. The ITS market is expected to grow at an average annual rate of 10 % between 2007 and 2015 to reach USD 18.6 billion in 2015, of which ETC will account for USD 5.2 billion equalling a share of 28 %, thereby exhibiting the fastest growth of all ITS segments at an average annual rate of 13 %.

Market drivers. We have identified the following six factors as the main drivers for our market. These are described in more detail in the Management Report.

- Funding for infrastructure projects
- Reducing congestion
- Reducing environmental pollution caused by road traffic
- Increasing traffic safety and security
- Enhancing vehicle and fleet productivity
- Increased comfort expectations of travelers

Our Market Positioning.

Kapsch TrafficCom has developed its own understanding of the ITS market in order to define and develop its market positioning. From this perspective, we have identified four fields of the ITS market.

Operator/authority-related ITS. This field encompasses both ETC and TMS as well as applications for traffic safety and security in addition to urban access management. The addressees are governmental and regional authorities as well as other organizations, such as concessionaires, that develop transport 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. Aimed at in-car telematics such as remote diagnostics or advanced driver assistance systems, these systems are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles (CVO), as well as traffic safety and security. Addressees are mainly car makers and their suppliers. This field includes systems for real-time interaction between vehicles (car-to-car communication) as well as between vehicles and infrastructure (car-to-infrastructure communication), which we believe will be increasingly based on 5.9 GHz technology. In the CVO segment, for example, data sent by the vehicle's on-board electronics via the 5.9 GHz band is analyzed to determine the condition of the vehicle.

User-related ITS. These systems are focused mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation, thereby increasing traffic safety. Example applications for vehicle information systems (VIS) include transmitting traffic-related vehicle information to travelers before or during the trip as well as navigation. Addressees are information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices. The 5.9 GHz technology as a communication platform will enable a variety of future applications involving "connected vehicles".

Industry-related ITS. Commercial applications designed to reduce the costs or maximize the revenue of vehicle fleet operators, including transportation companies (PVTMS) make up this field. Examples include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the drivers in this field 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.

As the ITS market undergoes a process of convergence, we expect that future solutions in these four fields will become increasingly interconnected and will finally converge over time. The technical boundaries and organizational requirements are being identified and standardized within research projects. The driving forces in this area are transport ministries and the automotive industry.

Our current focus aims at the operator/authority-related segment of the ITS market. Our goal is to become a leading provider of solutions and technologies in the future field of "connected vehicles in cooperative systems". We intend to offer solutions at both the infrastructure and vehicle levels, supplying the communication channel as well as select applications.

Our Range of Applications.

In line with the focus on operator/authority-related ITS our current core business is toll collection. We design, build and operate primarily electronic toll collection systems, in particular for multi-lane free flow traffic. Starting from there, we have added applications in the fields of urban access management and traffic safety & security to our portfolio.

Toll collection	Urban access management	Traffic safety & security
Target groups ▪ Road operators ▪ Concessionaires	**Target groups** ▪ Municipalities	**Target groups** ▪ Police authorities ▪ Road authorities
Applications ▪ Highway tolling ▪ Area tolling ▪ Plaza tolling ▪ HOT lane tolling ▪ Toll enforcement	**Applications** ▪ City tolling ▪ Access restriction ▪ Low emission zones ▪ On-street parking	**Applications** ▪ Speed monitoring ▪ Weigh in motion ▪ Incident detection ▪ Traffic surveillance ▪ Commercial vehicle operations
Add-on applications		
▪ Traffic management ▪ Access & payment ▪ Truck parking		▪ Vehicle tracking

Our current target groups. With the direct system business, we primarily address road operators and concessionaires but also municipalities, police and related authorities, such as road authorities. Additional target groups are system integrators and value-added resellers for the indirect product business as well as end users such as haulers or road users in those cases where we operate a system on behalf of our direct end customer.

Toll collection. In this application field, we address road operators and concessionaires. Our offering encompasses electronic, manual and automatic systems for toll collection on highways, in areas, at plazas and on lanes as well as toll enforcement. Depending on the specific requirements, the systems are based on different core technologies and thereby combine the advantages of microwave technology (dedicated short-range communication; DSRC), satellite navigation (global navigation satellite system; GNSS) and video technology (automatic number plate recognition; ANPR). This application field represents the current core business of Kapsch TrafficCom, and we will continue enhancing our application portfolio with innovative ideas in the future.

Urban access management. Municipalities are the main target group of this application field. Today, we already offer urban access management in Italy and some other countries, and we intend to increasingly strengthen this field in the future by offering specific packages to the market. In addition to city tolling, our offering includes on-street parking, which will develop into fully automatic time-based charging of parking zones. We also expect a significantly increasing demand for low emission zones, which are in essence access restrictions.

Traffic safety and security. This field primarily addresses the police and road authorities. Our offer encompasses speed monitoring, weigh in motion (which we already often combine with toll collection systems), incident detection, traffic surveillance and commercial vehicle operations.

Add-on applications. In the three fields of application listed above, we also offer select add-on applications that utilize the existing infrastructure for other systems and applications such as traffic management, access & payment, truck parking and vehicle tracking.

Our End-to-End Solutions.

Within these fields of applications, we cover the entire value creation chain of our customers, acting as a one-stop shop by providing products and components as well as subsystems as open market products, by integrating them into turnkey systems and by developing end-to-end solutions, including services for technical and commercial system operations.

Products & components			Subsystems			System	System operation	
In-vehicle products	Transceivers & readers	Video & sensors	Toll station	Enforcement station	Central system	System integration	Technical operations	Commercial operations

Products and components are developed in-house and either integrated to subsystems or sold as open market products to customers such as system integrators and resellers. The product line encompasses the three product families of in-vehicle products (on-board units and transponders), transceivers and readers as well as video and sensors (cameras and components for vehicle classification, incident detection and weigh in motion).

Subsystems such as toll and enforcement stations or central systems are integral elements of a system and fulfill specific functions in the toll collection process (toll station), its enforcement (enforcement station) and clearance processes in the back office (central system). They are sold individually, in combination or integrated to turnkey systems.

System operation encompasses the technical and, since 2005, also the commercial operation of systems, merging the Kapsch TrafficCom portfolio of products, components and (sub)systems into end-to-end solutions.

Technical operations refer to the technical environment of a toll collection system as well as to the necessary organizational structure and ensure the operational safety of the roadside infrastructure. Kapsch TrafficCom takes over the technical operation at a local level, supported by services such as monitoring, maintenance and ongoing system optimization. Our offer is completed by services for the generation of statistics, reports and documentation.

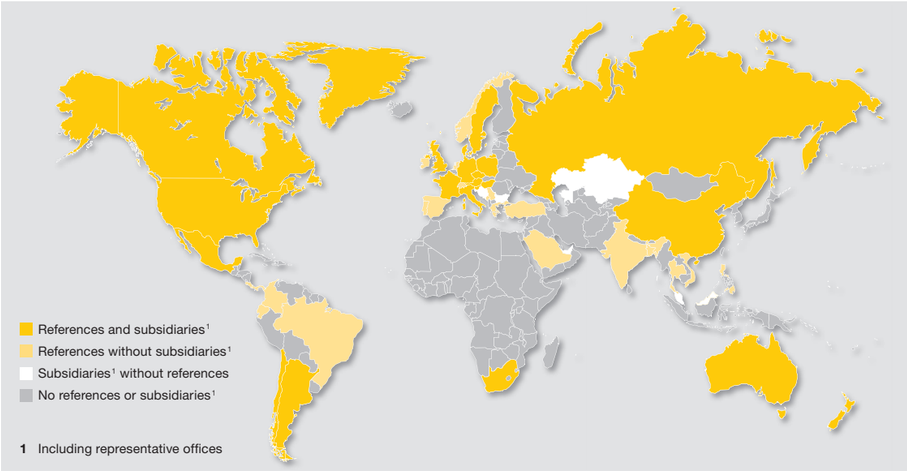
Commercial operations include the planning and implementation of point-of-sale systems, the implementation and operation of call centers and the design of suitable web portals as well as payment systems including comprehensive services from invoicing to dunning that support a variety of payment systems, such as cash, credit cards or fleet cards. In order to enable the enforcement of the toll collection process, manual validation centers are implemented within the scope of operation projects and specific measures for mobile enforcement are implemented.

Aspiring to quality and innovation. In the strategy up to 2016, we aim for global leadership in quality and innovation. It is our mission to consistently create competitive advantages and benefits for our customers and partners while ensuring that we live up to our responsibility to the environment. In our view, we win over customers and retain their trust through a strict focus on customer requirements. We work to achieve long-lasting partnerships with satisfied customers through optimal service. We are committed to a permanent and integrated innovation process. Our quality management processes follow an integrated management system for health and safety, security, environment and quality (HSSEQ).

Research and development activities are a high priority for us in pursuing our strategic goals. The knowledge of entirely new technologies based on national and international standards and the ability to implement these form the foundation for successful business developments and also enable our entry into new markets. Successful research and development are the foundation for the sustained improvement of existing products and systems.

Our Sales Regions and Major References.

Customers around the world value our products and services. The numbers not only speak for themselves, they speak for Kapsch TrafficCom: More than 280 customer references in 41 countries on all 5 continents and over 70 million delivered on-board units as well as about 18,000 equipped lanes plus subsidiaries in 27 countries and representative offices in another 3 countries.



Europe. In Europe, the nationwide systems in Austria, the Czech Republic and Poland are currently our largest references.

In Austria, we were awarded in 1995 the contract for the realization of the nationwide Ecopoint System, the world's first emissions-based traffic management system. On 1 January 2004, a nationwide electronic toll collection system for all vehicles above 3.5 tons was launched. This system now covers roughly 2,200 kilometers of motorways and expressways. As a system supplier, we were responsible for the entire turnkey system and since then have taken over the technical operation of the system, including maintenance. With an average toll transaction rate of 99.9 %, the system generated toll revenues of about EUR 1.1 billion in 2011. As of 31 March 2012, we have equipped some 3,000 lanes and delivered about 1.2 million on-board units.

In the Czech Republic, we were responsible for the design, development, integration and installation of the nationwide electronic toll collection system for all vehicles above 3.5 tons, which now covers roughly 1,350 kilometers. The system was completed in just nine months and started commercial operation on 1 January 2007. Since then, we have taken over the technical and commercial operation of the system and added a traffic management system. With an average toll transaction rate of 99.5 %, the system generated toll revenues of nearly CZK 8.1 billion (EUR 328 million) in 2011. As of 31 March 2012, we have equipped some 1,400 lanes and delivered about 0.7 million on-board units.

In Poland, on 3 July 2011, we launched the electronic toll collection system viaTOLL on the existing road network of around 1,560 kilometers for all vehicles above 3.5 tons after an implementation period of only eight months. Since then, we have been responsible for the technical and commercial operation of the system. In the first nine months of operation, the toll system generated revenues of nearly PLN 615 million (EUR 147 million). As of 31 March 2012, we have equipped some 1,000 lanes and delivered about 0.6 million on-board units.

In Switzerland, we implemented the nationwide infrastructure and enforcement systems for the truck system "LSVA". In Sweden and Denmark, we installed a single-lane electronic toll collection system on the Öresund and Storebaelt bridges connecting the two countries. In Italy, we have deployed urban access management solutions in Rome, Bologna, Piacenza, Genoa, Livorno, Arezzo, Ravenna, Lecce and Salerno, among other cities.

Americas. In North America, the recently acquired Mark IV IVHS has enabled many landmark ITS deployments such as the electronic toll collection system on highway 407 ETR in Canada, the interoperability between an electronic truck preclearance and a toll collection system (PrePass) in the U.S.A. as well as the E-ZPass system of the 24 toll agencies in 14 U.S. states who operate the largest interoperable toll collection system in the world. As of 31 March 2012, we have equipped some 2,000 lanes and delivered about 46 million on-board units.

In South America, we implemented three electronic toll collection systems on motorways and expressways in Chile: Costanera Norte, Autopista Central and Vespucio Norte Express. All three systems include technologies for the detection, classification and registration of vehicles. As of 31 March 2012, we have equipped some 250 lanes and delivered about 2.3 million on-board units.

Africa. In 2002, we implemented Africa's first electronic toll collection system on the Platinum Toll Highway in South Africa. Recently, we implemented an electronic toll collection system for multi-lane free-flow traffic for all vehicles on 185 kilometers in the South African Gauteng province.

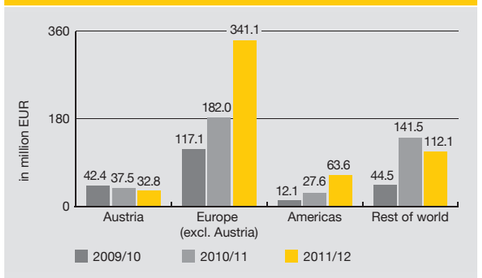
Asia-Pacific region. In Australia, we implemented in 1999 the world's first electronic toll collection system for multi-lane free-flow traffic on an urban highway in Melbourne, including systems for the detection, classification and registration of vehicles. We have also introduced other such systems in Melbourne, Sydney and Brisbane. As of 31 March 2012, we have equipped some 270 lanes and delivered about 6.5 million on-board units.

In New Zealand, we were awarded the implementation and operation of an electronic toll collection system in 2007. In the same year, we implemented a system for manual toll collection with electronic microwave communication on highway number 8 in New Delhi, India, including the largest toll plaza in Asia with 36 lanes. In Thailand, we implemented toll collection systems for the three largest city highways on a total of 55 km in Bangkok in 2008.

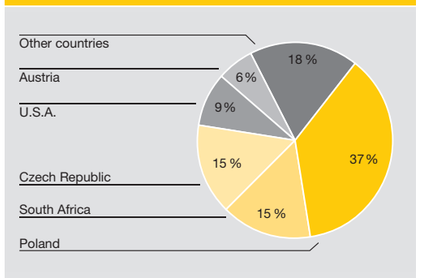
An analysis by geographic region shows that the Kapsch TrafficCom Group generated 6 % of total revenues in the fiscal year 2011/12 in Austria, 62 % in Europe excluding Austria, 12 % in the Americas and 20 % in the rest of the world.

The top five sales markets in the fiscal year 2011/12 were Poland with 37 % of total revenues, South Africa and the Czech Republic with 15 % each, the U.S.A. with 9 % and Austria with 6 %. The remaining 18 % of total revenues was generated outside the top five sales markets.

Revenue by region

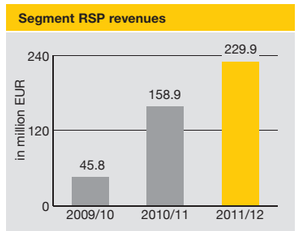


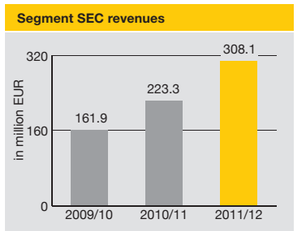
Top 5 sales markets 2011/12

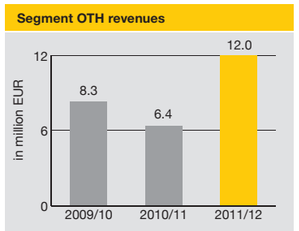


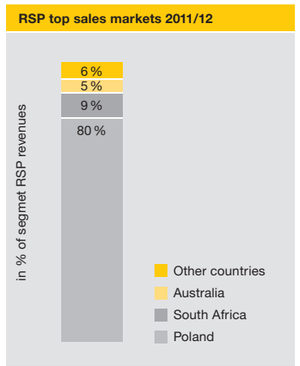
Our Business Segments.

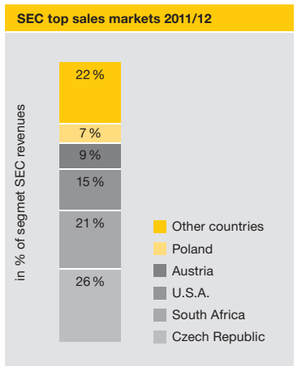
The segment reporting of the Kapsch TrafficCom Group categorizes the business into the three segments of Road Solution Projects (RSP); Services, System Extensions, Components Sales (SEC); and Others (OTH).

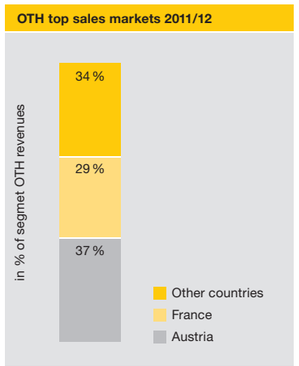












Road Solution Projects (RSP). In this segment, we include system installation and implementation projects. Generally, such systems are awarded in tender processes by public authorities or private sector concessionaires. The tenders can be designed to cover individual road sections or nationwide road networks.

The project nature of this segment results in fluctuations in revenues, cost of materials and other production services, staff costs as well as other operating expense and – in certain projects – also in project financing costs. The segment RSP exhibits the one-time effects from the realization of new projects. Revenues and operating results differ from period to period depending on whether individual projects are in the preparation, commencement or subsequent implementation phase.

In the fiscal year 2011/12, the segment Road Solution Projects (RSP) contributed 42 % to total revenues at EUR 229.9 million, which is an increase of 45 % compared to the same period of the previous year (fiscal year 2010/11: EUR 158.9 million).

The top five sales markets in the segment RSP were Poland at EUR 184.6 million (corresponding to 80 % of total segment RSP revenues), South Africa at EUR 21.1 million (9 %), Australia at EUR 11.8 million (5 %), Portugal at EUR 3.9 million (2 %) and the Czech Republic at EUR 3.6 million (2 %). About 2 % of total revenues from the segment RSP were generated outside the top five markets.

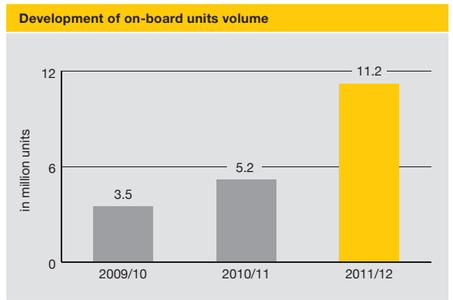
Services, System Extensions, Components Sales (SEC). After system implementation, we typically take over the technical operation of a system, including the maintenance. This segment is also responsible for supplying supplemental products and components, such as on-board units and transponders, transceivers, readers or cameras, for the extension and adaptation of existing systems or for upgrading manual systems to automatic or electronic toll collection. Since 2005, Kapsch TrafficCom also offers the commercial operation of systems. We report all business activities aimed at continuous revenue streams in this segment. The segment also includes smaller scale projects that are often not awarded in tender processes.

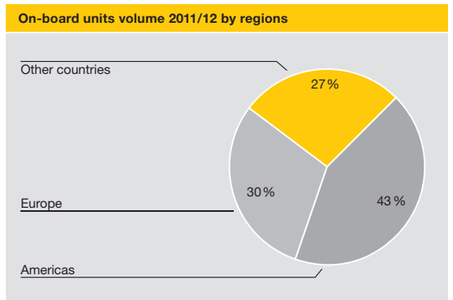
The segment SEC represents the company's recurring business. The activities in this segment are characterized by relatively stable revenue streams over a certain period since these services are provided mainly based on medium- or long-term service contracts and framework agreements.

In the fiscal year 2011/12, the segment Services, System Extensions, Components Sales (SEC) contributed 56 % to total revenues at EUR 308.1 million, an increase of 38 % compared to the same period of the previous year (fiscal year 2010/11: EUR 223.3 million).

The top five sales markets in the segment SEC were the Czech Republic at EUR 81.1 million (corresponding to 26 % of total segment SEC revenues), South Africa at EUR 63.1 million (21 %), U.S.A. at EUR 47.3 million (15 %), Austria at EUR 28.4 million (9 %) and Poland at EUR 20.6 million (7 %). At EUR 67.6 million, 22 % of total revenues from the segment SEC were generated outside the top five sales markets.

This segment also encompasses our business with on-board units, with the exception of device deliveries for the initial outfitting of a system, which are assigned to the segment RSP. As of 31 March 2012, we had delivered over 70 million on-board units worldwide. In fiscal year 2011/12, the volume of delivered on-board units rose to a historic high of 11.2 million units. Of this volume, 43 % of the deliveries went to America, 30 % to Europe and 27 % to other countries. The sales in the U.S.A., South Africa, France, Australia and Spain exhibited particularly attractive developments.





Others (OTH). The segment Others includes the non-core business activities that are conducted by our subsidiary Kapsch Components GmbH & Co KG. These consist of engineering solutions, electronic manufacturing and logistics services rendered to affiliated entities and third parties.

In the fiscal year 2011/12, the segment Others (OTH) contributed 2 % to total revenues at EUR 12.0 million, which reflects an increase of 88 % compared to the same period of the previous year (fiscal year 2010/11: EUR 6.4 million). The top sales markets were Austria at EUR 4.4 million (corresponding to 37 % of total segment OTH revenues) and France at EUR 3.5 million (29 %). At EUR 4.2 million, 34 % of total revenues from the OTH segment were generated outside the top five sales markets.

Therese Niss
National Chairperson of *Junge Industrie* and
Managing Director of High Tech Coatings GmbH,
a company of the Miba Group

Sustainability.

Resource scarcity, demographic change, global warming, greater environmental awareness in transportation, investments in infrastructure, new requirements by our customers – all these developments call for long-term and responsible business activities. We have taken up these challenges and are dedicated to the issue of sustainability.

Kapsch TrafficCom actively incorporates relevant stakeholders into the discussion of current issues and into the further development of our sustainability program. Upon the achievement of major milestones, a sustainability report is published that satisfies the requirements of the Global Reporting Initiative (GRI) and represents the progress report for the United Nations Global Compact (UNGC). This should help make our progress and future goals more transparent. The current 2010/11 sustainability report can be found on our homepage at www.kapschtraffic.com.

The key points adhere to our self-image: always future-oriented – always innovative – always performance-oriented – always aware of our responsibilities – always close to our customers – **always one step ahead.**

Climate protection. Our products make valuable contributions to climate protection. The use of electronic toll collection systems keeps vehicles from standing and waiting at toll stations, which contributes to the reduction of CO_2 emissions by the vehicles. For the future, we are working intensively on linking these products with renewable energies. In addition, we are actively reducing the indirect emissions caused by our manufacturing activities.

Resource consumption. We constantly strive to use fewer resources in the creation of products and to increase the share of recycling. These efforts are supported by awareness-raising measures and the reduction of waste through the partial use of compostable packaging. In addition, products with environmentally-oriented quality seals (eco label, Forest Stewardship Council – FSC) have preference in procurement.

Employee development and diversity. Committed employees represent our greatest capital. For this reason, their development, diversity and equal opportunities are important to us. An attractive range of career options, a great working climate and special promotion programs result in a low fluctuation rate and high average term of employment of over 10 years with the company.

Sustainable innovation. We make an important contribution to a sustainable future with high-performance intelligent transportation systems. We constantly invest in the development of innovative and environmentally friendly products, such as compostable product packaging or the operation of toll stations on the basis of photovoltaic modules and windmills.

Energy consumption and efficiency. We strive to minimize the direct environmental footprint of our manufacturing and administration activities. For example, we always pay attention to energy efficiency when investing in new manufacturing plants. At our subsidiary Kapsch Components, manufacturing optimization saved 856,290 kWh of electricity per year – a success that has already been recognized with an energy efficiency award.

Product responsibility. The processes of our quality management system are based on *ÖNORM* EN ISO 9001:2000 and also satisfy additional quality requirements. In addition, we operate an integrated quality management system and have established general guidelines for environmental protection, general safety and workplace safety. Kapsch TrafficCom AG and its subsidiary Kapsch Components GmbH & Co KG are certified in environmental management according to ISO 14001. Additional certifications are in planning.

Anti-corruption and compliance. As part of our internal compliance management, all business units over which Kapsch TrafficCom AG has primary influence are audited with regard to their corruption risks, and the first and second management level employees are trained in anti-corruption policy and anti-corruption processes. During the reporting period covered by the current sustainability report, there were no corruption incidents or complaints due to anticompetitive behavior or the formation of a cartel or monopoly. There were also no reported discrimination incidents in the areas of human rights, promotion of diversity and enforcement of equal opportunities.

Work safety and employee health. A safe workplace and healthy employees are very important to us, which is why two Austrian locations are certified according to the Occupational Health and Safety Assessment Series (OHSAS) 18001. In addition, we have implemented a number of initiatives and programs to promote employee health.

Supply chain management. We expect high standards in performance and integrity from all our partners. Our supplier relationships are based on a high quality level, and we expect our business partners to comply with applicable laws, industry rules and contractual conditions. As part of our social responsibility efforts, we place particular value on complying with recognized standards, e. g. for the protection of human rights, workplace safety, environmental protection, anti-corruption principles and the prohibitions on child labor and forced labor.

Stakeholder dialog. We communicate extensively with all our stakeholders through a wide range of personal, written and electronic communication.

Regional value creation. As an internationally active company, we understand that regional value creation gives rise to opportunities for both us and the business environment. The men and women employed by the subsidiaries of the Kapsch TrafficCom Group come primarily from the respective local regions, which allows the use of a shared language as a valuable asset. When possible, materials and supplies are purchased locally.

Outlook, challenges, goals. We will continue to develop the Kapsch TrafficCom AG sustainability report, including in accordance with our membership in the United Nations Global Compact (UNGC). In the fiscal year 2011/12, we elaborated an enhanced sustainability concept according to the Global Reporting Initiative (GRI) that will form the basis for defining the most important action areas and processes for meeting these objectives.

The issue of sustainability is being increasingly systematized and integrated into the Kapsch TrafficCom Group to ensure the best approach to the challenges of tomorrow and to remain, as ever, always one step ahead.

Traffic systems that pilot me around any traffic jams, plus trucks that drive quietly and have low fuel consumption – that is how I imagine the mobile future.

Sinisa Lukin
Truck driver at Logwin, one of the leading logistics companies in Austria

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2012.

1 Economic climate.

1.1 General economic situation

Global Economy

The recovery from the global financial and economic crisis which started in 2009 gained pace during 2010 but turned out to be fragile in 2011. The global economic growth rate slowed to 3.9 % from 5.3 % in 2010, and world trade also lost dynamism and slumped to 5 % in 2011 following a rebound to 13.8 % the previous year. Although global economic activity began to stabilize towards the end of 2011 and remained stable in the first quarter of 2012, world economic growth for the whole of 2012 is expected to be slightly below that of 2011. The forecasted growth rate is 3.5 %, although this might be seen as optimistic due to uncertainties affecting the forecast.

The greatest threat to the global economy is that sovereign debt problems in the eurozone could re-trigger a substantial financial and economic crisis. However, there are also other developments curbing growth in world economic activity. First of all, oil price increases did not let up 2011. The average price for Brent climbed to USD 111.3 per barrel compared to USD 79.5 per barrel in 2010. As these oil price pressures reflect geopolitical tensions and the risk of supply disruption rather than a surge in global demand, they are expected to persist in 2012, thereby providing no relief for the economies of oil importing countries.

Furthermore, financial markets were highly vulnerable in 2011. Concerns about the contagion of the eurozone debt crisis have affected investor sentiment worldwide. This has contributed to significant volatility in a wide range of asset prices and, at times, has prompted noticeably more risk-averse behavior by investors. Although the situation on the global financial markets relaxed in late 2011 as well as in the first months of 2012, continued volatility is still expected.

Another reason for the weakness of the economic recovery has been the high debt burden of the household sector in many highly developed countries. The International Monetary Fund (IMF) recently established that recessions are more severe, lasting for at least five years, when they follow a big run-up in household debt, as was the case in the U.S., the U.K. and other European countries at the beginning of the financial crisis in 2007.

Economic developments in 2011 varied among the individual regions of the world. Governments of EU member states and of eurozone countries were faced with sovereign debt crises and the risk of their spreading to the global economy. An adequate and comprehensive set of policy measures, amongst others the enforcement of fiscal tightening, have proven successful in easing financial market pressure and in raising confidence, albeit at the cost of lower GDP growth. Real GDP increased by 1.5 % in the EU in 2011 and will probably stagnate in 2012, while the eurozone saw economic growth of 1.4 % in 2011 and is expected to go through a mild recession in 2012. The U.S. economy performed better than expected in 2011 with a GDP increase of 1.7 % and gave strong signs at the end of the year that the recovery would accelerate in 2012. Japan struggled with the devastating effects of the earthquake in March and was additionally hit by the consequences of the floods in Thailand at the end of the year. As Thailand is an important production location for Japan, particularly for the electronic and automotive sectors, industrial activity in Japan suffered from severe disruptions in supply, which consequently had a negative impact on Japanese exports. Furthermore, the persistent strength of the yen has been a real burden for the export industry in Japan. Several exchange market interventions in 2011 aimed at tumbling the yen brought only temporary results. Japan's very expansive monetary policy (with key interest rates close to 0 %) is currently being combined with a comprehensive asset purchase program which was enlarged by JPY 10 trillion in February 2012. In spite of these measures, real GDP contracted by 0.7 % in 2011, but forecasts for 2012 predict a stronger Japanese economy. Emerging Markets were by far the biggest contributors to global growth once again in 2011, although they did lose some momentum. Their performance is expected to slow further in 2012 because of a less favorable external environment and a weakening of internal demand. In the BRIC countries (Brazil, Russia, India and China), real GDP growth rates in 2011 ranged between 9.2 % in China and 2.7 % in Brazil.

Global inflation picked up in 2011 mainly because of a marked increase in energy prices. In 2012, global consumer price inflation is projected to ease as world demand drops further. In highly developed economies, inflation is expected to fall from 2.7 % in 2011 to 1.9 % in 2012. In emerging and developing economies, pressures are also expected to ease, with inflation around 6.2 % in 2012 compared to 7.1 % in 2011.

In light of the fragile world economy, economic policy continues to play a critical role. Monetary policy is expected to remain supportive, with key interest rates already at very low levels in many highly developed countries while further room for easing exists in emerging market economies. In contrast, as government debt levels have soared in a number of highly developed countries in recent years, fiscal consolidation is set to continue, with only limited scope for supporting growth through fiscal policy should the global economy weaken further.

U.S.A.

The gross domestic product of the United States expanded moderately in the second half of 2011 following subdued gains in the first half of the year, resulting in a growth rate of 1.7 % for the year as a whole. Economic data for the first quarter of 2012 indicates that economic developments have improved further. For instance, the IMF is currently forecasting a GDP growth rate of 2.1 % for 2012. Private consumption, which is traditionally one of the main drivers of growth in the U.S.A., recovered at the end of 2011 and continued to rise in early 2012. Conditions in the labor market have improved with an increase in the pace of job creation and a reduction in the unemployment rate, which stood at 8.2 % in March 2012 compared with 8.9 % in March 2011. Nevertheless, the jobless rate remains quite high in the U.S.A.. Consumer price inflation fell to approximately 3.0 % in December 2011 from a 3.9 % peak in September. In order to support stronger economic recovery, the U.S. not only pursued an accommodative monetary policy but also employed a number of fiscal stimulus measures that subsequently led to a budget deficit of 8.5 % of GDP in 2011. To avoid defaulting, the U.S. government raised the ceiling for public debt in August 2011, and a panel of Republicans and Democrats was set up to identify potential savings of at least USD 1.2 trillion by the end of November. As the panel failed to reach agreement, automatic spending cuts are due to enter into effect in 2013, after the presidential election in November 2012. Standard & Poor's (S&P) downgraded the long-term U.S. credit rating to AA+ in summer 2011, citing the risk of an ongoing rise in federal government debt ratios in the coming years. Other credit rating agencies subsequently added a negative outlook to their ratings for similar reasons.

Emerging Markets

2011 witnessed a slow-down in economic activity in a number of emerging market economies. Although growth is expected to weaken further in 2012, these economies remain by far the strongest stimulators of world economic growth. The Asian Development Bank predicts an aggregated GDP growth rate of 6.9 % in 2012 for "Developing Asia" (a group of 44 Asian countries), down from 7.2 % in 2011 and driven mainly by China and India. For Latin America and the Caribbean, the anticipated regional economic growth rate is 3.7 % for 2012, compared with 4.5 % in 2011. Only the Middle Eastern and North African region (MENA) is expected to have a stronger GDP growth in 2012 than in 2011. As MENA includes the most important oil exporting countries, it benefits from high oil prices and, as a result, seems to be less exposed to a fall-off in global economic activity.

Europe

The course of the European economy in 2011 was influenced primarily by the sovereign debt crisis. In light of persistent financial and structural problems in several member states, the economic growth rate of the EU-27 slowed down to 1.5 % (2010: 2.0 %). The second half-year, in particular, saw a significant loss of momentum, with some European countries even slipping into recession. Although both the investment climate and business sentiment started to pick up in early 2012, hard indicators such as order inflows and industrial production have remained weak. Consequently, economists predict that the aggregate GDP of the EU-27 will stagnate in 2012. Only in the following year is European business activity set to gain momentum again (+1.6 %), driven in part by stronger economic growth outside of Europe.

One striking feature of the current situation in the European Union is the economic divide between its member states, which has widened significantly over the past few months. On the one hand, Germany experienced the second consecutive year of strong growth in 2011 (a GDP increase of 3 %) and France, too, produced surprisingly good results (a slight GDP rise in the generally weak fourth quarter of 2011). On the other hand, economic growth in the United Kingdom has virtually come to a standstill. The divergences between the peripheral EU countries are even more obvious, however. While economic performance in Eastern European states like Poland (+4.3 %) or Slovakia (+3.3 %) improved markedly in 2011, the crisis-ridden countries of Southern Europe faced a recession. The situation in Greece remains particularly unstable, with GDP having fallen by as much as 15 % since the start of the global financial crisis in 2008. Moreover, the economies in both Spain and Italy have yet to reach their pre-crisis levels, despite extensive reform and consolidation efforts. The current weakening of business activity in Southern Europe has also been felt on the labor market, with unemployment rates in Spain as well as in Greece passing the 20-percent mark (EU-27: 10.2 % in February 2012).

The states of the eurozone were affected the most by the debt crisis in 2011, mainly because of the reactions of international financial markets to the uncertain future of the currency union. Economic growth decelerated significantly during the course of the year, eventually becoming negative the final quarter (-0.3 % compared with the previous period). This slight downward trend is most likely to continue in 2012, although several signs have hinted at a stabilization of the economy in the eurozone. Interest rates for long-term government bonds, for instance, have started to come down in several countries, including Ireland and Italy. Furthermore, clear upward trends were also witnessed on the stock markets. Lastly, after months of negotiations, the Greek government reached an agreement with its creditors regarding debt relief in March 2012. This step was a prerequisite for the disbursement of additional EU funds aimed at getting the Greek economy back on its feet.

By pursuing an expansionary monetary policy, the European Central Bank played a vital role in containing the sovereign debt crisis. Over the last months, the ECB has repeatedly supported the financial sector in the eurozone with cheap money. In December 2011 and again in February 2012, European banks were provided with more than EUR 500 billion with a term of three years at a low interest rate. The aim of these initiatives was to prevent a credit crunch in the region as well as to stimulate demand for government bonds issued by eurozone members. In the short term, the ECB is most likely to continue with its expansionary monetary policy; the current level of the prime interest rate can be seen as an indication of this. Since the newly appointed president of the ECB, Mario Draghi, lowered the prime rate to a record low of 1 % at the end of 2011, no change to this low-rate strategy has been seen.

The economic developments in the EU and the eurozone have also had repercussions for non-members in Eastern and South Eastern Europe. The structurally weak Balkan states, in particular, have been adversely affected by the sluggish demand from Europe and a more restrictive lending policy by international banks. While GDP growth amounted to about 2 % in Bosnia-Herzegovina and Serbia in 2011, economic performance in these countries is expected to stagnate in 2012. In regard to the future EU member Croatia, experts even predict a GDP decline of -1.2 % (2011: +0.3 %). In contrast, the prospects for Russia and Ukraine are more optimistic. Both states are set to stay on their current growth path for the next few years (a GDP increase of 4 % to 5 % p.a.) according to analysts. In the case of Russia, positive effects are to be expected from its accession to the World Trade Organization, which was formally announced in December 2011.

Austria

In 2011, the Austrian economy expanded by 3.1 %. A closer look at the data on a quarterly level shows, however, that economic growth slowed down noticeably over the course of the year. The fourth quarter even saw a moderate drop in GDP of 0.1 % compared with the previous period. This deceleration in economic performance is mainly attributable to weaker stimuli from other European states. As for 2012, first signs indicate a stabilization of business activity in the first half of the year, followed by a gradual expansion in the second half. Overall, Austrian GDP is forecast to rise by 0.4 % in the year 2012, driven by increased confidence among both companies and private households.

Unlike the preceding year, foreign trade contributed only modestly to Austria's growth in 2011. The main reason for the loss of momentum in the export business lies in the poor economic performance of several European countries, including important trading partners like Italy and Hungary. Since there are no signs of a swift recovery in these countries yet, Austrian exporters are setting their hopes on an increase in demand from non-European markets, for instance the United States, whose economy is currently on the rebound. Nonetheless, export growth is set to decline to 3.3 % (2011: +6.7 %). Only in 2013 should Austrian companies once again start to benefit from a general and more sustained revival of global trade.

The strong inclination by Austrian companies to invest in expansion was a key driver of economic development in 2011. The amount of money spent on machinery and equipment soared by 11.3 %, and investment in construction also rose by 2.6 % after two consecutive years of declining expenditures. However, the general economic slow-down in late 2011 also affected the investment climate in Austria, lowering expectations for the coming months. According to the latest forecasts, investments in machinery and equipment as well as in construction are expected to increase only moderately in 2012.

Consumer prices in Austria experienced strong upward pressure in 2011, spurred by geopolitical tensions in the Middle East and their impact on the global oil market. The inflation rate exhibited an annual average of 3.3 %. Only in the last quarter did the level of price increases start to recede, leading to an inflation rate of 2.4 % in March 2012. On average, inflation is forecasted to amount to 2.4 % in 2012. Private consumption should benefit from this gradual easing of price pressure and consequently expand slightly more in 2012 (+0.8 %) than it did in the year before (+0.6 %). In addition, an expected per-capita increase in salaries and wages of 0.8 % is also set to stimulate private consumption, which should have a stabilizing effect on the whole economy.

As far as the latest developments on the job market are concerned, the Austrian unemployment rate of 4.2 % was the lowest in the EU in 2011. More recently, though, the slow pace of GDP growth has triggered a steady rise in the number of jobless. For 2012, economists predict an unemployment rate of 4.6 %. Contrary to popular belief, the 2011 opening of the Austrian labor market to certain EU member states in Eastern Europe is unlikely to aggravate the situation further.

The Austrian national finances showed a budget deficit of 3.3 % and a slight increase in public debt in 2011. In order to prevent a further rise in debt levels, the national government adopted a comprehensive austerity package in March 2012. Provided that the measures stipulated therein are implemented accordingly, the budget deficit should gradually decrease to the Maastricht limit of 3 % in 2012 and to 2.6 % in the following year. Although these reforms may have a dampening effect on certain economic activities in the short run, experts believe that the positive effects will prevail in the long run. In light of the recent downgrading of the Austrian sovereign debt rating by Standard & Poor's (from triple-A to AA+), the austerity measures are intended to strengthen the confidence of international investors in Austria. This, in turn, should ensure the lowest possible costs for public debt financing.

1.2 Development of the market for intelligent transportation systems

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the intelligent transportation systems (ITS) market. ITS are systems, in which information and communication technologies are employed to support and optimize road transportation, including infrastructure, vehicles and users.

The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, May 2008 and September 2010, describes the ITS as a diversifying market with widely differing application and product segments. The market comprises the following segments:

- Electronic toll collection (ETC) enables drivers to pay toll fees without stopping at toll stations.
- Traffic management systems (TMS) monitor traffic, optimize signal timing and regulate the flow of traffic.
- Commercial vehicle operations (CVO) encompass systems for operating commercial vehicles in order to enhance freight carrier productivity and safety.
- Public vehicle transportation management systems (PVTMS) facilitate management of both local and long-distance public transportation.
- Vehicle information systems (VIS) cover a host of applications to increase traffic safety and security.

Market volume. According to Global Industry Analysts (May 2008 and September 2010), the volume of the ITS market amounted to USD 13.0 billion in 2011 and is expected to continue growing.

Market segmentation. The largest ITS market segment in 2011 was traffic management systems, accounting for almost 37 % (USD 4.8 billion). Based on a worldwide volume of about USD 3.1 billion, electronic toll collection had an ITS market share of about 24 % in 2011. The largest geographic region for ETC in 2011 was the U.S.A. with 38 %, followed by Europe with 34 %.

Market growth. The ITS market is expected to grow at an average annual rate of 10 % between 2007 and 2015 to reach USD 18.6 billion in 2011, of which ETC will account for USD 5.2 billion in 2011, thereby exhibiting the fastest growth of all ITS segments at an average annual rate of 13 %.

Market situation and market drivers

Funding for infrastructure projects. The growth in the number of vehicles worldwide requires additional financing to construct new and maintain existing roads. Toll collection offers a constant source of income and thus helps governments to provide the necessary funding for infrastructure projects. Efficient toll collection systems, especially electronic ones, offer a significant, constant and sustainable source of additional funds for governments, public authorities and concessionaires that can be used for the expansion and maintenance of road infrastructure.

The demand for the construction of new roads is largely generated by the worldwide increase in road traffic, which can be considered a global trend. Especially in Asia, an increased demand for electronic toll lanes is expected for the replacement and expansion of toll collection systems previously based on more traditional (manual) systems. Aside from general economic aspects, the worldwide increase in road traffic is probably the most important driver for the ITS market. According to analyses by the EU (European Union 2010, "Energy and Transport in Figures"), commercial traffic increased by 2.3 % per year and by 33.7 % in total between 1995 and 2008. Commercial road traffic increased by 2.9 % per year and by 45.7 % in total. While the recent economic crisis triggered a fall in the volume of goods transport, this has already been largely compensated for by the subsequent upswing. Despite political pressure, goods transports could not be shifted significantly from road to rail or ship. This growth increases the financing burden for road infrastructure enormously, which in turn fosters greater demand and a high growth potential for ITS applications and the market segment of electronic toll collection, in particular.

In 2005, the trans-European road network (TEN-V) had a total length of 84,700 km and comprised one-fourth of the primary street network but carried 40 % of the total commercial traffic. It is predicted that TEN-V will be expanded by 4,800 km per year up to 2020, of which 3,500 km will consist of existing roads. Major investments will be required in the new EU member states and along the corridor routes to these countries. In the white paper "European transport policy for 2010", the European Union estimated that investments of EUR 600 billion will be required by 2020. The long-term forecasts for traffic growth remain high.

In addition to the construction of new roads, the high financing requirements for the preservation of the road infrastructure are another factor driving the ITS market. The high funding requirements in the U.S.A. (Standard & Poor's research estimates an annual demand of USD 92 billion for the preservation of highways and bridges and a further USD 125.6 billion for their improvement) are leading to new business models and private concessionaire models.

Depending on the requirements of the specific application, systems are introduced for the toll collection which make use of technology based on microwaves (dedicated short-range communication; DSRC), satellite navigation (global navigation satellite system; GNSS) or video, with the latter used in particular for automatic number plate recognition (ANPR) for the purpose of toll collection and enforcement in urban areas.

While in Europe the standardized technology is based on 5.8 GHz according to the Comité Européen de Normalisation (CEN) standard, toll collection systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard based on 5.9 GHz will gradually replace the existing technology in the U.S.A. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for real-time car-to-car and car-to-infrastructure communication, for applications that increase traffic safety as well as additional ITS solutions for traffic information, traffic management and entertainment.

Reducing congestion. Environmental pollution can be viewed as another key driver for the ITS market and for the market segment of electronic toll collection in particular. Toll collection is largely perceived as an effective solution for reducing high levels of congestion, particularly in metropolitan areas, as mandatory payments for road usage encourage carpooling or the use of public transportation. In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. Systems for city charging and enforcing low-emission environmental zones are deployed by cities to reduce traffic congestion and environmental pollution. Due to the politically sensitive nature of this topic, this portion of the business has not developed as quickly as originally expected.

Traffic safety devices to monitor compliance with traffic regulations are another field of application in cities. Examples include systems to monitor traffic violations at junctions (e. g. running red lights) as well as systems to detect speeding. The market potential of these applications, which fall under the market segment of traffic management systems, is growing rapidly in cities as well as interurban areas. For municipal authorities, they often pave the way for larger and more extensive ITS solutions, such as city charging.

Reducing environmental pollution caused by road traffic. Efforts to reduce environmental pollution due to road traffic have become a market driver for the introduction of toll collection systems. Such systems encourage reduced or modified vehicle usage and decrease the need to further expand the road network, thereby lowering emissions and pollution levels. Electronic toll collection systems, in particular for multi-lane free-flow traffic, have proven their ability to decrease environmental pollution and carbon dioxide emissions by reducing congestion at toll stations without interfering with the traffic flow. The introduction of city charging schemes also helps to reduce congestion levels and environmental pollution.

Increasing traffic safety and security. Traffic management systems (market segment TMS) consistently lower accident rates while also helping increase the probability of surviving accidents. The addressees include governments and regional authorities as well as other organizations, such as concessionaires, that are engaged in developing transport policies utilizing ITS in order to ensure the availability and quality of traffic infrastructure in a way that improves safety, performance, security and environmental protection.

Enhancing vehicle and fleet productivity. Vehicle-oriented intelligent transportation systems are aimed at in-car telematics such as remote diagnostics or advanced driver assistance systems. Their purpose is mainly to enhance vehicle productivity, particularly that of commercial vehicles (market segment CVO), as well as traffic safety and security. Addressees are mainly car makers and their suppliers. This field includes systems for the real-time interaction between vehicles as well as between vehicles and infrastructure, which Kapsch TrafficCom believes will increasingly be based on 5.9 GHz technology. In the CVO segment, for example, data sent by the vehicle's on-board electronics via the 5.9 GHz band is analyzed to determine the condition of the vehicle.

Industry-oriented intelligent transportation systems are commercial applications designed to reduce the costs or maximize the revenue of vehicle fleet operators, including transportation companies (market segment PVTMS). Examples include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the drivers 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.

Increased comfort expectations of travelers. User-oriented intelligent transportation systems are focused mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation, thereby increasing traffic safety. Example applications for vehicle information systems (market segment VIS) include transmitting traffic-related vehicle information to travelers before or during the trip as well as navigation. Addressees are information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices. As a communication platform, the 5.9 GHz technology will enable a variety of future applications involving connected vehicles.

A common thread among all these forces driving the market is the convergence on the ITS market expected by Kapsch TrafficCom over the next 5 to 10 years. The company is convinced that applications, platforms and technologies will become increasingly interconnected and converge over time. In the view of Kapsch TrafficCom, the future lies in "connected vehicles in cooperative systems", which are systems for real-time interaction between vehicles (car-to-car communication) or between vehicles and infrastructure (car-to-infrastructure communication).

2 Economic situation of the group

2.1 Business development

In fiscal year 2011/12, the Kapsch TrafficCom Group recorded the highest revenue since its foundation, continuing its growth from recent years. The North American subsidiaries acquired in the previous fiscal year contributed a full year's worth of revenue for the first time. The largest contribution from the project business originated from the implementation and the start of the operation of the nationwide electronic toll collection system viaTOLL for all vehicles above 3.5 tons on an existing road network in Poland of approximately 1,560 kilometers.

Major changes and events at a corporate level during fiscal year 2011/12 include the following:

- On 1 April 2011, Kapsch Telematic Services IOOO, Minsk, Belarus, was founded.
- On 17 May 2011, Kapsch TrafficCom Russia, Moscow, Russia, founded LLC "United Toll Systems", Moscow, Russia, together with two partners and holds a minority stake of 33 %.
- On 27 July 2011, Kapsch TrafficCom AG successfully issued 800,000 new shares of authorized capital at a price of EUR 61.25 per share, resulting in gross proceeds of EUR 49 million for the company.
- Between September and November 2011, Kapsch TrafficCom AG acquired additional shares in Q-Free ASA, Norway, and now holds a stake slightly greater than 20 %.
- On 22 March 2012, Kapsch TrafficCom AG acquired the remaining minority stake in Kapsch-Busi S.p.A, Italy, and now holds 100 % of the shares.

In fiscal year 2011/12, the Kapsch TrafficCom Group succeeded in renewing ongoing contracts in North America and Austria:

- In North America, Kapsch TrafficCom IVHS was selected in July 2011 as supplier for the new ten-year technology and service contract by the E-ZPass Group, a coalition of 24 toll agencies in 14 U.S. states. Most of the individual contracts with the agencies were already signed by the end of fiscal year 2011/12. This ensures that the North American market will make up a significant share of the component business in future years.
- In Austria, a basic agreement with Asfinag Mautservice GmbH regarding the extension of the operation and maintenance contract for the nationwide electronic truck toll collection system for the period up to the end of calendar year 2018 was reached at the beginning of the third quarter.

Expanding on the two large existing projects in South Africa and Poland, which significantly impacted the revenues and resources over the course of fiscal year 2011/12, the following additional projects were acquired:

- In Portugal, Kapsch TrafficCom was selected at the end of July 2011 for the implementation and the technical operation, including the maintenance, of an electronic toll collection system for multi-lane free-flow traffic on over 100 km of Portugal's primary road network for the operator ASCENDI. The realization began in October 2011 and will be completed in stages by October 2013. The first toll stations already went into operation in November 2011.
- In Russia, LLC "United Toll Systems" was awarded the contract for the maintenance and toll-based operation of a 400 kilometer section of the M4 Don highway at the end of December 2011. In addition to a toll collection system, a traffic information and management system will be installed to enhance the traffic safety and control. The operation agreement has a contract term of ten years with a three-year extension option. The Kapsch TrafficCom Group will participate in the tender for the subcontractor selection.
- In Belarus, Kapsch TrafficCom signed an agreement with the Ministry for Transportation and Communication of the Republic of Belarus on 29 February 2012 for the implementation of a nationwide electronic truck toll collection system. The agreement includes the implementation of a system based on dedicated short-range communication (DSRC) for a road network that will total 2,743 km upon completion of the final project stage as well as the technical and commercial operation for 20 years. The total contract value for the implementation of the system (excluding operation) is approximately EUR 267 million, of which EUR 158 million will go toward the first two phases over the next two years. The first phase of the system will start operation on 1 July 2013.
- In France, Kapsch TrafficCom concluded an agreement in March 2012 with the leading French toll service provider, Axxès, regarding the supply of on-board units based on global navigation satellite system (GNSS) technology as well as central solutions for a charging system in connection with the introduction of a distance-based truck tax as part of the Ecotaxe project. This is the largest GNSS technology contract obtained by Kapsch TrafficCom so far.

2.2 Earnings situation

Revenues of EUR 388.6 million in the previous fiscal year 2010/11 were improved by 161.3 million to reach EUR 549.9 million in fiscal year 2011/12, representing an increase of 41.5 %. The two major segments of Road Solution Projects (RSP) and Services, System Extensions, Components Sales (SEC) both recorded significant revenue increases. The operating result (EBIT) declined by 13.6 % to EUR 42.2 million in fiscal year 2011/12, compared to EUR 48.9 million in the previous year.

Revenues and operating result (EBIT) by segment

Revenues in the segment Road Solution Projects (RSP) reached EUR 229.9 million, up by 44.7 % compared with the previous year (EUR 158.9 million) and corresponding to 41.8 % of total revenues (2010/11: 40.9 %). The most important factor here was the ongoing implementation of the nationwide electronic toll collection system in Poland, which was successfully completed at the end of fiscal year 2011/12. Increased revenues also resulted from the realization of the Australian Airport Link project, the project for the implementation of an electronic toll collection system in Portugal and the project in Belarus that was awarded shortly before the end of the fiscal year. The South African Gauteng project contributed less revenue than in the previous year, and no major extensions to the nationwide electronic truck toll collection system in the Czech Republic were contracted or realized.

The segment RSP recorded a positive operating result (EBIT) of EUR 4.1 million (2010/11: EUR 0.1 million). This can be primarily attributed to the project in Poland. Nevertheless, the operating results for this segment were weighed down by the regular costs associated with the segment, the continued expenditures for entry into new markets such as the U.S.A., Slovenia, Russia and Singapore as well as the upfront costs for ongoing and upcoming tenders.

In the segment Services, System Extensions, Components Sales (SEC), revenues increased by 38.0 % (EUR 84.7 million), from EUR 223.3 million to EUR 308.1 million, corresponding to 56.0 % of total revenues (2010/11: 57.5 %). The most important factors for this development were the successful start of the nationwide toll collection system in Poland in July 2011, the mobilization phase for the electronic toll collection system in the South African Gauteng province and the associated deliveries of on-board units as well as the revenues of the Canadian and American IVHS subsidiaries acquired in November 2010. Both the ongoing technical and commercial operation of the nationwide truck toll collection system in the Czech Republic and the ongoing technical operation, including maintenance, of the nationwide truck toll collection system in Austria also recorded increased revenues. The volume of on-board units delivered reached an all-time high of 11.2 million units, more than double the volume of the previous year. Sales to the U.S.A., South Africa, France, Australia and Spain developed favorably.

The EBIT in the segment SEC reached EUR 37.3 million (2010/11: EUR 48.3 million), corresponding to an EBIT margin of 12.1 % (2010/11: 21.6 %). Due to an incomplete acceptance process of the system in Poland between July 2011 and February 2012, the respective revenues from the operation project were not received in their full amounts even though the full expenses were incurred. The EBIT in the segment was also burdened by the delay in connection with the start of the South African project as well as its lower profit margin compared with the previous year. Moreover, the order from the E-ZPass Group awarded in July 2011 was only obtained with a very price competitive offer.

In the segment Others (OTH), revenues increased from EUR 6.4 million in the previous year to EUR 12.0 million in fiscal year 2011/12. This increase can be attributed to the manufacturing and supply for the GSM-R project for Kapsch CarrierCom in France. The segment OTH contributed 2.2 % to total revenues (2010/11: 1.6 %). The operating result reached EUR 0.8 million (2010/11: EUR 0.4 million), corresponding to a slightly reduced EBIT margin of 6.5 % in fiscal year 2011/12 (2010/11: 6.7 %).

Revenues by segment		2011/12		2010/11		+/- %	2009/10	
Road Solution Projects (RSP)								
Revenues (% of total revenues)	in million EUR	229.9	(42 %)	158.9	(41 %)	45 %	45.8	(21 %)
EBIT	in million EUR	4.1	(2 %)	0.1	(0 %)	>300 %	-20.9	(-46 %)
Services, System Extensions, Components Sales (SEC)								
Revenues (% of total revenues)	in million EUR	308.1	(56 %)	223.3	(57 %)	38 %	161.9	(75 %)
EBIT	in million EUR	37.3	(12 %)	48.3	(22 %)	-23 %	45.3	(28 %)
Others (OTH)								
Revenues (% of total revenues)	in million EUR	12.0	(2 %)	6.4	(2 %)	88 %	8.3	(4 %)
EBIT	in million EUR	0.8	(6.5 %)	0.4	(6.7 %)	82 %	0.2	(2 %)

Revenues by region. Europe accounted for the largest share of total revenues (62.1 %) in fiscal year 2011/12. The revenue increase of EUR 159.4 million can be attributed largely to the projects in Poland and France. Revenues in the rest of the world decreased by EUR 29.4 million (-20.7 %). Significantly lower revenues in South Africa compared to the previous year were responsible for this decline, whereas higher revenues were recorded in Australia and in Thailand. In the American region, revenues increased by EUR 36.0 million (130.4 %), mainly due to the first full year of revenue contribution by the Kapsch TrafficCom IVHS subsidiaries in North America. Revenues in Austria fell by EUR 4.7 million (-12.6 %) because no significant expansions of the nationwide truck toll collection system took place during the past fiscal year.

Revenues by region		2011/12		2010/11		+/- %	2009/10	
Austria (% of total revenues)	in million EUR	32.8	(6 %)	37.5	(10 %)	-13 %	42.4	(20 %)
Europe (excl. Austria) (% of total revenues)	in million EUR	341.4	(62 %)	182.0	(47 %)	88 %	117.1	(54 %)
Americas (% of total revenues)	in million EUR	63.6	(12 %)	27.6	(7 %)	130 %	12.1	(5 %)
Rest of the World (% of total revenues)	in million EUR	112.1	(20 %)	141.5	(36 %)	-21 %	44.5	(21 %)

The cost of materials and other production expenses rose from EUR 191.3 million to EUR 287.3 million in fiscal year 2011/12, which reflects an increase of EUR 96.0 million. Compared to the previous year, the share of costs for materials and other production expenses in relation to revenues changed from 49.2 % to 52.2 %. This can be attributed primarily to the higher proportion of outsourced deliveries for the implementation and operation project in Poland, which was necessary due to the unusually short implementation period.

The staff costs increased by EUR 35.3 million compared with the previous year, rising from EUR 86.5 million to EUR 121.7 million in fiscal year 2011/12. During the same time, the average number of employees grew by 964 persons from 1,621 to 2,585. The staff requirements connected with the technical and commercial operation projects in South Africa and Poland represented the most important factors here. The staff cost ratio (staff costs in relation to total revenues) remained nearly unchanged at 22.1 % (2010/11: 22.3 %).

Depreciation and amortization expenses increased by EUR 4.8 million compared with the previous year (2010/11: EUR 13.6 million; 2011/12: EUR 18.4 million), resulting primarily from the scheduled amortization of intangible assets from company acquisitions.

Other operating expenses increased from EUR 63.4 million to EUR 83.0 million in fiscal year 2011/12, representing an increase of EUR 19.6 million. This increase occurred primarily in the marketing and advertising expenses, travel expenses, communication and IT expenses as well as rental expenses. Additional project-related expenses as well as the establishment of the subsidiary in Poland were the main reasons for this development.

The Kapsch TrafficCom Group achieved a financial result of EUR -5.9 million (2010/11: EUR -7.6 million) in fiscal year 2011/12. Finance income increased due to not yet realized exchange rate gains in connection with intercompany financing, mainly for the Polish project and the subsidiaries in North America. Finance costs rose as a result of increased interest expenses for the corporate bond issued in the previous year and the financing of the project in Poland.

The profit before income taxes reached EUR 36.3 million, down by EUR 4.9 million compared with the previous year. Lower income taxes and higher finance income compensated for the lower operating result (EBIT) and led to an almost unchanged profit for the period of EUR 27.5 million (2010/11: EUR 28.4 million).

2.3 Assets and liabilities

Total assets increased in large part as a consequence of the augmented project business to EUR 557.7 million as of 31 March 2012 (31 March 2011: EUR 450.1 million). Total equity reached EUR 256.2 million, up by EUR 64.7 million compared to the previous year (31 March 2011: EUR 191.5 million), mainly due to the capital increase at the end of July 2011 as well as the total comprehensive income for the period amounting to EUR 37.4 million. On this basis, the equity ratio of the Kapsch TrafficCom Group increased to 45.9 % as of 31 March 2012 (31 March 2011: 42.5 %) despite an increase in total assets and the high project-related net working capital.

The most significant changes in assets occurred within the current assets. In connection with the projects in Poland and South Africa, trade receivables and other current assets rose from EUR 190.9 million to EUR 287.6 million.

Non-current assets increased from EUR 159.7 million to EUR 168.1 million as of 31 March 2012. The largest change arose in other financial assets and investments solely due to the positive development of the shares in the Norwegian Q-Free ASA. The decline in intangible assets resulted from the scheduled amortization of assets from company acquisitions.

On the liabilities side, the current liabilities rose from EUR 141.2 million to EUR 187.6 million on 31 March 2012. This increase of EUR 46.4 million was mainly due to higher current financial liabilities, current provisions and other current liabilities and deferred income, all related to the project in Poland.

Non-current liabilities decreased to EUR 113.8 million (31 March 2011: EUR 117.4 million), mainly resulting from other non-current liabilities.

2.4 Financial position

Net cash flow from operating activities declined to EUR -37.8 million in fiscal year 2011/12 compared to EUR -11.7 million in the previous year. This was mainly attributable to the increase in trade receivables and other current assets as well as in current provisions and to the decrease in trade payables and other current payables, which led to a further increase of the net working capital. The payment received from the project in Poland in April, however, significantly reduced trade receivables and other current assets after the end of the fiscal year on 31 March 2012. Moreover, the lower operating result (EBIT) weighed down the net cash flow from operating activities.

The net cash flow from investing activities in fiscal year 2011/12 was largely determined by the expansion of production facilities, modernization of office premises and the acquisition of securities. The free cash flow declined to EUR -50.9 million after EUR -19.9 million in the previous year.

The capital increase at the end of July 2011 in the gross amount of EUR 49.0 million and the drawdown of a short-term credit for the project in Poland positively affected the net cash flow from financing activities, while the payment of dividends totaling EUR 21.0 million lowered the result.

Cash and cash equivalents increased to EUR 44.9 million as of 31 March 2012, compared to EUR 42.0 million as of 31 March 2011. The increase in short-term financial liabilities did not result in a higher cash balance, leading to higher net debts of EUR 74.4 million as of 31 March 2012 compared to EUR 47.2 million as of 31 March 2011.

2.5 Non-financial performance indicators

Reliability and accuracy of installed systems. The toll transaction rate is a figure for assessing the accuracy and reliability of a toll collection system. It indicates the number of successful transactions in relation to all potential toll transactions of vehicles equipped with a functioning on-board unit. A high toll transaction rate translates to high toll revenues.

In 2011, the average toll transaction rate of the existing truck toll collection system in Austria amounted to approximately 99.9 %, again reaching the high level of 2010. During the same period, the average transaction rate of the nationwide electronic toll collection system in the Czech Republic was approximately 99.5 %, up by 0.2 % from 99.3 % in the previous year. The calculation of the average transaction rate is based on methods agreed upon with the respective customer, meaning that comparisons between the average transaction rates achieved in different projects are only possible on a limited basis.

Staff. The average number of employees in the Kapsch TrafficCom Group in fiscal year 2011/12 was 2,585, which is 59.5 % higher than the average of 1,621 in fiscal year 2010/11. As of 31 March 2012, the group had a workforce of 2,705 (2,520 salaried and 185 non-salaried employees), of which more than half were located outside of Europe (roughly 1,100 employees in South Africa).

Kapsch TrafficCom places great importance on the continued training and education of its employees. This involves not only promoting professional education but also providing seminars and workshops for developing personal and teamwork skills. In addition, training sessions tailored to the particular needs of employees are offered within the framework of the Kapsch Academy. A job rotation program promotes the international exchange of staff between the various locations, and select employees are prepared for their future tasks in a management trainee program.

Kapsch TrafficCom makes contributions to an external pension fund for employees of group companies in Austria under a defined contribution scheme. The amounts of the payments are based on the individual employee's income and the operating profit margin of the company.

Kapsch TrafficCom is aware of the employees' contribution to its success and acknowledges this through a profit participation plan. The Kapsch TrafficCom Group rewards the commitment of its employees by distributing to them up to 5 % of the group profit. Country-specific upper limits have been established to ensure that the distribution reflects local purchasing power. Every employee receives a share, which is independent of the person's salary or wage.

Moreover, Kapsch TrafficCom is committed to promoting the advancement of women in the workplace. Women are supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, Kapsch TrafficCom cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. The company also promotes women in the workforce through participation in specific programs such as "FIT *Frauen in die Technik*" or "FemTech". A specific trainee program "Women into sales" has been established within the Kapsch TrafficCom Group in addition to a committee for non-discrimination.

Quality. Kapsch TrafficCom AG defines its processes in an integrated management system for health and safety, security, environment and quality (HSSEQ). Valid certifications are held for quality management pursuant to ISO 9001 (since 2002), for occupational health and safety pursuant to OHSAS 18001 and for environmental management pursuant to ISO 14001 (since 2005). Kapsch TrafficCom has implemented the necessary measures in its internal processes and monitors them continuously. The certificate pursuant to ISO 27001 ensures the necessary information security management. The certificate pursuant to ISO 20000 for service management in connection with technical operations guarantees a high service quality in this area.

Environment. In the future, the group will strive to fulfill its responsibilities toward environmental protection even more extensively, particularly through the efficient and responsible use of natural resources.

Corporate social responsibility

Kapsch TrafficCom understands the challenge of long-term and responsible business activities and is dedicated to sustainability on an economic, environmental and social level. Regularly published sustainability reports will demonstrate the progress on a group level and the continuing establishment of predefined objectives.

Living up to its socio-political responsibility, the entire Kapsch Group – organized by Kapsch AG – further supports a number of contemporary art and cultural institutions and projects, and even initiates its own projects in this field. Select educational initiatives and extensive social measures complement this approach, which the company considers to be an obligation both inside and outside the group.

Music. A major component of this commitment consists of sponsoring activities related to the Vienna Concert Hall *(Wiener Konzerthaus),* a cultural institution with an excellent reputation even far beyond Austria's borders. The Kapsch Group has been the main sponsor of the Vienna Concert Hall since 1992. The *"Wien Modern"* festival – one of the world's best known festivals of contemporary music – has been supported by Kapsch since its launch in 1989.

Visual arts. Promoting lesser-known artists is of particular concern to the Kapsch Group. In particular, young Austrian and international artists are assisted by sponsorship campaigns. One example is the photo calendar that the Kapsch Group has supported since 1994. The calendar is presented annually in late autumn at a private exhibition.

Educational institutions. As a company that is driven by technology and innovation, Kapsch TrafficCom is constantly interested in establishing contacts as early as possible with the best engineering talents. Since 2005, the Kapsch Group has supported the work of Universitäre Gründerservice Wien GmbH, which aims to support and guide young entrepreneurs in the implementation of ideas relating to well defined business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting select social projects at home and abroad. One example of the numerous projects is ICEP, the Institute for Cooperation in Development Projects, whose activities help improve the circumstances of people in developing countries. By directly promoting migration and integration, Kapsch TrafficCom contributes to social justice, the positive development of society as well as long-term safety and security.

2.6 Risk management

As a technology company, Kapsch TrafficCom operates in an ever-changing environment. Risks are therefore part of its day-to-day business. For the company, risk means the possibility of deviating from company objectives, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG, focusing on project risk management and enterprise risk management (ERM).

Project risk management starts in the bid phase of customer projects. It comprises institutionalized processes aimed at identifying and analyzing 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.

The ERM focuses on risks of key customer projects as well as strategic, technological, organizational, financial, legal and IT risks, which are reported to the executive board on a semi annual basis. The goal of the ERM approach is early identification, analysis and control of all risks which might influence strategic and operational objectives 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.

The material risks faced by the Kapsch TrafficCom Group and the respective risk management measures are briefly explained below.

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch TrafficCom Group is generated in the segment Road Solution Projects (RSP). In this segment, the group regularly participates in tenders for the implementation and operation of large electronic toll collection systems as well as for the collection of tolls on specific sections of road. On the one hand, there is a risk that tenders in which the 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, a risk exists that Kapsch TrafficCom may not win its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from the technical and commercial operation of systems also depend on the successful participation in tenders for systems.

In the past, the revenues of the Kapsch TrafficCom Group have been heavily influenced by the realization of implementation projects in the given fiscal year. In particular, significantly higher revenues were recorded in 2003 (implementation of a nationwide electronic truck toll collection system in Austria), 2006/07 (implementation of a nationwide electronic truck toll collection system in the Czech Republic) and 2010/11 (implementation of an electronic toll collection system in the South African province of Gauteng). In fiscal year 2011/12, sizeable revenues were generated from the implementation of a nationwide electronic truck toll collection system in Poland.

The strategy of the Kapsch TrafficCom Group is aimed, among other things, at reducing this volatility of revenues through increased geographic diversification and increased diversification of the customer base and product portfolio as well as sustained growth in the share of technical and commercial system operation in total revenues in the interest of strengthening the segment Services, System Extensions, Components Sales (SEC).

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since electronic toll collection systems and other intelligent transportation systems are frequently sophisticated and technologically complex systems that must be implemented within a short timeframe, system and product defects or missed deadlines may occur due to the limited time available. Unexpected project modifications, lack of qualified personnel, quality defects, unexpected technical problems as well as performance problems of suppliers or consortium members may also have a negative impact on project schedules. The failure to meet guaranteed performance levels or deadlines usually results in penalties and/or compensation for damages, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses that enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project in time would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom Group cannot execute projects in line within the set cost budgets.

Kapsch TrafficCom Group employs risk management methods and project risk management procedures based on IPMA (International Project Management Association) standards in order to guard against risks associated with projects.

Long-term contracts with public authorities. In many cases, the system contracts are awarded by public agencies. Framework agreements and service contracts in connection with toll collection projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to the Kapsch TrafficCom Group. Some long-term contracts include challenging requirements with regard to the performance of the implemented systems, components and processes. These requirements can, if they are not achieved, result in significant penalties, damages or even contract termination. On the other hand, some contracts include substantial bonus payments for over-fulfillment of performance requirements. In the case of long-term contracts, the margins earned can also differ from the original estimates due to changes in costs.

Liabilities arising from contracts concluded by the Kapsch TrafficCom Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While the 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

Capacity for innovation. The strong market position of the Kapsch TrafficCom Group is, to a large extent, based on its ability to develop state-of-the-art, efficient and reliable systems, components and products. Kapsch TrafficCom is committed to a permanent and integrated innovation process. In order to maintain its already strong position in technology, the Kapsch TrafficCom Group invests a considerable portion of its revenues in research and development activities. However, if the group does not succeed in developing new systems, components and products, this can be detrimental to its competitive position.

Since its capacity for innovation is based largely on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the group. In addition, any failures in protecting these technologies may have a negative impact on the group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties. The Kapsch TrafficCom Group places great importance on the protection of technologies and the company's internal know-how, e. g. through patents and non-disclosure agreements with other parties.

Acquisition and integration of companies as a part of the group's growth. One of the strategic objectives of the Kapsch TrafficCom Group is to grow internationally both by organic means and through select acquisitions and joint ventures. In the implementation of this strategy, the group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Country risk. The strong expansion of business activities in Eastern Europe and non-European countries has exposed the Kapsch TrafficCom Group to heightened political risks. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate ITS projects in these countries and can also affect the availability and accessibility of funds. There may also be interference with the property rights of the Kapsch TrafficCom Group or complications regarding business practices and activities.

Financial risks

Foreign exchange risk. The Kapsch TrafficCom Group maintains branches, offices and subsidiaries in a number of countries outside the eurozone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies rather than in euros. Although the group aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the consolidated financial statements (transaction risk). In addition, risks arise from the conversion of the separate financial statements of international companies into the group currency, the euro (translation risk). Fluctuations in exchange rates may also result in a change in the competitive position of the Kapsch TrafficCom 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 (Euribor, Pribor etc.). This exposes the Kapsch TrafficCom Group to interest rate risks. The group utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources must be available to ensure that the Kapsch TrafficCom Group can meet its payment liabilities at any time. Medium and long-term financing must be available in order to carry out large-scale projects (such as implementing a nationwide toll collection system under delayed payment terms from the client) and for acquiring other companies. Additionally, implementing large-scale projects often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).

In financing agreements, the Kapsch TrafficCom Group is subject to the customary restrictions in terms of its business policy, e. g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. A lack of liquid assets (even if the group is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. The issuing of 800,000 new shares of authorized capital with gross proceeds of EUR 49 million in fiscal year 2011/12 helped the Kapsch TrafficCom Group to again improve its liquidity.

Liquidity risk is managed by ongoing, company-wide financial and cash planning. Potential liquidity shortages can thus be identified and mitigated.

Credit risk. The Kapsch TrafficCom Group is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of the Kapsch TrafficCom Group are public authorities, especially in connection with implementing and/or operating nationwide or regional toll collection systems. There is also a risk that the counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the recognition of impairment charges to receivables can be extremely detrimental to the net assets and financial position of the Kapsch TrafficCom Group and the results of operations.

Personnel risks

The success of the Kapsch TrafficCom Group depends heavily on key personnel with many years of experience in the industry. Moreover, the group's ability to recruit qualified staff, integrate them into the company and retain them over the long-term is crucial in its current growth phase. The loss of key personnel and difficulties in the recruitment of personnel may adversely affect the success of the group.

Kapsch TrafficCom Group has implemented a number of measures to counteract personnel risks, such as incentive schemes and employee development opportunities.

Legal risks

A variety of regulations and legal requirements must be observed in connection with participating in public tenders, erecting infrastructure for ITS solutions (such as toll stations) and the operation of toll collection systems. Identifying and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. The failure to meet regulations or official requirements can lead to severe penalties and can also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

With the expansion into new regions and new ITS business areas, the risk of patent infringement or the violation of property rights increases. Kapsch TrafficCom has implemented active intellectual property (IP) management as a separate function. In order to avoid legal actions and court proceedings, the Kapsch TrafficCom Group monitors potential intellectual property rights infringements continuously as well as prior to entry into new markets or regions.

IT risks

As a technology group, the Kapsch TrafficCom Group is exposed to typical IT risks relating to security, confidentiality and the availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system designed according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (information security management). The Kapsch TrafficCom Group is also certified according to ISO 20000 "IT service management" (similar to ITIL) for the operation of toll collection systems.

Opportunities

The ERM approach of Kapsch TrafficCom is not only concerned with risks; it also includes the periodic identification, assessment and management of opportunities. Significant opportunities for Kapsch TrafficCom result from increased financing needs for infrastructure projects, global traffic growth, legislation to reduce the environmental impact of transportation, enhanced vehicle and fleet operations productivity and the increasing comfort and convenience expectations of travelers. In addition, many market opportunities arise from the geographic diversification as well as the increasing diversification of the customer base and product portfolio.

Summary assessment of the risk situation

From the current perspective, no risks have been identified that could endanger the continued operations of the Kapsch TrafficCom Group. Increasing geographic expansion, the diversification of the product portfolio and an increased share of recurring revenues (further growth in the segment Services, System Extensions, Components Sales) are planned to further reduce the concentration of risks in the future.

2.7 Internal Control System (ICS)

The Corporate Law Amendment Act *(URÄG 2008)* adopted the 8th EU Directive into Austrian law. Under this legislation, companies with a capital market orientation are henceforth obliged to include in their group management reports not only an outline of their risk management systems but also of the main features of their ICS with regard to the financial reporting process.

Kapsch TrafficCom AG began analyzing and documenting its existing internal processes for financial reporting on an ongoing basis in fiscal year 2009/10. The results obtained so far have been presented at the quarterly meetings of the audit committee for assessment and discussion.

The Group Accounting Manual represents the cornerstone for financial accounting and reporting throughout the whole Kapsch Group. The manual is published and regularly updated by the Kapsch Group and contains the essential financial and reporting procedures based on the International Financial Reporting Standards (IFRS). Groupwide guidelines and work instructions represent another important pillar of the internal control system.

The central elements of the ICS process include regular verification of compliance with the principle of dual control and the segregation of duties as well as defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and the compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structure 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 accounting for all group transactions is handled by a variety of software solutions. In a number of countries, the accounting has been outsourced to locally-based tax accountants due to the size of the subsidiaries. Companies submit reporting packages to the head office on a quarterly basis which contain all accounting data pertaining to the statement of comprehensive income, balance sheet and cash flow statement. The data is then transferred into the central consolidation system (Hyperion Financial Management). This financial information is verified on a groupwide basis by the central Kapsch TrafficCom controlling department and subsequently forms the basis for the quarterly reports issued by the Kapsch TrafficCom Group 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 analyses with comparisons of current figures to figures from the budget and the previous period as well as select financial figures, forecasts, group financial statements and developments in the number of employees and order inflow.

In keeping with the decentralized structure of the Kapsch TrafficCom Group, local management is responsible for the implementation and monitoring of the internal control system. The managing directors of the individual subsidiaries are responsible for establishing and designing internal control and risk management processes that meet the needs of the given company in view of accounting procedures, as well as for ensuring compliance with the groupwide rules and guidelines in this respect. The head of finance of the Kapsch TrafficCom Group, the central controlling department and the internal audit department subsequently verify compliance with these audit procedures by local management, and the results are regularly reported to the audit committee.

2.8 Research and development

The Kapsch TrafficCom Group has an international network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Carlsbad (California, U.S.A.) and Cape Town (South Africa). As of 31 March 2012, the Kapsch TrafficCom Group employed more than 400 (2010/11: around 350) engineers in its R&D activities, which have high priority for the Kapsch TrafficCom Group in pursuing its strategic goal of staying always one step ahead. The knowledge of entirely new technologies based on national and international standards and the ability to implement these form the foundation for successful business developments and also enable the entry into new markets. The current focus lies on the regions of North and South America, Russia, Australia and South-East Asia.

In fiscal year 2011/12, the main focus of research and development activities was on a new high-performance roadside infrastructure platform that integrates all major sensor systems into a single, common software platform with improved re-use of core components, largely automated configuration and installation as well as simpler maintenance. This new sensor platform was succesfully put into operation in Portugal as well as deployed in South Africa and is now being extended for the U.S. market roll-out.

Major research activities included the prototyping of intelligent transportation systems (ITS) and participation in standardization for G5 (WAVE Europe) under the aspects of traffic management, control and reduction, as well as research and product development of combined solutions for road safety and electronic flow control (EFC) devices. The newly developed Kapsch ITS transponder platform enables vehicle-to-vehicle communication and the transmission of the vehicle status information. Research into vehicle detection and classification was undertaken to realize new video and sensor detection technologies with outstanding performance characteristics.

Important organizational initiatives during the last fiscal year included process and quality improvement initiatives in the central system and roadside areas to decrease expenses and delivery times as well as organizational changes and cost center splits to enable better product support.

The main initiatives in the component business involved developing new and less expensive generations of on-board units based on DSRC, GNSS or 5.9 GHz technology. The first new, lower-cost on-board units were approved for sale, and the first successful commercial vehicle 5.9 GHz transponder demonstration took place in the U.S. market.

Successful progressing R&D efforts are the foundation for sustained improvements in existing products and solutions as well as the continuous reduction of production, installation, operating and maintenance costs, all of which are essential for maintaining a technological and competitive advantage.

Research costs are recognized as expenses. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are met. Since the statement of comprehensive income is structured by expense type, the research and development costs are reported under various statement of comprehensive income items, in particular under the cost of materials and other production services, staff costs and other operating expenses. In fiscal year 2011/12, the Kapsch TrafficCom Group invested approximately EUR 53.3 million (2010/11: EUR 37.3 million) in research and development, representing approximately 10 % of total revenues.

2.9 Disclosures pursuant to Section 267 UGB in connection with Section 243a UGB

1. The registered share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million and is fully paid in. It is divided into 13 million no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. As of 31 March 2012, approximately 38.1 % of the shares of Kapsch TrafficCom AG were in free float. As of 31 March 2012, KAPSCH-Group Beteiligungs GmbH held approximately 61.9 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, whose shares are equally held by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act *(Privatstiftungsgesetz)*. As of 31 March 2012, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares convey special control rights.
5. There are no restrictions regarding the execution of the voting rights by employees with a stake in the company.
6. There are no special provisions on the appointment and removal of members of the executive board and the supervisory board.
7. No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
8. There are no agreements between Kapsch TrafficCom AG and members of the executive board or the supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.10 Outlook and targets

Despite a macroeconomic environment that remains challenging, Kapsch TrafficCom takes an optimistic view of its markets for fiscal year 2012/13 and beyond. The company is convinced that many interesting opportunities exist worldwide for the delivery and operation of toll collection systems and that it is well prepared for the increasingly observable convergence of the ITS market. Fiscal year 2012/13 will be characterized in particular by the further developments associated with the date for the start of the electronic toll system for multi-lane free-flow traffic in the South African Gauteng province as well as the expected tenders for nationwide electronic toll collection systems in Hungary, Slovenia and Denmark. The company will also focus during fiscal year 2012/13 on implementation of the strategy up to the year 2016 as defined in fiscal year 2011/12 and on establishing the corresponding corporate structure.

2.11 Material events after the balance sheet date

On 6 April 2012, the nationwide truck toll collection system in Poland was finally accepted by the customer. The last installment was paid in the net amount of EUR 103.3 million in April as well.

On 28 April 2012 – just two days before the final scheduled commissioning deadline – the start of the fully completed system in South Africa was suspended indefinitely by court order due to a lawsuit. On 23 May 2012, the government elected to appeal the court decision.

Vienna, 30 May 2012

Georg Kapsch
Chief Executive Officer

Erwin Toplak
Chief Operating Officer

André Laux
Executive Board member

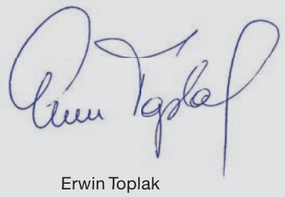
Statement of all Members of the Executive Board.

Statement of all Members of the Executive Board pursuant to Section 82 Para. 4 No. 3 BörseG (Austrian Stock Exchange Act)

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

Vienna, 30 May 2012

Georg Kapsch
Chief Executive Officer



Erwin Toplak
Chief Operating Officer

André Laux
Executive Board member

Consolidated Financial Statements as of 31 March 2012.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2011/12	2010/11
Revenue	(1)	**549,921,391**	**388,577,354**
Other operating income	(2)	10,250,121	7,564,449
Changes in finished and unfinished goods and work in progress	(3)	-7,715,924	7,461,759
Other own work capitalized		196,825	0
Cost of materials and other production services	(4)	-287,288,207	-191,255,566
Staff costs	(5)	-121,725,367	-86,462,023
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-18,399,507	-13,614,643
Other operating expenses	(7)	-83,019,586	-63,391,169
Operating result		**42,219,746**	**48,880,161**
Finance income	(8)	7,209,800	4,497,773
Finance costs	(8)	-13,083,030	-12,117,209
Financial result	(8)	**-5,873,229**	**-7,619,436**
Results from joint ventures and associates	(14)	-32,679	0
Profit before income taxes		**36,313,838**	**41,260,725**
Income taxes	(9)	-8,861,709	-12,825,554
Profit for the period		**27,452,129**	**28,435,171**
Other comprehensive income for the period			
Gains/losses recognized directly in equity:			
Available-for-sale financial assets		11,596,162	-2,276,947
Currency translation differences		-1,541,864	4,294,277
Income tax relating to components of other comprehensive income		-78,020	-258,963
Other comprehensive income for the period net of tax	(10)	**9,976,278**	**1,758,367**
Total comprehensive income for the period		**37,428,406**	**30,193,538**
Profit attributable to:			
Equity holders of the company		20,599,568	22,062,116
Minority interests		6,852,560	6,373,055
		27,452,129	**28,435,171**
Total comprehensive income attributable to:			
Equity holders of the company		30,941,852	23,608,360
Minority interests		6,486,554	6,585,178
		37,428,406	**30,193,538**
Earnings per share from the profit for the period attributable to the equity holders of the company (in EUR)	(29)	**1.62**	**1.81**

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Consolidated balance sheet.

All amounts in EUR	Note	31 March 2012	31 March 2011
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	21,847,139	19,404,442
Intangible assets	(13)	80,378,811	88,687,320
Interests in joint ventures and investments in associates	(14)	0	0
Other non-current financial assets and investments	(15)	51,229,052	34,489,914
Other non-current assets	(16)	3,420,384	9,017,638
Deferred tax assets	(22)	11,188,685	8,109,517
		168,064,072	**159,708,830**
Current assets			
Inventories	(17)	48,898,875	49,484,611
Trade receivables and other current assets	(18)	287,589,919	190,885,049
Other current financial assets	(15)	8,212,783	8,036,841
Cash and cash equivalents	(19)	44,929,361	42,000,584
		389,630,938	**290,407,085**
Total assets		**557,695,010**	**450,115,915**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(20)	13,000,000	12,200,000
Capital reserve		117,508,771	70,077,111
Retained earnings and other reserves		112,098,233	94,065,714
		242,607,004	**176,342,825**
Minority interests		**13,639,537**	**15,170,566**
Total equity		**256,246,542**	**191,513,391**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	74,255,766	74,112,367
Liabilities from post-employment benefits to employees	(23)	16,703,633	16,314,606
Non-current provisions	(26)	1,097,655	686,388
Other non-current liabilities	(24)	3,439,531	10,422,739
Deferred income tax liabilities	(22)	18,315,570	15,875,749
		113,812,155	**117,411,848**
Current liabilities			
Trade payables		59,013,463	72,531,371
Other liabilities and deferred income	(25)	53,047,511	36,881,453
Current tax payables		3,795,130	3,973,331
Current financial liabilities	(21)	53,249,432	23,082,571
Current provisions	(26)	18,530,776	4,721,950
		187,636,313	**141,190,676**
Total liabilities		**301,448,468**	**258,602,524**
Total equity and liabilities		**557,695,010**	**450,115,915**

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Consolidated statement of changes in equity.

All amounts in EUR	Attributable to equity holders of the Company				Minority interests	Total equity
	Share capital	Capital reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of 31 March 2010	**12,200,000**	**70,077,111**	**2,702,758**	**78,233,966**	**5,034,869**	**168,248,704**
Dividend for 2009/10				-9,150,000	-3,245,699	-12,395,699
Effects from business combinations and the acquisition of minority interests				-1,329,370	6,796,218	5,466,848
Result for the period				22,062,116	6,373,055	28,435,171
Other comprehensive income for the period:						
Currency translation differences			4,082,155		212,122	4,294,277
Fair value gains/losses on available-for-sale financial assets			-2,535,909		0	-2,535,909
Carrying amount as of 31 March 2011	**12,200,000**	**70,077,111**	**4,249,003**	**89,816,711**	**15,170,566**	**191,513,391**
Proceeds from shares issued	800,000	47,431,660				48,231,660
Dividend for 2010/11				-13,000,000	-8,017,583	-21,017,583
Contributions from shareholders			90,667			90,667
Result for the period				20,599,568	6,852,560	27,452,129
Other comprehensive income for the period:						
Currency translation differences			-1,175,858		-366,006	-1,541,864
Fair value gains/losses on available-for-sale financial assets			11,518,142		0	1,518,142
Carrying amount as of 31 March 2012	**13,000,000**	**117,508,771**	**14,681,954**	**97,416,280**	**13,639,537**	**256,246,542**

Consolidated cash flow statement.

All amounts in EUR	Note	2011/12	2010/11
Cash flow from operating activities			
Operating result		42,219,746	48,880,161
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	18,399,507	13,614,643
Impairment charge		50,242	0
Increase/decrease in obligations for post-employment benefits	(23)	389,028	114,354
Increase/decrease in other non-current liabilities and provisions	(24, 26)	-2,973,804	103,655
Increase/decrease in other non-current receivables and assets		-537,793	757,768
Increase/decrease in trade receivables (non-current)	(16)	5,977,137	-537,067
Increase/decrease in trade payables (non-current)	(24)	-3,834,549	971,092
Other (net)		-2,264,443	-1,825,561
		57,425,071	62,079,045
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(18)	-92,190,370	-72,588,781
Increase/decrease in inventories	(17)	585,736	-8,098,837
Increase/decrease in trade payables and other current payables		1,944,819	28,696,976
Increase/decrease in current provisions	(26)	13,808,826	-2,218,992
		-75,850,989	-54,209,634
Cash flow from operations		**-18,425,918**	**7,869,411**
Interest received	(8)	1,032,668	1,173,389
Interest payments	(8)	-6,987,381	-3,476,705
Net payments of income taxes		-13,463,043	-17,229,370
Net cash flow from operating activities		**-37,843,673**	**-11,663,275**
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-10,648,960	-6,362,478
Purchase of non-current intangible assets	(13)	-2,412,085	-1,888,740
Purchase of securities and investments	(15)	-4,781,127	-69,125
Payments for acquisition of companies (net of cash acquired)		0	-52,180,953
Payments for acquisition of minority interests		0	-1,000,000
Payments for the acquisition of shares in companies consolidated at equity	(14)	-32,679	0
Proceeds from the disposal of shares in subsidiaries		0	35,999
Proceeds from the disposal of property, plant and equipment and intangible assets		1,181,546	553,619
Net cash flow from investing activities		**-16,693,304**	**-60,911,678**
Cash flow from financing activities			
Proceeds from shares issued and contributions from shareholders		48,322,327	0
Dividends paid to company shareholders		-13,000,000	-9,150,000
Dividends paid to minority shareholders of group companies		-8,017,583	-3,245,699
Increase in other non-current financial liabilities	(21)	203,061	64,052,117
Increase in current financial liabilities	(21)	42,794,567	13,938,131
Decrease in current financial liabilities	(21)	-12,684,280	-92,126
Net cash flow from financing activities		**57,618,092**	**65,502,423**
Net decrease/increase in cash and cash equivalents		**3,081,114**	**-7,072,530**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	42,000,584	47,743,108
Net decrease/increase in cash and cash equivalents		3,081,114	-7,072,530
Exchange gains/losses on cash and cash equivalents		-152,338	1,330,006
Cash and cash equivalents at end of year	(19)	**44,929,361**	**42,000,584**

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Notes to the consolidated financial statements.

General information.

Kapsch TrafficCom Group is an international supplier of superior intelligent transportation systems (ITS).

The business activities of the Kapsch TrafficCom Group are subdivided into the following three segments:

- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

The segment Road Solution Projects relates to the installation of ITS solutions.

The segment Services, System Extensions, Components Sales relates to the sale of services (maintenance and operation) and components in the area of ITS solutions.

The segment Others relates to non-core business activities conducted by Kapsch Components GmbH & Co KG. In this segment, Kapsch TrafficCom Group offers engineering solutions, electronic manufacturing and logistics services to affiliated entities and third parties.

Group structure.

DATAX HandelsgmbH, Vienna, is the ultimate parent of Kapsch Group. Until June 2007, KAPSCH-Group Beteiligungs GmbH, Vienna, a wholly-owned subsidiary of DATAX HandelsgmbH, had been the sole shareholder of the parent company, Kapsch TrafficCom AG.

Under an initial public offering in June 2007 and as a result of further changes in share ownership in the fiscal year ending 31 March 2009 and in the fiscal year ending 31 March 2012, KAPSCH-Group Beteiligungs GmbH reduced its share to 61.90%. The shares of Kapsch TrafficCom AG in free float have been listed in the Prime Market segment of the Vienna Stock Exchange since 26 June 2007.

Consolidated group.

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

The following subsidiaries are part of the consolidated group:

- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch Components GmbH & Co KG, Vienna
- Kapsch Components GmbH, Vienna
- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Kapsch-Busi S.p.A., Bologna, Italy
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom S.r.l., Milan, Italy
- Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates
- Kapsch TrafficCom Russia OOO, Moscow, Russia
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria
- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus *)
- PREMID a.s. v likidácii, Bratislava, Slovakia **)
- Jibesoev GmbH, Vienna
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom France SAS, Paris, France
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia
- Kapsch TrafficCom Limited, Auckland, New Zealand
- Kapsch TrafficCom South Africa (Pty) Ltd., Cape Town, South Africa
- Electronic Toll Collection (PTY) Ltd., Centurion, South Africa
- Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa
- SafeTCam (Pty) Ltd., Cape Town, South Africa
- Traffic Software Solutions (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa
- Electronic Tolling Operations (Pty) Ltd., Cape Town, South Africa
- Crestwave 61 (Pty) Ltd., Cape Town, South Africa
- Crestwave 63 (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa
- Kapsch TrafficCom B.V., Amsterdam, Netherlands
- Kapsch TrafficCom Holding II US Corp., Sterling, USA
- Kapsch TrafficCom IVHS Technologies Holding Corp., Sterling, USA
- Kapsch TrafficCom IVHS Holding Corp., Sterling, USA
- Kapsch TrafficCom IVHS Inc., Sterling, USA
- Kapsch TrafficCom Canada Inc., Halifax, Canada
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico
- Kapsch TrafficCom Holding Corp., Sterling, USA
- Kapsch TrafficCom U.S. Corp., Sterling, USA
- KapschTrafficCom Inc., Carlsbad, USA
- Kapsch Telematic Services GmbH, Vienna
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services GmbH Deutschland, Berlin, Germany
- Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark
- Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark
- Kapsch Telematic Services Sp. z o.o., Warsaw, Poland
- VTI Industrial Electronics (Proprietary) Limited, Germiston, South Africa

*) Companies newly established in the fiscal year 2011/12
**) in liquidation

In the fiscal year 2011/12, Kapsch TrafficCom Cooperatief U.A., Amsterdam, Netherlands, and Mark IV Holdings B.V., Amsterdam, Netherlands, were liquidated and Kapsch Traffic Com HoldCo Inc., Halifax, Canada, and Kapsch TrafficCom IVHS Corp., Mississauga, Canada, were amalgamated into Kapsch TrafficCom Canada Inc., Halifax, Canada, as receiving company.

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Accounting and measurement.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation

Pursuant to § 245a UGB, the consolidated financial statements as of 31 March 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The presentation currency is the euro (EUR). The consolidated financial statements as of 31 March 2012 have been prepared under the historical cost convention, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date.

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 and income and expenses recorded during the reporting period. Although these estimates are made by the executive board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity as well as areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 21.

a) New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2011/12

There are no IFRSs or IFRIC interpretations that are effective for the first time for the fiscal year 2011/12 that would be expected to have a material impact on the group.

b) Standards, interpretations and amendments to published standards that are not effective for the fiscal year 2011/12 and that have not been early adopted by the group:

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in OCI as they occur; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The group is yet to assess the full impact of the amendments. The group will apply IAS 19 (revised 2011) in the fiscal year starting 1 April 2013 at the latest.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010 and December 2011. It replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The group will adopt IFRS 9 no later than the accounting period starting on 1 April 2015.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group has yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on 1 April 2013.

IFRS 11, 'Joint arrangements', changes the definition of joint ventures. A joint arrangement is hereby defined as contractual agreement that gives two or more parties joint control of the arrangement. Joint control exists only when decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Each party to the joint arrangement has to account for its rights and obligations from the arrangement. The standard focuses on the rights and obligations of the agreement rather than on its legal form. According to IFRS 11, there are now only two types of joint arrangements: (i) joint operations and (ii) joint ventures. The proportionate consolidation method will no longer be permitted for joint ventures. The parties to a joint venture have to account for the joint venture by using the equity method. After endorsement by the EU, IFRS 11 has to be applied retrospectively for periods beginning on or after 1 January 2013. The group does not expect any major impact on its net assets, financial position or results of operations.

IFRS 12, 'Disclosure of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on 1 April 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group intends to adopt IFRS 13 no later than the accounting period beginning 1 April 2013.

There are no other IFRSs or IFRIC interpretations not yet in effect that would be expected to have a material impact on the group.

The consolidated financial statements were prepared by the executive board on the undersigned date and released for publication. The annual financial statements of the parent company, which have been included in the consolidated financial statements after transition to the applicable accounting standards, have not yet been approved by the supervisory board on the undersigned date.

2 Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of a contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. A contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Any contingent considerations included in the financial statements resulting from business combinations before adoption of IFRS 3 (2008) are accounted for in accordance with IFRS 3 (2004). The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the acquisition costs are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit for the period.

Goodwill is tested annually for impairment as well as when there are indications of impairment. If an impairment requirement is identified, goodwill is reduced immediately by the amount of the impairment. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Transactions with non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases of non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

c) Joint Ventures

Joint Ventures are entities where two or more venturers are bound by a contractual arrangement that establishes joint control. The group applies the equity method for joint ventures.

d) Associates

Associates are companies in which the group has significant influence but no control, generally accompanied by a shareholding of between 20 % and 50 % of the voting rights. Associates are accounted for by the equity method. The group's share of its associates' post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-reserve movements is recognized in reserves. Goodwill on acquisition of associates is included in the investment in associates, net of any impairment losses.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

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.

3 Currency translation

a) Translation of financial statements into foreign currencies

In accordance with IAS 21, financial statements of foreign subsidiaries which are included in the consolidated financial statements are translated as follows:

The statements of comprehensive income of foreign subsidiaries (except those denominated in the currency of a hyperinflationary economy) that have a functional currency different from the euro are translated into the group's functional currency at average exchange rates of the reporting periods, balance sheets at the prevailing mean exchange rate at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities are recognized in shareholders' equity under "Currency translation differences". When a foreign operation is sold, such exchange differences are recognized in the statement of comprehensive income as part of the gain or loss on disposal of shares in foreign entities.

Goodwill and fair value write-ups arising upon the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

In the fiscal year 2011/12, the subsidiary Kapsch Telematic Services IOOO, Minsk, Belarus, was founded. For the fiscal year ending 31 March 2012, Belarus is classified as a hyperinflationary economy. The group is currently assessing whether IAS 29, Financial reporting in hyperinflationary economies, has to be applied to the subsidiary. There is no impact on the result of the fiscal year ending 31 March 2012.

b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. 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-cash items in the balance sheet are translated at historical exchange rates and non-cash items that were recognized at their lower net realizable value are translated at the exchange rate prevailing at the time of measurement.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings are presented in the statement of comprehensive income under 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.

4 Financial instruments and risk management

Material financial instruments presented in the balance sheet include “cash and cash equivalents”, “securities”, “financial assets and investments”, “receivables and payables” and “loans”. For the accounting and measurement policies applicable for these items, refer to the explanation of the respective balance sheet item.

The group’s activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The group’s risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group’s financial performance. The group does not employ hedge accounting as envisaged by IAS 39.

a) Foreign exchange risk

Foreign exchange 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 exchange rate fluctuations. In particular, foreign exchange risk exists where business transactions are made or could arise in the normal course of business in a currency other than the company’s functional currency (referred to as foreign currency below).

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech crown, Polish zloty, South African rand and the US dollar. Customer orders are invoiced mainly in the respective local currencies of the group companies. Only in cases when the group expects to be exposed to significant foreign exchange risk, major orders denominated in foreign currencies are hedged by forward foreign exchange contracts.

If the exchange rate of the stated currencies (with respect to current and non-current receivables and payables) as at 31 March 2012 (31 March 2011) had differed by the percentage rate (“volatility”) stated below and provided all other variables remained unchanged, the profits before tax would have been higher or lower by the following amounts.

Currency	Volatility	Hypothetical impact on result in TEUR	
		2011/12	2010/11 (adjusted)
AUD	10 %	496	190
CAD	10 %	2,054	1,797
CZK	10 %	3,332	3,582
PLN	10 %	10,043	1,692
SEK	10 %	794	838
USD	10 %	3,491	3,639
ZAR	10 %	3,133	907

The effects for the Polish zloty result from the implementation project of the tolling system in Poland.

b) 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 rate for the financial instrument fluctuates, either a profit or a loss may result if the financial instrument is sold prior to maturity.

For 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 rates. Such changes would entail changes in interest payments. Variable-interest (both short-term and long-term) financial liabilities account for approximately one-third of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) on 31 March 2012, this, as in the prior year, would not have had a material impact on the result of the group. At the balance sheet date, no financial derivatives were used to hedge the interest rate risk.

c) Credit risk

As part of the group’s risk management policy, the group only deals with third parties recognized as creditworthy and implements policies to ensure that the group sells to customers with appropriate credit histories. In addition, the group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain of the group’s policies limit the amount of its credit exposure to any financial institution, depending on the rating of the institution. There is usually a credit risk in the implementation phase of large tolling projects. With the exception of the tolling projects in Czech Republic, South Africa and Poland (see Note 18), there is no concentration of credit risk relating to trade receivables since the group generally has a large number of customers worldwide. Based on the group’s experiences, the default risk for trade receivables can be considered low.

The maximum credit risk is similar to the book values:

All amounts in TEUR	2011/12	2010/11
Other non-current financial assets and investments	51,229	34,490
Other non-current assets	3,420	9,018
Trade receivables and other current assets	287,590	190,885
Cash and cash equivalents	44,929	42,001
	387,168	**276,394**

d) Liquidity risk

Prudent liquidity risk management involves securing the availability of sufficient cash and cash equivalents as well as the possibility of funding through the availability of adequate credit lines. Providing for adequate liquidity is mandatory for every company under Austrian commercial law. The group provides for its liquidity through available credit lines.

e) Capital management

The objectives of the group with respect to capital management, include on the one hand, securing its going concern in order to be able to provide the equity holders with dividends and the other stakeholders with appropriate services and, on the other hand, maintaining an optimal capital structure.

The group monitors its capital based on net gearing, calculated from the ratio of net debt (net assets) to equity. Net debt (net assets) include(s) non-current and current financial liabilities less cash and cash equivalents, bank balances and current securities.

All amounts in TEUR	2011/12	2010/11
Non-current financial liabilities	74,256	74,112
Current financial liabilities	53,249	23,083
Total financial liabilities	127,505	97,195
Cash on hand and at banks	44,929	42,001
Current securities	8,213	8,037
Net assets (+) / debt (-)	-74,363	-47,157
Equity	256,247	191,513
Net gearing	29 %	25 %

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2012 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations, the German original is valid.

5 Research and development costs

Research expenditures are recognized as an expense as they are incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognized as an expense. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding three years. Capitalized development costs are tested for impairment annually in accordance with IAS 36.

6 Other intangible assets

Acquisition costs of computer software, industrial property and similar rights are capitalized and amortized systematically over their useful lives ranging from 4 to 30 years. Acquired customer contracts (tolling contracts, maintenance contracts) are amortized over 2 to 10 years. The carrying amount of each intangible asset is tested for impairment when a triggering event occurs.

7 Other financial assets

a) Securities

Financial assets recognized under non-current assets and under other short-term financial assets include available-for-sale securities and financial assets at fair value through profit and loss. Available-for-sale securities and financial assets at fair value through profit and loss are carried at fair value. Unrealized gains and losses arising from the changes in fair value of available-for-sale securities are recognized in equity under a separate item; unrealized gains and losses arising from the changes in fair value of financial assets at fair value through profit and loss are recognized in the statement of comprehensive income.

The difference arising on the sale of financial assets between the proceeds and the carrying amounts is taken through profit or loss. Additionally, the amount recognized in equity is taken through profit or loss. All acquisitions and sales are recognized at the respective date of the transaction; transaction costs are included in acquisition costs (except for financial assets at fair value taken through profit and loss).

At each balance sheet date, the group assesses whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets. If such evidence exists, the group accounts for that impairment and the amounts previously recognized in equity are removed from equity and recognized in profit or loss. The amount of the impairment is measured as the difference between the carrying amount and the present value of the estimated future cash flows.

If in subsequent periods the fair value of the impaired financial instruments increases and that increase can be directly related to an event occurring after the impairment was recognized in profit or loss, the group reverses the impairment loss. In the case of debt instruments, the reversal is recognized in profit or loss; in the case of equity instruments, it is recognized directly in equity.

b) Other Investments

Other available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment.

At each balance sheet date, the group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. If in a subsequent period the reason for the impairment is no longer valid, no reversal of the impairment is recognized.

c) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments are accounted for as stand-alone derivatives and are measured at fair value through profit or loss.

Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income either in other operating income and expenses or in the financial result, depending on the purpose of the derivative.

8 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful lives of the assets.

The useful lives range between 3 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery and 3 to 10 years for other equipment, factory and office equipment.

Impairment is charged for the difference between the recoverable amount and the carrying amount of an asset. The recoverable amount represents the higher of fair value less cost to sell or value in use of an asset. For purposes of impairment testing, the assets are grouped down to the lowest level at which separate cash flows are identifiable.

The difference between the proceeds from the sale of property, plant and equipment and their carrying amount is taken through profit or loss and recognized in the operating result.

9 Leases

a) Finance leases – Accounting for leasing agreements from the lessee's perspective

Leasing agreements by which the group as lessee assumes substantially all risks and rewards associated with the use of an asset are accounted for as finance leases.

The respective assets are capitalized under non-current assets at the lower of the net present value of minimum lease payments or the fair value of the leased asset and are depreciated over their expected useful lives. The difference between the minimum lease payments and the accrued net present value is recognized as deferred interest expense. The interest component is spread over the term of the lease using the effective interest rate method.

b) Operating leases – Accounting for leasing agreements from the lessee's perspective

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

10 Government grants

Government grants with regard to assets relate to purchased non-current assets (technical equipment) and are deferred and taken through profit or loss over the estimated useful life of the respective asset.

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

11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

12 Construction contracts

The group accounts for construction contracts in accordance with IAS 11. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The construction progress is represented by the ratio of costs incurred by the balance sheet date and the estimated total costs for the respective project.

The carrying amount results from comparing the total of accumulated costs incurred by the balance sheet date plus the profit calculated according to the percentage of completion method (prorated) or loss (in full) on the respective construction contract to the invoiced amounts. The balance is recognized either under current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for bad debts. An allowance for bad debts is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the statement of comprehensive income.

14 Cash and cash equivalents

For the presentation of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call and other cash at banks. Overdrafts are recognized in the balance sheet under current financial liabilities.

15 Other provisions

Provisions are set up when the group has a present legal or constructive obligation to third parties as a result of past events if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions for warranties, liabilities for construction flaws and 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 using rates based on past experience regarding direct labor and material costs incurred, overheads and replacement deliveries or rebates. A provision is recognized for the best estimate of the costs of defects to be rectified under warranty for products sold before the balance sheet date.

16 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.

For the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19, the projected unit credit method is used. 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 obligation for pension payments and termination benefits is calculated as the present value of future benefits using an interest rate based on the average yield on industrial bonds of the same maturity. Actuarial gains and losses outside the corridor (= up to 10 % of benefit obligation or 10 % of plan assets, if any, at beginning of period) are charged to the statement of comprehensive income over the average remaining term of service of the active staff.

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 the same way as the calculation for liabilities arising from termination benefits, however without taking the corridor method into consideration.

17 Deferred income tax

Deferred income tax assets or liabilities are recorded in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax asset or liability arises 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 accounting nor taxable profit or loss, it is not accounted for. Deferred income tax assets or liabilities are determined using tax rates (and laws) that have been enacted or essentially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Temporary differences mainly arise in connection with depreciation (amortization) periods of non-current assets, provisions for pension benefits, other post-employment benefits, differences regarding the measurement of receivables and payables and tax loss carry-forwards.

Deferred income tax assets or liabilities are recognized for temporary differences arising with investments in subsidiaries and associates and 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.

Deferred income tax assets or liabilities are offset, taking maturities into account, when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets or liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

18 Liabilities

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date. Borrowings are recognized initially at fair value, net of transaction costs incurred and subsequently stated at amortized cost using the effective interest rate method. Borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

19 Contingent liabilities

Contingent liabilities occur for two reasons. For one, they comprise possible obligations that arise from past events and whose existence will be confirmed by uncertain future events that are at least partly beyond an entity's control. For another, they comprise present obligations that fail to meet general or special recognition standards (i.e. the amount of settlement of an obligation cannot be measured with sufficient reliability or an outflow of resources to settle the obligations is not deemed probable).

The group discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote and a liability does not have to be recognized pursuant to IFRS.

20 Revenue recognition

In accordance with IAS 18, revenue is recognized in the statement of comprehensive income upon delivery when the significant risks and rewards of ownership of the goods are transferred to the customer, net of discounts and eliminated sales within the group. Sales of services are recognized in the accounting period in which the services are rendered, with reference to the degree of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue for construction contracts (mainly tolling projects) is recognized in accordance with the "percentage-of-completion method", provided the conditions under IAS 11 are met.

Other revenue is recognized by the group as follows:

- Revenue from expenses recharged is recognized on the basis of the accumulated amounts in accordance with the respective agreements.
- Interest income is recognized on a time-proportional basis using the effective interest method.

21 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely be identical to the corresponding actual results.

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

The group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by management indicate that no material effect is to be expected if the actual final results should deviate by 10 % from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups has shown that the estimates have been reliable up to now.

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

Sensitivities for the acquired goodwill (break-even interest rate) are detailed in Note 13.

22 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The executive board has been identified as the chief operating decision-maker.

Notes to the consolidated financial statements.

Figures in the notes are presented in euro thousands (TEUR) unless otherwise stated.

1 Segment Information

Operating segments

The group reports three main operating segments (see section "General information"):

- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

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

The segment results for the fiscal year ended 31 March 2012 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Revenue	229.9	308.1	12.0	549.9
Operating result	4.1	37.3	0.8	42.2

The segment results for the fiscal year ended 31 March 2011 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Revenue	158.9	223.3	6.4	388.6
Operating result	0.1	48.3	0.4	48.9

The segment assets and liabilities as of 31 March 2012 as well as capital expenditure, depreciation and amortization and other non-cash-effective expenses for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Assets	131.8	301.5	8.8	442.1
Investments in joint ventures and associates	0.0	0.0	0.0	0.0
Unallocated assets				115.6
Total assets	**131.8**	**301.5**	**8.8**	**557.7**
Liabilities	60.4	87.5	7.8	155.6
Unallocated liabilities				145.8
Total liabilities	**60.4**	**87.5**	**7.8**	**301.4**
Capital expenditure	0.0	13.1	0.0	13.1
Depreciation and amortization	2.7	15.6	0.2	18.4
Other non-cash-effective expenses	0.0	0.3	0.0	0.3

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2012 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations, the German original is valid.

The segment assets and liabilities as of 31 March 2011 as well as capital expenditure, depreciation and amortization and other non-cash-effective expenses for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated group
Assets	138.6	215.4	3.4	357.5
Investments in joint ventures and associates	0.0	0.0	0.0	0.0
Unallocated assets				92.6
Total assets	**138.6**	**215.4**	**3.4**	**450.1**
Liabilities	56.2	87.9	1.5	145.5
Unallocated liabilities				113.1
Total liabilities	**56.2**	**87.9**	**1.5**	**258.6**
Capital expenditure	0.0	7.0	0.0	7.0
Depreciation and amortization	1.6	11.8	0.2	13.6
Other non-cash-effective expenses	0.0	0.9	0.0	0.9

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

	2011/12			2010/11		
	Revenue	Road Solution Projects	Services, System Extensions, Components Sales	Revenue	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	205.1	X	X	39.7	X	
Customer 2	84.6	X	X	99.7	X	X
Customer 3	72.4	X	X	98.7	X	X

Information by region

Revenue is segmented by the location of the customers and balance sheet figures by the location of the company.

The figures for the fiscal year ended 31 March 2012 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated group
Revenue	32.8	341.4	63.6	112.1	549.9
Non-current non-financial assets	12.6	42.0	43.8	3.7	102.2

The figures for the fiscal year ended 31 March 2011 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated group
Revenue	37.5	182.0	27.6	141.5	388.6
Non-current non-financial assets	13.2	46.9	41.4	6.6	108.1

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2 Other operating income

	2011/12	2010/11
Income from the sale of non-current assets	44	72
Income from costs recharged	75	62
Sundry operating income	10,131	7,431
	10,250	**7,564**

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

3 Change in finished and unfinished goods and work in progress

	2011/12	2010/11
Change in unfinished goods and work in progress	922	-235
Change in finished goods	-8,638	7,697
	-7,716	**7,462**

4 Costs of materials and other production services

	2011/12	2010/11
Cost of materials	100,562	82,315
Cost of purchased services	186,726	108,940
	287,288	**191,256**

5 Staff costs

	2011/12	2010/11
Wages	4,009	2,345
Salaries and other remunerations	95,303	67,026
Expenses for social security and payroll-related taxes and contributions	19,837	15,181
Expenses for termination benefits (see Note 23)	895	573
Expenses for pensions (see Note 23)	640	556
Contributions to pension funds and other external funds (see Note 23)	326	264
Fringe benefits	714	517
	121,725	**86,462**

As of 31 March 2012, the number of staff amounted to 2,705 persons (31 March 2011: 2,167 persons) and averaged 2,585 persons in the fiscal year 2011/12 (2010/11: 1,621).

6 Amortization of intangible assets and depreciation of property, plant and equipment

	2011/12	2010/11
Depreciation of property, plant and equipment	7,065	6,595
Amortization of intangible assets	11,335	7,020
	18,400	**13,615**

Low-value assets are capitalized as property, plant and equipment or intangible assets and written off fully in the year of acquisition.

7 Other operating expenses

	2011/12	2010/11
Legal and consulting fees	13,799	13,096
Marketing and advertising expenses	10,467	6,086
Travel expenses	9,801	7,243
Rental expenses	9,798	8,470
Communication and IT expenses	7,767	5,641
License and patent expenses	4,168	3,155
Automobile expenses	3,970	2,586
Office expenses	3,680	3,563
Insurance costs	3,056	2,181
Maintenance	2,982	3,752
Training costs	2,005	1,652
Transport costs	1,746	954
Commissions and other fees	1,121	2,488
Taxes and charges	603	280
Adjustment of provision for warranties	266	-489
Allowance and write-off of receivables	135	584
Losses on disposal of non-current assets	99	282
Impairment charge	50	0
Other	7,506	1,869
	83,020	**63,391**

The item “Other” includes membership dues and bank charges, other administrative and selling expenses as well as exchange rate losses on operating activities. The increase in the fiscal year 2011/12 mainly results from the exchange rate losses on operating activities (TEUR 4,690).

8 Financial result

	2011/12	2010/11
Interest and similar income:		
Interest income	893	1,034
Income from securities	139	139
Income from interest accretion of long-term receivables	380	437
Gains from the disposal of financial assets	0	18
Income from other investments	1	0
Gains from changes of the fair value of derivative financial instruments	27	0
Currency translation differences	5,769	2,869
	7,210	**4,498**
Interest and similar expenses:		
Interest expense	-6,987	-3,417
Expense from interest accretion of long-term payables	-236	-362
Expenses from other investments	0	-469
Losses from changes of the fair value of derivative financial instruments	0	-1,340
Currency translation differences	-5,859	-6,530
	-13,083	**-12,117**
	-5,873	**-7,619**

9 Income taxes

	2011/12	2010/11
Current taxes	-9,647	-10,329
Deferred taxes (see Note 22)	785	-2,496
Total	**-8,862**	**-12,826**
Thereof income/expense from group taxation	-1,905	-102

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:

	2011/12	2010/11
Profit before income taxes	36,314	41,261
Arithmetic tax expense based on a tax rate of 25 % (2010/11: 25 %)	-9,078	-10,315
Unrecognized deferred tax assets on current losses	-2,518	-1,421
De-recognition of deferred tax assets recognized on prior year losses	-130	-1,179
De-recognition of deferred tax assets for unrecognized prior-year losses	40	0
Different foreign tax rates	1,385	383
Tax allowances claimed and other permanent tax differences	1,019	-929
Income and expenses not subject to tax and other differences	420	636
Recognized tax expense	**-8,862**	**-12,826**

For further information on deferred tax assets and liabilities, see Note 22.

10 Other comprehensive income

2011/12	Before taxes	Tax expense/income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	11,596	-78	11,518
Currency translation differences	-1,542		-1,542
Fair value changes recognized in equity	**10,054**	**-78**	**9,976**

2010/11	Before taxes	Tax expense/income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-2,277	-259	-2,536
Currency translation differences	4,294		4,294
Fair value changes recognized in equity	**2,017**	**-259**	**1,758**

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11 Additional disclosures on financial instruments by category

	2011/12	2010/11
Available-for-sale financial assets:		
Other non-current financial assets and investments	51,229	34,490
Other current financial assets	8,213	8,037
	59,442	**42,527**
Loans and receivables:		
Other non-current assets	3,420	9,018
Trade receivables	80,495	79,329
Cash and cash equivalents	44,929	42,001
	128,844	**130,348**
Financial liabilities at (amortized) cost:		
Non-current financial liabilities	74,256	74,112
Other non-current liabilities	3,440	10,423
Trade payables	59,013	72,531
Current financial liabilities	53,249	23,083
	189,958	**180,149**

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

	2011/12	2010/11
Available-for-sale financial assets	167	-312
Loans and receivables	1,183	-2,189
Financial liabilities at (amortized) cost	-7,224	-5,118
	-5,873	**-7,619**

12 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 31 March 2010	**3,930**	**5,751**	**194**	**5,948**	**15,824**
Currency translation differences	-5	39	-19	98	112
Reclassification	3	0	-3	0	0
Addition resulting from company acquisition	425	2,137	516	2,207	5,284
Additions	716	2,866	463	1,434	5,477
Disposals	-93	-37	-355	-213	-698
Scheduled depreciation	-720	-3,417	0	-2,458	-6,595
Carrying amount as of 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**
Acquisition/production cost	6,767	38,337	796	18,095	63,995
Accumulated depreciation	-2,511	-31,000	0	-11,081	-44,591
Carrying amount as of 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**
Currency translation differences	0	56	36	-29	63
Reclassification	0	0	0	1	1
Additions	943	3,602	1,301	4,803	10,649
Disposals	-31	-38	-872	-265	-1,205
Scheduled depreciation	-867	-3,547	0	-2,650	-7,065
Carrying amount as of 31 March 2012	**4,301**	**7,410**	**1,261**	**8,875**	**21,847**
Acquisition/production cost	7,690	41,412	1,261	20,539	70,902
Accumulated depreciation	-3,389	-34,002	0	-11,664	-49,055
Carrying amount as of 31 March 2012	**4,301**	**7,410**	**1,261**	**8,875**	**21,847**

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13 Intangible assets

	Capitalized development costs	Concessions and rights	Goodwill	Total
Carrying amount as of 31 March 2010	**181**	**7,761**	**20,586**	**28,529**
Currency translation differences	1	7	-589	-581
Reclassification	0	-2,168	2,168	0
Addition resulting from company acquisition	0	40,995	24,942	65,937
Additions	0	655	1,233	1,888
Disposals	0	-65	0	-65
Scheduled amortization	-60	-6,960	0	-7,020
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**88,687**
Acquisition/production cost	8,675	55,157	48,341	112,173
Accumulated amortization	-8,553	-14,933	0	-23,485
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**88,687**
Currency translation differences	0	2	695	696
Reclassification	0	-1	0	-1
Additions	0	1,469	943	2,412
Disposals	0	-31	0	-31
Impairment charge	0	-50	0	-50
Scheduled amortization	-60	-11,275	0	-11,335
Carrying amount as of 31 March 2012	**63**	**30,338**	**49,979**	**80,379**
Acquisition/production cost	8,743	55,952	49,979	114,674
Accumulated amortization	-8,681	-25,614	0	-34,295
Carrying amount as of 31 March 2012	**63**	**30,338**	**49,979**	**80,379**

The additions to the goodwill result from the acquisition of the remaining shares of Kapsch-Busi, S.p.A., Bologna, Italy, as well as subsequent earn-out payments for the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, which are accounted for under the rules of IFRS 3 (2004).

For the purpose of impairment testing, goodwill was allocated to two cash-generating units (CGU) ("Road Solution Projects" and "Services, System Extensions, Components Sales"). The following assumptions were made:

	Road Solution Projects	Services, System Extensions, Components Sales
The carrying amount of goodwill allocated to the CGU	TEUR 38,779	TEUR 11,199
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	TEUR 0	TEUR 0
Determination of recoverable amount of CGU	Value in use	Value in use

Cash-generating unit "Road Solution Projects":

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that after the successful implementation of road tolling systems, in particular in Austria, the Czech Republic, Switzerland, Australia, South America, South Africa and Poland, demand for tolling systems will increase, in particular as a result of tight public budgets.
- The planning for the Road Solution Projects segment is based on projects in the Czech Republic, South Africa, the Americas, Australia and Poland as well as the fact that tenders in several countries are already in progress.
- 4 years of detailed planning
- 12.2 % (2010/11: 15.4 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 3.0 % (2010/11: 4.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate at which the value in use corresponds to the carrying amount is 56.2 % (2010/11: 20.1 %).

Cash-generating unit "Services, System Extensions, Components Sales":

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that the group will remain the preferred supplier for operation, maintenance and supply of components for tolling projects installed in previous years.
- The planning for the Services, System Extensions, Components Sales segment is based on ongoing maintenance for existing tolling systems in Austria, Switzerland, the Czech Republic, Australia, South America, South Africa and Poland, on the commercial operation in the Czech Republic, South Africa and Poland, as well as on component orders for customers worldwide, particularly in the United States of America, Canada, Mexico, Australia, Turkey, Spain, Portugal, Denmark, France, Greece, Chile, Thailand, South Africa and Poland.
- 4 years of detailed planning
- 12.2 % (2010/11: 15.1 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 3.0 % (2010/11: 4.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate at which the value in use corresponds to the carrying amount is 34.4 % (2010/11: 45.6 %).

Development costs relate to expenses which in accordance with IAS 38 are capitalized and amortized over 3 years once the assets are available for commercial use. Additional research and development costs of the group in the fiscal year 2011/12 amounted to EUR 53.3 million (2010/11: EUR 37.3 million). In the fiscal year 2011/12, EUR 23.1 million of this amount (2010/11: EUR 14.9 million) related to project-specific development costs were charged to the customer. The remaining amount of EUR 30.2 million (2010/11: EUR 22.4 million) was recognized as an expense.

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14 Interests in joint ventures and investments in associates

Interests in joint ventures developed as follows:

	2011/12	2010/11
Carrying amount as of 31 March of the prior year	**0**	**0**
Addition from foundation of a joint venture	33	0
Share in result	-33	0
Currency translation differences	0	0
Carrying amount as of 31 March of the fiscal year	**0**	**0**

Together with two partners, the group founded the joint venture LLC "United Toll Systems", Moscow, Russia, on 17 May 2011. The group holds a 33.3 % interest in this company. As of 31 March 2012, total assets amounted to TEUR 1,225, liabilities amounted to TEUR 2,065, revenue amounted to TEUR 28 and the loss for the year amounted to TEUR -908. The unrecognized share of losses amounts to TEUR 269.

In relation to the 20.27 % shares in Q-Free ASA, Trondheim, Norway, no significant influence can be presumed according to IAS 28 as no representation on the management and supervisory boards is foreseeable at this time.

15 Current and non-current financial assets

	2011/12	2010/11
Other non-current financial assets and investments	51,229	34,490
Other current financial assets	8,213	8,037
	59,442	**42,527**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other	Total
Carrying amount as of 31 March 2010	**3,517**	**28,571**	**6,849**	**38,937**
Currency translation differences	0	0	520	520
Additions	69	0	505	574
Change in fair value	-103	-3,313	0	-3,416
Write-down	0	-343	-157	-500
Disposals	0	0	-1,625	-1,625
Carrying amount as of 31 March 2011	**3,483**	**24,916**	**6,092**	**34,490**
Currency translation differences	0	0	63	63
Additions	0	4,781	942	5,723
Change in fair value	136	11,284	0	11,420
Write-down	0	0	0	0
Disposals	0	0	-467	-467
Carrying amount as of 31 March 2012	**3,619**	**40,981**	**6,629**	**51,229**

Other current financial assets	Available-for-sale securities	Other	Total
Carrying amount as of 31 March 2010	**6,898**	**0**	**6,898**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	1,139	0	1,139
Carrying amount as of 31 March 2011	**8,037**	**0**	**8,037**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	176	0	176
Carrying amount as of 31 March 2012	**8,213**	**0**	**8,213**

As of 31 March 2012, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of 31 March 2012, the other investments classified as available-for-sale mainly relate to a 20.27 % investment in the listed company Q-Free ASA, Trondheim, Norway.

Unrealized gains and losses are recognized in other comprehensive income of the period (see Note 10).

Other non-current financial assets mainly relate to a fixed-term investment amounting to TEUR 5,653 (2010/11: TEUR 5,597). This fixed-term investment is pledged as collateral for guarantees issued by the group.

Fair value estimation:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from a stock market, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1 in accordance with IFRS 7 and relate to the investment in Q-Free ASA Trondheim, Norway.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on observable market data. The available-for-sale securities fall into this category (level 2).

Financial instruments are included in level 3 if the inputs for the asset or liability are not based on observable market data. If one or more of the significant inputs is not based on observable market data the instrument is classified as level 3.

16 Other non-current assets

	2011/12	2010/11
Truck toll collection system Czech Republic	3,420	9,017
Other	0	1
	3,420	**9,018**

Other non-current assets relate to trade receivables (long-term) that are due from the Czech Ministry of Transport for the installation of the Czech truck toll collection system. As in the prior year, they fall due between 1 and 5 years from the balance sheet date.

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Long-term receivables were discounted on the basis of cash flows using an interest rate of 4.00 – 5.00 % (for that part which was funded by external loans) and an interest rate for alternative investments of 2.89 % (for that part which was funded by internal cash flows of the group). Thus, the fair values approximate the carrying amounts.

Gross cash flows of other non-current assets are as follows:

	2011/12	2010/11
Up to 2 years	2,964	7,705
Between 2 and 3 years	623	1,753
More than 3 years	0	1
	3,586	**9,459**

17 Inventories

	2011/12	2010/11
Purchased parts and merchandise, at acquisition cost	20,637	13,520
Unfinished goods and work in progress, at production cost	9,984	9,062
Finished goods, at production cost	18,265	26,903
Prepayments on inventories	13	0
	48,899	**49,485**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 12,136 (2010/11: TEUR 9,793).

18 Trade receivables and other current assets

	2011/12	2010/11
Trade receivables	80,905	80,408
Allowances for bad debt	-410	-1,079
Trade receivables – net	80,495	79,329
Gross amount due from customers for contract work	141,592	84,225
Receivables from tax authorities (other than income tax)	13,593	10,030
Other receivables and prepaid expenses	51,910	17,301
	287,590	**190,885**

Allowances for bad debt developed as follows:

	2011/12	2010/11
Balance as of 31 March of the prior year	**-1,079**	**-587**
Addition resulting from company acquisition	0	-207
Addition	-135	-421
Utilization	223	27
Disposal	581	108
Balance as of 31 March of the fiscal year	**-410**	**-1,079**

Maturity structure of trade receivables and other current assets:

	2011/12	2010/11
Not yet due	271,768	176,618
Overdue, but not impaired:		
Less than 60 days	12,434	12,059
More than 60 days	3,798	3,288
	288,000	**191,965**

The fair values approximate the carrying amounts. There is no concentration of credit risk with respect to trade receivables (except for the toll collection projects in the Czech Republic, South Africa and Poland) as the group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the Czech truck toll collection system amounting to TEUR 3,010 (2010/11: TEUR 4,361) and to the operation and maintenance of the system amounting to TEUR 30,009 (2010/11: TEUR 27,907) are due from Ředitelstvím silnic a dálnic ČR (RSD), a company of the Czech Republic. Trade receivables from the toll collection project in South Africa (Gauteng) amounting to TEUR 11,435 (2010/11: TEUR 0) are due from South African National Road Agency Limited (SANRAL). Trade receivables from the toll collection project in Poland due from GDDKiA (Generalna Dyrekcja Dróg Krajowych i Autostrad) amount to TEUR 2,944 (2010/11: TEUR 0).

Trade receivables amounting to TEUR 6,840 (2010/11: TEUR 7,353) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work are as follows:

	2011/12	2010/11
Construction costs incurred plus recognized gains	347,600	136,707
Less amounts billed and prepayments received	-206,008	-52,481
	141,592	**84,225**

As of 31 March 2012, amounts due from customers for contract work relate to the toll collection project in South Africa amounting to TEUR 23,818 (2010/11: TEUR 43,273) and to the toll collection project in Poland amounting to TEUR 107,253 (2010/11: TEUR 39,692).

Revenues from construction contracts amount to TEUR 199,273 in 2011/12 (2010/11: TEUR 123,915).

19 Cash and cash equivalents

	2011/12	2010/11
Cash on hand	60	65
Deposits held with banks	44,870	41,935
	44,929	**42,001**

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.

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20 Share capital

	2011/12	2010/11
Carrying amount as of 31 March of the fiscal year	**13,000**	**12,200**

Following the capital increase on 27 July 2011 – 800,000 shares were issued – the registered share capital of the parent company amounts to EUR 13,000,000. The placement price was fixed at EUR 61.25 per share, resulting in gross proceeds of EUR 49 million for the group. The total number of shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

21 Current and non-current financial liabilities

	2011/12	2010/11
Current		
Loans for acquisitions	0	10,000
Loans for project financing	34,000	0
Other current loans	19,249	13,083
	53,249	**23,083**
Non-current		
Corporate bond	73,957	73,796
Other	299	316
	74,256	**74,112**
Total	**127,505**	**97,195**

The corporate bond of Kapsch TrafficCom AG was successfully placed in November 2010 with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25 %. The effective interest rate amounts to 4.54 %.

All other non-current liabilities mature in 1 to 5 years.

The fair values and the gross cash flows of current and non-current financial liabilities are as follows:

	2011/12	2010/11
Carrying amount	**127,505**	**97,195**
Fair value	**124,192**	**92,227**
Gross cash flows:		
Up to 1 year	53,249	23,083
Between 1 and 3 years	9,732	9,754
Between 3 and 5 years	6,286	6,273
More than 5 years	75,529	78,442
	144,796	**117,551**

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

	2011/12	2010/11
Total financial liabilities:		
Carrying fixed interest rates	119,957	79,579
Carrying variable interest rates	7,548	17,616
	127,505	**97,195**
Average interest rates:		
Short-term loans	1.56 – 2.70 %	1.65 – 2.25 %
Loans for project financing	1.37 – 1.95 %	–
Loans for acquisitions	–	3.53 %
Corporate bond	4.54 %	4.54 %
Other	2.50 – 3.86 %	2.50 %

Trade receivables (current) amounting to TEUR 6,840 (2010/11: TEUR 7,353) were pledged as collateral for guarantees issued by banks and for loans granted. A bill of exchange amounting to TEUR 1,425 (2010/11: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities

	2011/12	2010/11
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	9,457	3,985
Deferred tax assets to be recovered within 12 months	1,732	4,125
	11,189	**8,110**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	6,887	12,150
Deferred tax liabilities to be recovered within 12 months	11,429	3,725
	18,316	**15,876**
Deferred tax assets net (+) / deferred tax liabilities net (-)	**-7,127**	**-7,766**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards amounting to TEUR 15,154 (2010/11: TEUR 14,087) have not been recognized because it was uncertain whether there would be sufficient taxable profits available against which to offset them. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

Deferred income tax assets and liabilities are offset, taking maturities into account, when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2012 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations, the German original is valid.

Deferred tax assets/liabilities are attributable to the following positions:

	31 March 2010	Addition resulting from company acquisition	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2011
Deferred tax assets						
Tax loss carry-forwards	3,413	0	-195	0	1	3,219
Provisions disallowed for tax purposes	1,868	0	-817	0	26	1,077
Depreciation disallowed for tax purposes	0	0	894	0	0	894
Other	4,369	1,391	-2,871	26	6	2,921
	9,650	**1,391**	**-2,990**	**26**	**33**	**8,110**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	2	0	0	2
Gains from recognition at fair value	1,661	12,798	-3,005	0	0	11,454
Other	1,622	0	2,509	285	3	4,420
	3,283	**12,798**	**-494**	**285**	**3**	**15,876**
Total change	**6,366**	**-11,407**	**-2,496**	**-259**	**30**	**-7,766**

	31 March 2011	Addition resulting from company acquisition	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2012
Deferred tax assets						
Tax loss carry-forwards	3,219	0	10,274	0	31	13,524
Provisions disallowed for tax purposes	1,077	0	7,094	0	35	8,206
Depreciation disallowed for tax purposes	894	0	214	0	4	1,112
Other	2,921	0	1,671	-78	-11	4,503
	8,110	**0**	**19,253**	**-78**	**59**	**27,343**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	2	0	339	0	10	351
Construction contracts	0	0	23,465	0	118	23,583
Gains from recognition at fair value	11,454	0	-2,931	0	0	8,523
Other	4,420	0	-2,406	0	-2	2,012
	15,876	**0**	**18,468**	**0**	**126**	**34,470**
Total change	**-7,766**	**0**	**785**	**-78**	**-68**	**-7,127**

23 Liabilities from post-employment benefits to employees

Amounts recognized in the balance sheet:

	2011/12	2010/11
Termination benefits	6,452	5,912
Pension benefits	10,251	10,403
	16,704	**16,315**

Termination benefits

The obligation to set up a provision for termination benefits is based on the respective labor law.

Retirement benefits

Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on past service cost and are, except for the pension plans acquired in the course of the business combination of Mark IV IVHS, not covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the group (see Note 5).

Termination benefits and pension benefit obligations were valued based on an interest rate of 5 % (2010/11: 5 %) and compensation increases based on a rate of 3 % (2010/11: 3 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2010/11: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 2-3 % (2010/11: 2-3 %).

The following amounts are recognized in the statement of comprehensive income as expenses for termination benefits:

	2011/12	2010/11
Current service cost	459	182
Interest expense	358	322
Actuarial losses	79	70
Total, included in staff costs (Note 5)	**895**	**573**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of the prior year	**5,912**	**5,561**
Total expense according to the table above	895	573
Payments	-355	-223
Carrying amount as of 31 March of the fiscal year	**6,452**	**5,912**
Actuarial present value of obligations (defined benefit obligation)	8,220	7,094
Unrecognized actuarial gains/losses	-1,768	-1,183
Amount recognized in the balance sheet	**6,452**	**5,912**

The following amounts are recognized in the statement of comprehensive income as expenses for retirement benefits:

	2011/12	2010/11
Current service cost	44	4
Interest expense	581	533
Actuarial adjustment	15	17
Gains from external plan assets	0	1
Total, included in staff costs (Note 5)	**640**	**556**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of the prior year	**10,616**	**8,755**
Addition from acquisitions (Change in consolidated entities)	0	2,024
Total expense according to the table above	640	556
Payments	-1,064	-720
Currency translation differences	59	0
Total	**10,251**	**10,616**
Fair value of plan assets	0	-213
Carrying amount as of 31 March of the fiscal year	**10,251**	**10,403**
Actuarial present value of obligations (defined benefit obligation)	11,902	11,877
Unrecognized actuarial gains/losses	-1,650	-1,261
Fair value of plan assets	0	-213
Amount recognized in the balance sheet	**10,251**	**10,403**

The plan assets from the previous year relate to Kapsch TrafficCom Canada Inc. and were released in the current fiscal year 2011/12.

24 Other non-current liabilities

	2011/12	2010/11
Truck toll collection system Czech Republic	2,587	6,185
Other	853	4,238
	3,440	**10,423**

Other non-current liabilities relate to trade payables (non-current) amounting to TEUR 2,587 (2010/11: TEUR 6,185) due to subcontractors for the installation of the Czech truck toll collection system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years from the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck toll collection system (see Note 16). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities mainly relate to the non-current portion of a contingent payment obligation amounting to TEUR 610 (2010/11: TEUR 574) from the acquisition of the "Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A., in the fiscal year ending 31 March 2009.

The gross cash flows of other non-current liabilities are as follows:

	2011/12	2010/11
Less than 2 years	1,870	9,151
Between 2 and 3 years	944	1,450
More than 3 years	851	405
	3,665	**11,006**

25 Other liabilities and deferred income

	2011/12	2010/11
Amounts due to customers for contract work	0	300
Prepayments received	1,056	205
Non-current employee liabilities	16,821	13,381
Liabilities to tax authorities (other than income tax)	3,406	1,556
Other liabilities and deferred income	31,765	21,439
	53,048	**36,881**

Amounts due to customers for contract work are as follows:

	2011/12	2010/11
Construction costs incurred plus recognized gains	0	-202
Less amounts billed and prepayments received	0	503
	0	**300**

26 Provisions

	2011/12	2010/11
Non-current	1,098	686
Current	18,531	4,722
	19,628	**5,408**

The provisions changed as follows:

	31 March 2010	Addition resulting from company acquisition	Addition	Utilization	Disposal	Currency translation differences	31 March 2011
Obligations from anniversary bonuses	583	0	52	0	-30	0	605
Other	0	98	0	-14	0	-3	81
Non-current provisions, total	**583**	**98**	**52**	**-14**	**-30**	**-3**	**686**
Warranties	2,361	45	100	-860	-303	136	1,480
Losses from pending transactions and rework	710	0	0	-710	0	0	0
Legal fees, costs of litigation and contract risks	891	0	55	-36	497	35	1,442
Other	2,883	51	1,761	-2,340	-570	15	1,800
Current provisions, total	**6,845**	**96**	**1,916**	**-3,946**	**-376**	**186**	**4,722**
Total	**7,428**	**194**	**1,969**	**-3,960**	**-405**	**183**	**5,408**

	31 March 2011	Addition resulting from company acquisition	Addition	Utilization	Disposal	Currency translation differences	31 March 2012
Obligations from anniversary bonuses	605	0	290	0	-27	0	868
Other	81	0	223	-81	0	7	230
Non-current provisions, total	**686**	**0**	**513**	**-81**	**-27**	**7**	**1,098**
Warranties	1,480	0	249	-426	-83	8	1,229
Losses from pending transactions and rework	0	0	12,320	0	0	63	12,382
Legal fees, costs of litigation and contract risks	1,442	0	697	-35	-1,085	3	1,022
Other	1,800	0	3,412	-1,220	-71	-23	3,897
Current provisions, total	**4,722**	**0**	**16,678**	**-1,681**	**-1,239**	**51**	**18,531**
Total	**5,408**	**0**	**17,190**	**-1,763**	**-1,266**	**58**	**19,628**

The provision for anniversary bonuses relates to non-current entitlements by employees based on collective labor agreement provisions. The valuation was based on an interest rate of 5 % (2010/11: 5 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2010/11: AVÖ 2008-P) by Pagler & Pagler. Increases in salary were considered at 3 % (2010/11: 3 %).

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.

The provision for losses from pending transactions and rework was set up for expected losses from not yet completed construction contracts at the balance sheet date.

Other provisions mainly include provisions for commissions and bonuses, credits receivable, discounts granted to customers and legal and consulting fees.

27 Contingent liabilities, other commitments and operating lease commitments

The group's contingent liabilities primarily result from large-scale projects. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance and bid bonds as well as sureties.

Details of contingent liabilities and other commitments are as follows:

	2011/12	2010/11
Contract, warranty, performance and bid bonds		
City Highway Sydney and Melbourne	1,811	2,306
Truck toll collection system Austria	8,500	12,500
Truck toll collection system Czech Republic	4,471	9,414
Toll collection system Poland	43,501	24,656
Toll collection systems South Africa: Gauteng, Marian Hill, Huguenot	114,113	120,208
Toll collection system Portugal	1,820	0
Other	906	967
	175,121	**170,051**
Bank guarantees	**1,722**	**1,975**
Sureties	**524**	**544**
	177,366	**172,570**

For details of securities for above-mentioned contingent liabilities and other commitments, see Note 15 and Note 21. In addition, various assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 8,796 (2010/11: TEUR 10,075) are pledged in favour of a Swedish bank in order to secure contingent liabilities.

Financial obligations from lease contracts

The future payments from non-cancelable obligations from rental and operating lease contracts are presented below:

	2011/12	2010/11
Up to 1 year	10,279	8,969
Between 1 and 5 years	26,521	25,198
Over 5 years	5,113	12,860
	41,914	**47,027**

28 Related parties

The following transactions were performed with related parties:

KAPSCH-Group Beteiligungs GmbH, Vienna

Since January 2005, the company has provided services to the group in the area of group consolidation and legal advice. Expenses incurred by the group in the fiscal year 2011/12 amounted to TEUR 484 (2010/11: TEUR 490). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the group amounting to TEUR 22 (2010/11: TEUR 22).

In December 2005, the company issued a parental guarantee to FöreningsSparbanken AB, Stockholm, Sweden, in favor of the group company Kapsch TrafficCom AB, Jönköping, Sweden, amounting to EUR 20.2 million. For the project in South Africa (Gauteng), the company also issued parental guarantees in favor of Kapsch TrafficCom AG to Unicredit Bank Austria AG, Vienna, and to Raiffeisen Bank International AG, Vienna, in September 2009. As of the balance sheet date of 31 March 2012, the assumed guarantees amount to EUR 28.9 million. The annual fee for the assumption of the liabilities is 0.5 % of the guaranteed amounts. Expenses incurred by the group in the fiscal year 2011/12 amounted to TEUR 242 (2010/11: TEUR 241).

KAPSCH-Group Beteiligungs GmbH acts as the tax group leader in a tax group formed in March 2005, of that Austrian subsidiaries of this group are also members. Accordingly, all post-formation tax effects of the group companies that are tax group members are considered to be related party transactions.

Kapsch Aktiengesellschaft, Vienna

In connection with the use of the KAPSCH trademark and logo, the company invoices license fees to the group. The license fee amounts to 0.5 % of all third-party sales of the group. Expenses incurred by the group in the fiscal year 2011/12 amounted to TEUR 2,812 (2010/11: TEUR 1,924).

Activities in the area of corporate development, public relations, sponsoring and other marketing activities are carried out centrally by Kapsch Aktiengesellschaft for all group companies. Costs allocated to the group in the fiscal year 2011/12 amounted to TEUR 1,919 (2010/11: TEUR 1,591).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the board of the company, Georg Kapsch, and costs for consulting services of certain supervisory board members of the company) to the group. Expenses incurred by the group in the fiscal year 2011/12 amounted to TEUR 1,582 (2010/11: TEUR 1,400).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The costs allocated to the group in the fiscal year 2011/12 amounted to TEUR 361 (2010/11: TEUR 355). In addition Kapsch Aktiengesellschaft maintains a software tool and invoiced TEUR 70 (2010/11: 55) to the group for this service. In fiscal year 2011/12, proportionate cost for the participation of managers in the management convention in Istanbul amounting to TEUR 322 were invoiced to the group (2010/11: TEUR 0).

Kapsch Partner Solutions GmbH, Vienna

The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the group and provides apprentices and trainees. Expenses incurred by the group in the fiscal year 2011/12 amounted to TEUR 1,510 (2010/11: TEUR 1,092).

Kapsch Financial Services GmbH, Vienna

The company leases telephone and IT equipment (hardware and software) to the group and provides call center services and IT support. Expenses incurred by the group in the fiscal year 2011/12 amounted to TEUR 1,043 (2010/11: TEUR 869).

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Kapsch BusinessCom AG, Vienna
The company delivers hardware (IT equipment) on behalf of Kapsch TrafficCom AG, Vienna, and provides maintenance and other services for various customer projects, the three largest of which by far are the "Truck toll collection system Austria", the "Truck toll collection system Czech Republic" and the "Truck toll collection system Poland". The deliveries and services performed amounted to TEUR 3,044 in the fiscal year 2011/12 (2010/11: TEUR 6,141).

The company provides IT, data processing and telephone services to the group amounting to TEUR 3,838 (2010/11: TEUR 2,725) as well as other services amounting to TEUR 456 (2010/11: TEUR 456).

The group invoices consulting services in the area of public relations to the company. Income of the group resulting from these services in the fiscal year 2011/12 totaled TEUR 44 (2010/11: TEUR 44).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 76 (2010/11: TEUR 71) and other services amounting to TEUR 162 (2010/11: TEUR 100).

Kapsch CarrierCom AG, Vienna
Kapsch TrafficCom AG provides services in the area of public relations to the company. Income of the group resulting from this service in the fiscal year 2011/12 amounted to TEUR 44 (2010/11: TEUR 44).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 766 (2010/11: TEUR 663), manufacturing services for GSM-R amounting to TEUR 1,869 (2010/11: TEUR 0) and provides the company with other deliverables and performances amounting to TEUR 33 (2010/11: TEUR 45).

Kapsch CarrierCom France SAS, Paris
Kapsch Components GmbH & Co KG provides logistical and manufacturing services to the company for GSM-R projects amounting to TEUR 5,879 (2010/11: TEUR 0)

Kapsch BusinessCom s r.o., Prague
The company provides technical maintenance services for the Czech truck toll collection system and is responsible for the current IT support for the Czech subsidiaries. Expenses incurred for this in the fiscal year 2011/12 totaled TEUR 2,114 (2010/11: TEUR 2,736). Furthermore, the company provided public relations services amounting to TEUR 100 in the fiscal year 2011/12 (2010/11: TEUR 91) and other services amounting to TEUR 146 (2010/11: TEUR 133).

Kapsch Sp. z o.o., Warsaw
The company provides hardware (IT equipment) to the group and renders maintenance and other services for the customer project in Poland. These services amounted to TEUR 4,678 in the fiscal year 2011/12 (2010/11: TEUR 2,857).

Kapsch Immobilien GmbH, Vienna
On 15 July 2008, a new lease agreement was concluded for the location Am Europlatz 2 and a cancelation waiver for 10 years was agreed to. It is possible to partly terminate the agreement after 5 or 7 years. Lease expenses incurred by the group amounted to TEUR 3,266 in the fiscal year 2011/12 (2010/11: TEUR 3,193).

Lease income of the group resulting from the sub-lease to related parties in the fiscal year 2011/12 totaled TEUR 362 (2010/11: TEUR 386).

Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold at arm's length.

Liabilities for pension benefits include pension obligations (pensions in payment) to the widow of Dr. Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

The following tables provide an overview of revenues and expenses in the respective fiscal years as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2011/12	2010/11
Parent company		
Revenue	0	0
Expenses	758	884
Affiliated companies		
Revenue	9,350	1,583
Expenses	23,122	21,667
Other related parties		
Revenue	0	0
Expenses	4,511	4,193

	31 March 2012	31 March 2011
Parent company		
Trade receivables and other assets	494	1,696
Trade payables and other payables	998	96
Affiliated companies		
Trade receivables and other assets	2,707	262
Trade payables and other payables	9,486	4,405
Other related parties		
Trade receivables and other assets	0	0
Trade payables and other payables	290	412

29 Earnings per share

Earnings per share (basic earnings) are calculated by dividing the profit for the period attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the company and held as treasury shares. As of 31 March 2012, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2011/12	2010/11
Profit for the period attributable to equity holders of the company (in EUR)	20,599,568	22,062,116
Weighted average number of ordinary shares	12,744,262	12,200,000
Earnings per share (in EUR)	**1.62**	**1.81**

30 Events after the balance sheet date

On 6 April 2012, the nationwide truck toll collection system in Poland was finally accepted by the customer. The last installment was paid in the net amount of EUR 103.3 million in April as well.

On 28 April 2012 – just two days before the final scheduled commissioning deadline – the start of the fully completed system was suspended indefinitely by court order due to a lawsuit. On 23 May 2012, the government elected to appeal the court decision.

31 Supplementary disclosures

The consolidated group companies are listed in the notes to the consolidated financial statements under the item "consolidated group". The parent company Kapsch TrafficCom AG, Vienna, directly or indirectly holds 100 % of the shares in the fully consolidated subsidiaries, with the exception of Kapsch Telematic Services sp. z o.o., Poland, Electronic Toll Collection (PTY) Ltd., South Africa, Kapsch Telematic Services Danmark ApS, Denmark, Kapsch Telematic Services Solutions A/S, Denmark, Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services GmbH Deutschland, Germany, Kapsch Telematic Services Kft., Hungary, Kapsch Telematic Services spol. s r.o., Czech Republic, Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic, TMT Services and Supplies (Pty) Ltd., South Africa, SafeTCam (Pty) Ltd., South Africa, Traffic Software Solutions (Pty) Ltd., South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., South Africa, Electronic Tolling Operations (Pty) Ltd., South Africa, Crestwave 63 (Pty) Ltd., South Africa, Crestwave 61 (Pty) Ltd., South Africa, TMT Services and Supplies (North) (Pty) Ltd., South Africa, Berrydust 51 (Pty) Ltd., South Africa and Kapsch Telematic Services IOOO, Minsk, Republic of Belarus. With regard to additional disclosures in accordance with § 265 (2) 1 UGB for the companies mentioned above, the protection-of-interest clause pursuant to § 265 (3) UGB was applied.

The average number of staff in the fiscal year 2011/12 was 2,404 salaried employees and 181 wage earners (2010/11: 1,551 salaried employees and 70 wage earners).

Expenses for the auditor

The expenses for the auditor amount to TEUR 128 (2010/11: TEUR 184) and are broken down as follows:

	2011/12	2010/11
Audit of the consolidated financial statements	58	61
Other assurance services	53	111
Tax consulting services	0	0
Other services	17	12
	128	**184**

Compensation and other payments to members of the executive and supervisory boards

The compensation paid to members of the executive board is shown below:

Executive board remuneration in TEUR	Fixed	Variable	Total 2011/12	Total 2010/11
Georg Kapsch	444	578	1,022	821
Erwin Toplak	378	64	442	417
André Laux	285	74	359	334
Total	**1,107**	**716**	**1,823**	**1,573**

Expenses for termination benefits for members of the executive board amount to TEUR 59 (2010/11: TEUR 43).

Individual pension agreements are granted to Erwin Toplak and André Laux. Annually, approximately TEUR 19 (2010/11: TEUR 19) is paid by Kapsch TrafficCom AG to an external pension fund.

Remunerations paid to supervisory board members amount to TEUR 8 (2010/11: TEUR 21).

As in the previous years, no advances or loans were granted to members of the executive and supervisory boards, nor any guarantees issued in their favor.

In the fiscal year 2011/12, the following persons served on the executive board:
Georg Kapsch (Chief Executive Officer)
Erwin Toplak
André Laux

In the fiscal year 2011/12, the following persons served on the supervisory board:
Franz Semmernegg (Chairman)
Kari Kapsch (Deputy-Chairman)
William Morton Llewellyn (until 22 August 2011)
Sabine Kauper (from 22 August 2011)

Delegated by the works council:
Christian Windisch
Claudia Rudolf-Misch

Authorized for issue:

Vienna, 30 May 2012

Georg Kapsch
Chief Executive Officer

Erwin Toplak
Chief Operating Officer

André Laux
Executive Board member

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Auditor’s Report.

Report on the consolidated financial statements.

We have audited the accompanying consolidated financial statements of Kapsch TrafficCom AG, Vienna, for the fiscal year from 1 April 2011 to 31 March 2012. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2012, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 March 2012 as well as the notes to the consolidated financial statements.

Management’s responsibility for the consolidated financial statements and for the accounting system
The company’s management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with the legal provisions as applicable in Austria. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility and description of type and scope of the statutory audit
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance of whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group’s preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the group as of 31 March 2012 and of its financial performance and its cash flows for the fiscal year from 1 April 2011 to 31 March 2012 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Comments on the management report for the group.

Pursuant to statutory provisions, 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 other disclosures are not misleading with respect to the company’s position. The auditor’s report also has to contain a statement as to whether the management report for the group is consistent with the consolidated financial statements.

In our opinion, the management report for the group is consistent with the consolidated financial statements.

Vienna, 30 May 2012

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

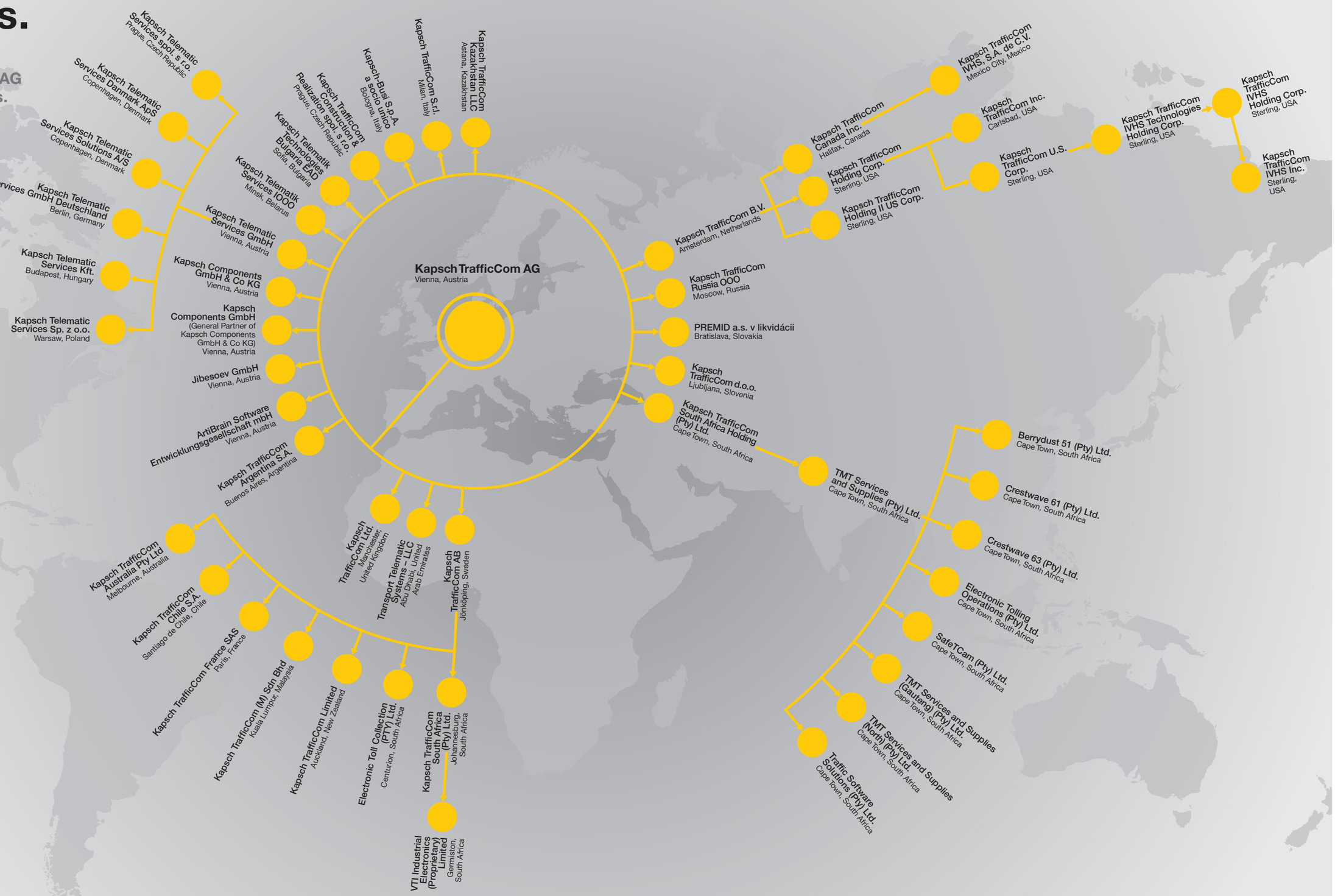
signed:
Felix Wirth
Austrian Certified Public Accountant

» For me, the future of mobility lies in a web of cars, in which automobiles will independently exchange information with each other in real-time. In cities, hybrid spaces will be created in which the borders between life and work, private and public, real and virtual will fade. «

Nils Müller
CEO & founder
TrendONE GmbH, Hamburg

Services.

Kapsch TrafficCom AG and its Subsidiaries.



The parent company Kapsch TrafficCom AG holds, with the exception of the subsidiaries listed in note 31 to the consolidated financial statements, directly or indirectly 100 % of the shares in the fully consolidated subsidiaries. The company also has representative offices in São Paulo, Brazil, and Beijing, China, as well as a branch office in Zagreb, Croatia. Kapsch Components GmbH & Co KG is the sole general partner *(Komplementär)* of Kapsch Components KG.

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Company History.

	Company milestones	Business milestones
1991	Kapsch Aktiengesellschaft enters traffic telematics business	
1995		Contract for the nationwide Ecopoint System – the world's first emissions-based traffic management system – in Austria
1998	Acquisition of the electronic toll collection business from Bosch Telecom, Germany	
1999		Implementation of the world's first electronic toll collection system for multi-lane free-flow traffic on an urban motorway on the Melbourne City Link in Australia
2000	Acquisition of Combitech Traffic Systems AB, Sweden	
2002	Kapsch TrafficCom AG demerged from Kapsch Aktiengesellschaft	Installation of the first single-lane electronic toll collection system on the African continent on the Platinum Toll Highway in South Africa
2004		Launch of the nationwide electronic truck toll collection system in Austria
2005		Establishment of three electronic toll collection systems in Chile
2006	Foundation of Kapsch Telematic Services GmbH to enter the commercial operation of toll collection systems Acquisition of DPS Automation S.A. Argentina	
2007	Initial public offering on 26 June 2007	Launch of the nationwide electronic truck toll collection system in the Czech Republic Contract to implement an electronic toll collection system in New Zealand Establishment of the largest toll station in Asia on Highway No. 8 in New Delhi, India
2008	Acquisition of assets of the U.S. TechnoCom Corp.	Establishment of toll collection systems for three of the largest urban motorways in Bangkok, Thailand
2009	Purchase of a 20.47 % stake in the Norwegian competitor Q-Free ASA	Contract to establish an electronic toll collection system for multi-lane free-flow traffic in the South African province of Gauteng
2010	Acquisition of the U.S., Canadian and Mexican business of Mark IV IVHS Acquisition of a majority stake in TMT (Pty) Ltd. in South Africa Issue of corporate bonds	
2011	Capital increase	Launch of the nationwide electronic toll collection system in Poland Kapsch TrafficCom IVHS selected by E-ZPass Group as supplier for new 10-year technology and service contract

Kapsch Group.

The Kapsch Group is one of the most successful technology firms in Austria that also plays a key global role. The company was founded 120 years ago and today it sets benchmarks in the promising future markets of Intelligent Transportation Systems (ITS), Railway and Public Operator Telecommunications as well as Information and Communication Technology (ICT). The Kapsch Group comprises the three key companies of Kapsch TrafficCom, Kapsch CarrierCom and Kapsch BusinessCom. A family-run company headquartered in Vienna, Kapsch develops and implements new technologies to the commercial benefit of its customers. The Kapsch Group, which in the fiscal year 2011/12 generated revenues of 984.1 million EUR, offers a wide range of innovative solutions, systems and services, thus making a significant contribution to the responsible and sustained creation of a mobile and networked world. The companies of the Kapsch Group employ roughly 5,000 people in about 100 branches and representation offices around the globe.

Glossary.

ANPR	Automatic number plate recognition – method that uses optical character recognition (OCR) on images to automatically identify the license plate number of a vehicle
CEN	Comité Européen de Normalisation (European Committee for Standardization) – responsible for defining common legislative procedures for contractual obligations among toll operators to achieve interoperability in toll collection systems in Europe (CEN Standards)
CVO	Commercial vehicle operations – systems for operating commercial vehicles in order to enhance freight carrier productivity and safety
DSRC	Dedicated short-range communication – one-way or two-way short- to medium-range wireless communication channels designed for communication between on-board and roadside equipment
ETC	Electronic toll collection – systems with technologies that enable drivers to pay toll fees without stopping at toll stations
GHz	Gigahertz
GNSS	Global navigation satellite system – standard generic term for satellite navigation systems that provide autonomous geo-spatial positioning with global coverage
GPS	Global positioning system
GSM	Global system for mobile communication – standard to describe technologies for digital cellular networks
ISO	International organization for standardization
ITS	Intelligent transportation systems are systems, in which information and communication technologies are being applied, in order to support and optimize road transport, including infrastructure, vehicles and users
LAN	Local area network
MHz	Megahertz
OHSAS	Occupational Health and Safety Assessment Series
On-board unit	An on-board unit (OBU) is an electronic device readable and writeable via wireless communication. An OBU identifies a vehicle and/or serves as a payment means and/or as data memory for vehicle and/or personal data
PVTMS	Public vehicle transportation management systems facilitate management of both local and long-distance public transportation
TMS	Traffic management systems that monitor traffic, optimize signal timing, and regulate the flow of traffic
Transceiver	A roadside mounted radio communication device for the bidirectional data exchange to on-board units by means of dedicated short-range communication (DSRC). In the U.S.A. often refered to as reader
Transponder	A transponder is an on-board equipment with a dedicated short-range communication (DSRC) communication interface and a buzzer as the only human-machine interface to the driver
WLAN	Wireless local area network
WAVE	Wireless access in vehicular environment
VIS	Vehicle information systems which include a host of applications to increase traffic safety and security
VÖNIX	The VBV Austrian Sustainability Index is a stock index that comprises listed Austrian companies that play a leading role in terms of their social and environmental performance

Annual Report2go.

More information on current topics can be found on our QR site:
Just scan the QR-Code on the front page with your mobile to find out more!

Visit mobile.kapsch.net/reader and download the free reader software.
Or enter your 4-digit code directly on the mobil.kapsch.net site.

Please note: you may be charged for this by your mobile operator.

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Financial Calendar.

24 August 2012
Ordinary shareholders' meeting for fiscal year 2011/12

24 August 2012
Interim financial report fiscal year 2012/13-Q1

31 August 2012
Deduction of dividend for fiscal year 2011/12 (ex-day)

7 September 2012
First day of payment for fiscal year 2011/12 dividend

22 November 2012
Interim financial report fiscal year 2012/13-Q2

27 February 2013
Interim financial report fiscal year 2012/13-Q3

26 June 2013
Results fiscal year 2012/13

19 August 2013
Ordinary shareholders' meeting for fiscal year 2012/13

2 September 2013
Deduction of dividend for fiscal year 2012/13 (ex-day)

9 September 2013
First day of payment for fiscal year 2012/13 dividend

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Trading Symbol
KTCG

Reuters
KTCG.VI

Bloomberg
KTCG AV

Eight-Year Review of Key Data.

Earnings Data [1]		2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Revenues	in million EUR	549.9	388.6	216.0	200.3	185.7	198.6	116.2	121.9
EBITDA	in million EUR	60.6	62.5	32.0	35.0	39.0	30.8	21.0	18.7
EBITDA margin	in %	11.0	16.1	14.8	17.5	21.0	15.5	18.1	15.4
EBIT	in million EUR	42.2	48.9	24.5	29.0	34.9	26.9	17.3	13.0
EBIT margin	in %	7.7	12.6	11.4	14.5	18.8	13.5	14.9	10.7
Profit before tax	in million EUR	36.3	41.3	43.9	21.9	42.8	27.0	17.8	13.5
Profit for the period	in million EUR	27.5	28.4	36.5 (22.5)	16.4	32.1	20.3	12.3	14.2
Earnings per share [2]	in EUR	1.62	1.81	2.64 (1.49)	1.06	2.60	2.04	1.24	1.43
Free cash flow [3]	in million EUR	-50.9	-19.9	41.6	19.9	-14.8	-39.1	14.4	18.6
Capital expenditure [4]	in million EUR	13.1	8.3	4.8	22.2	4.0	2.3	1.3	3.0
Employees [5]		2,705	2,167	1,023	946	824	774	569	572
Business Segments		**2011/12**	**2010/11**	**2009/10**	**2008/09**	**2007/08**	**2006/07**	**2005/06**	**2004/05**
Road Solution Projects (RSP)									
Revenues (percentage of Revenues)	in million EUR	229.9 (42 %)	158.9 (41 %)	45.8 (21 %)	56.8 (28 %)	47.0 (25 %)	105.0 (53 %)	18.7 (16 %)	30.0 (25 %)
EBIT (EBIT margin)	in million EUR	4.1 (1.8 %)	0.1 (0.1 %)	-20.9 (-45.6 %)	-1.7 (-2.9 %)	6.3 (13.4 %)	11.6 (11.0 %)	2.7 (14.5 %)	2.2 (7.2 %)
Services, System Extensions, Components Sales (SEC)									
Revenues (percentage of Revenues)	in million EUR	308.1 (56 %)	223.3 (57 %)	161.9 (75 %)	135.6 (68 %)	128.8 (69 %)	80.6 (41 %)	76.2 (66 %)	78.0 (64 %)
EBIT (EBIT margin)	in million EUR	37.3 (12.1 %)	48.3 (21.6 %)	45.3 (28.0 %)	31.7 (23.4 %)	29.1 (22.6 %)	15.8 (19.6 %)	13.5 (17.7 %)	11.5 (14.7 %)
Others (OTH)									
Revenues (percentage of Revenues)	in million EUR	12.0 (2 %)	6.4 (2 %)	8.3 (4 %)	8.0 (4 %)	10.0 (5 %)	13.0 (7 %)	21.3 (18 %)	13.9 (11 %)
EBIT (EBIT margin)	in million EUR	0.8 (6.5 %)	0.4 (6.7 %)	0.2 (1.9 %)	-1.0 (-12.6 %)	-0.4 (-4.3 %)	-0.5 (-3.7 %)	1.1 (5.2 %)	-0.6 (-4.5 %)
Regions		**2011/12**	**2010/11**	**2009/10**	**2008/09**	**2007/08**	**2006/07**	**2005/06**	**2004/05**
Austria – Revenues (percentage of Revenues)	in million EUR	32.8 (6 %)	37.5 (10 %)	42.4 (20 %)	37.8 (19 %)	36.6 (20 %)	47.3 (24%)	57.9 (50 %)	51.0 (42 %)
Europe (excl. Austria) – Revenues (percentage of Revenues)	in million EUR	341.4 (62 %)	182.0 (47 %)	117.1 (54 %)	122.8 (61 %)	105.2 (57 %)	122.9 (61%)	29.4 (25 %)	27.7 (23 %)
Americas – Revenues (percentage of Revenues)	in million EUR	63.6 (12 %)	27.6 (7 %)	12.1 (5 %)	14.0 (7 %)	18.8 (10 %)	15.4 (8 %)	9.4 (8 %)	23.8 (20 %)
Rest of World – Revenues (percentage of Revenues)	in million EUR	112.1 (20 %)	141.5 (36 %)	44.5 (21 %)	25.6 (13 %)	25.2 (14 %)	13.0 (7 %)	19.5 (17 %)	19.4 (16 %)
Balance Sheet Data		**31 March 2012**	**31 March 2011**	**31 March 2010**	**31 March 2009**	**31 March 2008**	**31 March 2007**	**31 March 2006**	**31 March 2005**
Total assets	in million EUR	557.7	450.1	295.1	324.5	298.4	227.2	131.9	133.5
Total equity [6]	in million EUR	256.2	191.5	168.2	134.2	133.4	45.6	39.1	37.4
Equity ratio [6]	in %	45.9	42.5	57.0	41.4	44.7	20.1	29.6	28.0
Net assets (+)/debt (-)	in million EUR	-74.4	-47.2	35.3	5.0	28.4	-12.5	37.2	29.4
Capital employed	in million EUR	383.8	288.7	187.5	193.4	161.3	78.2	48.6	47.8
Net working capital	in million EUR	285.7	175.9	104.6	122.3	131.4	56.8	43.2	42.5

1 Only continuing operations
2 Earnings per share 2011/12 relate to a weighted average number of 12.74 million shares, 2010/11, 2009/10 and 2008/09 relate to 12.2 million shares, 2007/08 relate to 11.7 million outstanding shares and in each of 2006/07, 2005/06 and 2004/05 relate to 10.0 million shares
3 Operating cash flow minus capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)
4 Capital expenditure from operations (excl. payments for acquisition of companies and purchases of securities and investments)
5 As of 31 March of each year
6 Incl. non-controlling interests

Kapsch TrafficCom is a provider of high-performance intelligent transportation systems (ITS) in the application fields of toll collection, urban access management and traffic safety and security. Kapsch TrafficCom covers the entire value creation chain of its customers as a one-stop shop by providing products and components as well as subsystems as open market products, by integrating them into turnkey systems or by developing end-to-end solutions, including services for the technical and commercial operations of systems. Within its current core business of electronic toll collection (ETC), Kapsch TrafficCom designs, builds and operates primarily electronic toll collection systems, in particular for multi-lane free-flow traffic. With 280 references in 41 countries on all 5 continents and with almost 70 million on-board units delivered and about 18,000 lanes equipped, Kapsch TrafficCom has positioned itself among the internationally recognized suppliers of electronic toll collection worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 30 countries.

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Kapsch TrafficCom

Annual Financial Statements

Fiscal year 2010/11.

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Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2011.

1 Economic climate

1.1 General economic situation

Global Economy

Following the financial and economic crisis, world trade has increased again since the start of 2009 and has largely been able to regain pre-crisis levels. Real global trade is expected to increase by 10 % per year in 2011 and 2012 as well. The global economy also improved as a result of very expansive monetary and fiscal policy. The global gross domestic product rose by 4.5 % year-on-year, but slowed over the course of 2010. The International Monetary Fund (IMF) has forecasted growth of 4.4 % for 2011, and expects the global economy to continue growing by 4.5 % in 2012.

From a regional perspective, the economic upturn has been very uneven. In the emerging markets, such as in Asia, recovery was observed earlier than in the industrial countries, such as the euro zone in particular. However, the expansion in Asia is now showing a slight decline, which can be attributed to the end of the significant inventory build-up following the crisis as well as attempts by China and other emerging countries to slow growth in order to prevent their economies from overheating and to counteract rising inflationary pressure. Asian and Latin American economies will continue to grow in 2011 and 2012, lending a noticeable impetus to the global economy.

In the euro region, very large differences exist between the individual countries. High-export and internationally competitive nations such as Germany and the Scandinavian countries exhibited positive growth figures for 2010, while the situation in Southern European countries and in Ireland appeared somewhat worse. The problematic national budgets of these euro countries are leading to an abrupt increase in lending rates and continue to put the European Currency Union to a hard test. In the interests of solidarity, the EU has resolved to provide EUR 110 billion of support to Greece and EUR 85 billion to Ireland. It is also assumed that Portugal will need between EUR 80 billion and EUR 90 billion.

The oil price has risen again significantly in recent months due to the flare up of unrest in North Africa and the Near East and stood at roughly USD 110 per barrel Brent as of mid May. Raw materials prices are likewise increasing due to high demand. The price of gold is also rising, ending the reporting period at approx. USD 1.525 per Troy ounce.

2010 was a turbulent year for the financial markets. The European sovereign debt crisis and the relaxation of monetary policy by the US Federal Reserve dominated the international markets. The euro lost ground against the US dollar in the first half of 2010, but the euro exchange rate recovered again in the second half of the year. Demand for low-risk investments in German and American bonds increased.

The final weeks of the fiscal year 2010/11 were dominated by the terrible catastrophe in Japan. Following the massive destruction caused by the earthquake and tsunami, the threat of a nuclear disaster has largely been the focus of attention.

The consequences for the global economy are still difficult to estimate. Japan is faced with its largest reconstruction effort since World War II. The required investments and restoration of the destroyed infrastructure could mean a short-term boost to the Japanese economy. However, Japan is one of the few major economic powers with a strong focus on exports, and this leads to fears of massive economic losses due to production downtimes as well as the radioactive contamination of agricultural products and ocean water. According to economists, the direct consequences on the global economy should remain within limits.

The overall outlook for the global economy justifies the expectation that investors could remain in a risk-averse posture. The high national debts of the developed countries and rising raw materials prices will have a significant impact on growth.

U.S.A.

The economy in the United States. developed positively during 2010. The gross domestic product of the U.S.A. increased by 2.7 % in 2010, and indicators point toward a continuation of this positive trend. GDP growth of 2.2 % is forecasted for the year 2011 and a further increase in growth to 2.9 % for 2012.

Measures to stabilize the economy as well as extensive intervention by the US Federal Reserve (Fed) during the year 2010 are allowing banks to repair their balance sheets. Expansive monetary policy and the buyback of government bonds by the Fed have kept the USD exchange rate low. At the end of 2010, the euro was at 1.34 US dollars, while on 31 March 2011 it was 1.42 US dollars. Since the end of 2010, the Fed has held to a historically low interest rate between 0.0 % and 0.25 %. Experts expect the prime rate will be kept low over the short-term and the relaxed monetary policy will be maintained.

The labor market has recovered slightly in recent months, but is still characterized by delayed development. The unemployment rate remains high and was at 9.0 % in January 2011. In 2011, unemployment is expected to average between 8.8 % and 9.0 %. Developments in the areas of industrial production and exports are positive. Private consumer spending remained expansive despite belt-tightening, which can be attributed in part to the increased prices of food and fuel. Forecasts indicate that the consumption and real estate boom seen prior to the crisis will not return quickly. In particular, the recovery in the real estate market has remained very weak to date. No noticeable improvement is in sight for the construction industry as well.

Emerging Markets

The rapid implementation of government economic stimulus programs has boosted the emerging markets in the last two years. Emerging countries such as China and India have even seen a surplus of capital.

China exhibited GDP growth of 10.5 % in 2010. Although the government took measures to counteract the risk of currency appreciation and rising inflationary pressure, growth amounting to 9 % per year is expected for the years 2011 and 2012.

Japan made the turnaround in 2010 and was able to achieve an increase of 3.6 % in its gross domestic product. As a result of the recent natural catastrophes, serious estimates regarding future developments are almost impossible, and the opinions of experts also diverge extensively in this area.

Europe

Following the global crisis, recovery was also observed in the euro countries during 2010. The gross domestic product in the euro zone rose by 1.7 %, and stable growth of 1.5 % is expected for the years 2011 and 2012. Industry in the euro region was able to exceed production forecasts, and the volume of new orders also developed positively. At the start of the 4th quarter of 2010, the industrial capacity utilization of 77.6 % was far above the low of the previous year (69.6 %) but still fell short of the long-term average of 81.2 %.

In general, an analysis of the current economic situations in the euro countries shows significant differences.

The competitive export countries of the euro region, such as Germany and the neighbors with which it has strong economic relationships, such as Austria and Slovakia, are profiting from the massive growth in the emerging markets (in particular, from China). Germany, for instance, proved to be the economic motor for Europe in 2010 with growth of 3.6 %, and there are good prospects for continued stable growth in 2011 as well. Alongside the positive effects from the rise in global trade, German economic growth also benefits from the low interest rates in the euro zone. As a result, the country has been spared tax hikes and cost-cutting measures, benefiting companies and further promoting consumption.

Other euro countries have encountered great difficulties in controling their national debts and lag behind in terms of growth. High public spending and austerity packages can be seen in Greece, Ireland, Portugal and Spain, and the economies of these countries are stagnating. Portugal is even in a recession at this time.

In recent months, all the nations of Europe have banded together to overcome this crisis through joint action. To this end, a comprehensive plan was passed for opposing the debt crisis in the euro region, stabilizing the economic and monetary union and improving competitiveness. The new crisis fund for high-debt euro countries was recently raised to EUR 700 billion. As of 2013, this money should be made available as credit financing under favorable conditions to euro countries that are unable to get their national budgets under control on their own despite austerity programs. Almost all EU states are helping to finance this rescue fund through cash contributions and guarantees. Strict criteria, including massive cost-cutting measures, must be met in order to take advantage of this aid.

Although the EU began to assist Greece at the start of 2010 – in total, roughly EUR 110 billion should have been approved – the budget deficit for 2010 was again higher than expected at 10.5 %. Ireland requested assistance at the end of 2010 and received a loan of roughly EUR 85 billion.

The situation in Portugal also intensified in the spring of 2011. The goals for the budget deficit in 2010 were clearly missed at 9.1 %, and political turbulence has ensued since that time. The unemployment rate (11.2 % in January 2011) and inflation (roughly 3.5 % in February 2011) also rose considerably. At the start of April 2011, after receipt of a significantly worse rating and a correspondingly massive interest rate increase for Portuguese government bonds, the country requested assistance from the EU rescue fund. Estimates of the required aid run to EUR 80-90 billion.

In addition to the crisis fund, adherence to the stability package has once again received greater attention throughout the entire euro region. The new debt of a country may not exceed 3 % and the total debt level must be lower than 60 % of the GDP. If these criteria are not met, a deficit process must be followed by which 0.2 % of the GDP must be set aside as a pledge for improving the debt. If the debt situation does not improve, this pledge is treated as a penalty. The euro countries are also called upon to more closely coordinate their tax, pension and social policies in order to avoid differences in competitiveness.

Overall, the economic recovery in the euro region has been astonishingly robust despite the rising price of oil and continued debt problems.

The new EU countries were able to achieve GDP growth of 1.9 % in 2010 (2009: -3.3 %). Indicators point to continued GDP growth of 2.6 % in 2011 while growth as high as 3.6 % is expected for 2012. Poland, the Czech Republic, Slovakia and Hungary have enjoyed good economic growth.

Inflation in the EU (EU-27) increased in 2010 primarily due to rising energy prices and was at 2.8 % in February 2011. To counteract this, the European Central Bank raised the prime rate from 1 % to 1.25 % at the start of April 2011, and another increase is expected over the course of 2011. The 3-month Euribor rate was 1.23 % on 31 March 2011.

The unemployment rate in the EU (EU-27) remained at a high level of 9.5 % in February 2011, only 0.1 % lower than the previous year. This figure also varies widely between the individual countries. The Netherlands, Luxembourg and Austria have the lowest rates, while the highest unemployment rates are reported by Spain, Lithuania and Latvia. Latvia, however, was also able to demonstrate the greatest reduction in unemployment, followed by Estonia and Sweden. The largest increase was reported by Greece and Ireland.

Austria

The Austrian GDP increased by 2.0 % in 2010, which can be primarily attributed to the strong growth in exports (2010: +12.3 %) and rising investments. The GDP growth forecast for 2011 was recently revised upward to 2.5 %, and growth of 2.0 % is expected for 2012 as well.

Positive export developments can be attributed to the strong economic growth in Germany, which was in turn positively influenced by growing demand from Asia. Austria's exporters also profited from increasing exports to Switzerland, Russia and the U.S.A.. According to forecasts, Austrian goods exports are expected to grow by 7 % in 2011 and 6.4 % in 2012.

Consumption by private households remained a stable pillar of the economy in 2010 due to high real growth (tax reform, expansion of social transfers and low inflation). Consumer spending by private households increased by 1.1 % in 2010. Trade also profited from the positive development in consumer spending, making possible an increase of 2.8 % in value creation.

In 2011, it is expected that net real per capita income will decline somewhat due to lower salary conditions in the public sector and a slight increase in the inflation rate. Net real wages should recover somewhat in 2012.

In February 2011, the inflation rate reached its highest level since September of the previous year. The Europe-wide harmonized consumer price index jumped to 3.1 % and exerted a damping effect on economic growth. This increase can be attributed above all to increased prices for fuels, heating oil and food. Approximately 0.4 % of this increase originates from the raising of indirect taxes for budget consolidation. On the other hand, core inflation, which excludes energy and unprocessed foods, remained low.

Overall, the Austrian economy is recovering very well compared with the rest of the world. Following on the economic stimulus programs, the austerity package and tax reforms were implemented relatively quickly and have already begun to show the desired effects, demonstrating that they were correctly dimensioned. It has been possible to keep many employees in their jobs by reducing working hours. In addition, innovative ideas helped Austrian companies successfully ride out the crisis.

However, the continued growth of the Austrian economy is subject to a number of uncertainties and risks. The EU countries are faced with the great challenge of overcoming the debt crisis and ensuring the stability of the monetary union in Europe. The unrest in the Near East and North Africa has led to increased oil prices and negatively impacted inflation. It remains to be seen how the situation in North Africa will develop. Due to the low trade volume with Japan, experts believe the catastrophe there will have only a negligible impact on the Austrian economy, with the exception of delivery bottlenecks. The potential influence of this situation on the global economy and thereby directly on Austria remains difficult to assess from today's perspective.

The development of the unemployment rate remains positive. Unemployment has continued to fall, reaching 6.9 % in March 2011 according to the national calculation and 4.3 % according to the Eurostat definition. This places Austria alongside the Netherlands in the top ranks of the EU-27 countries (average of 9.6 %). According to the most recent forecasts, the unemployment rate should stabilize further, and an annual average of 4.1 % is expected for 2011 and 4.0 % for 2012.

1.2 Development of the market for intelligent transportation systems

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the intelligent transportation systems market. The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, September 2010, describes the ITS market as a diversifying market with the following, widely differing application and product segments.

Electronic toll collection (ETC) systems with technologies that enable drivers to pay toll fees without stopping at tollgates.

Traffic management systems (TMS) that monitor traffic, optimize signal timing, and regulate the flow of traffic.

Commercial vehicle operations (CVO) systems which are technologies to enhance motor carrier productivity and safety during interstate transportation.

Public vehicle transportation management systems (PVTMS) which streamline transit, allow transit companies to locate vehicles and provide safety to commuters.

Vehicle information systems (VIS) which include a host of applications that enable commuters to have a safe journey.

According to Global Industry Analysts, the size of the ITS market amounted to USD 11.8 billion in 2010 and is increasing steadily. The largest market segment is traffic management systems, accounting for almost 38 %. The fastest-growing ITS segment is electronic toll collection systems with a compounded average growth rate of 17.1 % between 2000 and 2010; at a worldwide volume of about USD 2.8 billion, it had a share on the ITS market of roughly 24 % in 2010.

Market situation and market forces

Funding of infrastructure projects. Independent of the economic recession, the worldwide increase in road traffic is the most important growth factor for the ITS market. According to analyses by the EU (European Union 2010, "Energy and Transport in Figures"), commercial traffic increased by 2.3 % per year and in total by 33.7 % between 1995 and 2008. Commercial road traffic increased by 2.9 % per year and by 45.7 % in total. While the recent economic crisis triggered a fall in the volume of goods transport, this has already been largely compensated for by the subsequent upswing. Despite political pressure, goods transport could not be shifted significantly from road to rail or ship transport. This growth increases the financing burden for road infrastructure enormously, which in turn fosters greater demand and a high growth potential for ITS applications and the market segment electronic toll collection systems, in particular.

In 2005, the trans-European road network (TEN-V) with a total length of 84,700 km comprised one-fourth of the primary street network but carried 40 % of the total commercial traffic. It is predicted that TEN-V will be expanded by 4,800 km per year up to 2020, of which 3,500 km will consist of existing roads. Major investments will be required in the new member states and along the corridor routes to these countries. The European Union estimates investments of EUR 600 billion will be required by 2020. The long-term forecasts for traffic growth continue to remain high.

In addition to dedicated short-range communication (DSRC) systems (microwave technology) according to the Comité Européen de Normalisation (CEN) 5.8 GHz standard, the use of satellite-based systems (satellite technology) has been expanding, depending on the application requirements. Significant growth potential also exists in the area of video-based systems for automatic number plate recognition (ANPR) for tolling and enforcement in urban environments

The high financing requirements for the preservation of road infrastructure are leading to new business models and private concessionaire models in the U.S.A.. Standard & Poor's research estimates an annual demand of USD 92 billion for the preservation of highways and bridges and a further USD 125.6 billion for their improvement. While the standardized tolling technology based on 5.8 GHz DSRC microwave is used in Europe, electronic toll collection systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard based on 5.9 GHz will gradually replace the existing technology in the U.S.A. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for car-to-car communication and for applications that increase traffic safety as well as additional ITS solutions for traffic information, traffic management and entertainment. These developments will also make it possible for European manufacturers to gain a foothold in the North America, which is also an important growth market for Kapsch TrafficCom.

Reduction of congestion and environmental pollution through road traffic. To reduce traffic congestion and environmental pollution, city charging systems and environmental zones (low emission zones) are deployed in several major cities. Environmental pollution can be viewed as another key driver for the ITS market and also for electronic toll collection systems. In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. This topic is politically very sensitive, and the development of this segment within electronic toll collection systems is therefore not as fast as originally expected. Traffic safety devices to monitor compliance with traffic regulations are another field of application in cities. Examples include systems to monitor traffic violations at junctions (e.g. jumping red lights) as well as systems to detect speeding. These applications, which fall under the traffic management system segment, enjoy fast-growing potential on the market both in and between cities, and for municipal authorities they often pave the way for larger and more extensive ITS solutions such as city charging.

The increasing traffic volume can be considered a global trend. Especially in Asia, an increased demand for electronic toll lanes is expected for the replacement and expansion of toll systems previously based on more traditional methods. India has one of the largest road networks in the world, amounting to 3.4 million km in 2004. Only 2 % is made up of highways, but these carry 40 % of the commercial traffic. Between 1992 and 2002, 52,000 km of highways were built in China and an additional 200,000 km are planned for the coming years.

Reduction of road accidents. Traffic management systems are particularly expected to increase the probability of surviving accidents and reduce accident rates.

2 Economic situation of the Group

2.1 Business development

The fiscal year 2010/11 was the most successful year in the history of the Kapsch TrafficCom Group. Historic highs were achieved both for revenue and EBIT. The expansion strategy was consequently continued in order to further extend the market positions in selected countries. The presence of the Kapsch TrafficCom Group in South Africa and North America was strengthened through company acquisitions. In Poland, organic growth was generated by an order for implementing and operating the nationwide truck toll system.

On 1 April 2010, Kapsch Telematic Services GmbH, Vienna, acquired the majority of shares in Payvend F&P A/S, Copenhagen, Denmark. The company was then renamed Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark.

On 8 April 2010, the Kapsch TrafficCom Group purchased the majority of shares in TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa. The Group thereby also obtained a local partner that is a leader in the ITS segment traffic management systems and can contribute its expertise and services to the South African Gauteng project. TMT Services and Supplies (Pty) Ltd. engages in projects for traffic and parking monitoring in several South African cities, including speed monitoring in Johannesburg and in the Mpumalanga province. Over the course of fiscal year 2010/11, the new subsidiary also received a contract to deliver and operate an automatic fare collection system for the bus fleet of the city of Johannesburg that corresponds to roughly EUR 18 million.

The U.S., Canadian and Mexican business of MARK IV IVHS was taken over on 30 November 2010. This brings the largest provider of components for electronic toll systems based on the existing 915 MHz technology in North America into the Kapsch TrafficCom Group. The newly acquired subsidiaries are exclusive suppliers of the E-ZPass® Group, a consortium of 24 toll authorities in 14 US states. Projects are also running with customers in Canada and Mexico. In addition to current customer relationships, this takeover offers the ideal basis for participating in the expected technology migration from 915 MHz to 5.9 GHz WAVE. Initial demo and pilot projects based on the 5.9 GHz technology have already been implemented in the U.S.A. by the Kapsch TrafficCom Group.

Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates, was founded on 30 March 2011 together with a local partner.

In a move that further highlights the planned growth course, a 4.25 % corporate bond with a volume of EUR 75 million and a tenor of seven years was successfully issued on 3 November 2010.

The ongoing implementation of the project in South Africa and the project acquired in October 2010 for building a nationwide truck tolling system in Poland dominated the past fiscal year.

The contract awarded by the South African National Roads Agency Ltd (SANRAL) in September 2009 for the implementation and operation of an electronic toll collection system for the multi-lane free-flow of traffic in the Gauteng province was in the implementation phase during the reporting period. After transfering the toll collection system as agreed in fiscal year 2011/12, the technical and commercial operation will be handled by the South African subsidiary. In a separate tender process for the delivery of over 1.8 million on-board units, the Kapsch TrafficCom Group was also able to win a large share of the contract amounting to over 1.5 million units.

With the signing of a contract on 2 November 2010 for the implementation and operation of a nationwide electronic truck tolling system in Poland, the Kapsch TrafficCom Group was able to further expand its leading position in the European market. The first construction phase encompasses the existing road network of roughly 1,750 km and the technical as well as commercial operation up to 2018 with an order value of approximately EUR 560 million. The commissioning will take place in fiscal year 2011/12. The Polish contract partner GDDKiA (General Directorate for National Roads and Highways) expects an expansion of the road network to 7,600 km by 2018.

In the Czech Republic, tolls are collected on 1,350 km of highways and expressways. 249 tolls stations and over 541,000 on-board units are currently in operation. The average toll transaction rate was increased from 99.0 % in calendar year 2009 to 99.3 % in calendar year 2010.

In Austria, roughly 2,200 km of highways and expressways are tolled with a fully electronic toll collection system for trucks heavier than 3.5 tons permissible total weight. Since 2004, Kapsch TrafficCom has delivered the entire central and roadside infrastructure for 490 toll stations as well as approximately 1 million on-board units (GO Boxes). The average toll transaction rate in Austria remained at the previous year's high level of 99.88 %.

Thanks to the outstanding system performance, contractually established bonus payments were earned in both the Czech Republic and Austria.

2.2 Earnings situation

The highest revenue since the founding of the Kapsch TrafficCom Group was generated in fiscal year 2010/11. Revenue of EUR 216.0 million in fiscal year 2009/10 was improved by 172.6 million, representing an increase of 79.9 %, to EUR 388.6 million in fiscal year 2010/11. EBIT in the reporting period was EUR 48.9 million, an increase of EUR 24.3 million that almost doubled the EUR 24.5 million recorded in the previous fiscal year (+99.2 %). This led to an improvement in the EBIT margin from 11.4 % in the previous year to 12.6 % in the reporting year.

Revenue in the segment Road Solution Projects (RSP) reached EUR 158.9 million, or 246.7 % above the previous year's value of EUR 45.8 million. The most important factors for this development were the ongoing implementation of the South African Gauteng project, the start of the project obtained in October 2010 for construction of a nationwide electronic truck toll system in Poland and the completion of the traffic management system in the Czech Republic. The segment RSP now represents 40.9 % of total sales (2009/10: 21.2 %).

For the first time after two fiscal years, the segment RSP once again made a positive contribution of EUR 0.1 million to profit (2009/10: EUR -20.9 million). This can be primarily attributed to the projects in South Africa and Poland. Operating results continue to be impaired by the periodic costs allocated to this segment, the continued expenditures for entry into new markets (in particular costs connected with the acquisition of MARK IV IVHS, including the ancillary acquisition costs that are no longer capitalizable), the costs connected with the tender process for construction of a nationwide electronic truck toll system in France and upfront costs for pending tender processes.

The segment Services, System Extensions, Components Sales (SEC) saw an improvement in sales amounting by EUR 61.4 million, increasing from EUR 161.9 million to EUR 223.3 million. This corresponds to a gain of 37.9 %. The primary factors driving this increase were the revenue of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, taken over in April, which was reported for the first time in fiscal year 2010/11, the revenue from the U.S., Canadian and Mexican business of MARK IV IVHS, taken over in December, the contribution from the South African Gauteng project and expansions to the nationwide truck toll system in the Czech Republic. Sales of on-board units reached a record volume of 5.2 million delivered units, representing an increase of 46.9 % over the previous year. Sales in the U.S.A., South Africa, Turkey, France and Portugal proved particularly positive. The fiscal year 2010/11 once again saw an improvement of revenue in the segment SEC, which amounted to 57.5 % of total revenue in fiscal year 2010/11 (2009/10: 75.0 %).

The EBIT in the segment SEC was EUR 48.3 million (2009/10: EUR 45.3 million), resulting in an EBIT margin of 21.6 % (2009/10: 28.0 %). The comparably high profit contribution in the previous fiscal year was attributable to the retroactive clarification of the assumption of costs for the transaction billing for the nationwide electronic truck toll system in the Czech Republic which became effective in the fiscal year 2009/10.

Revenue in the segment Others (OTH) fell from EUR 8.3 million in fiscal year 2009/10 to EUR 6.4 million in the past fiscal year. This decline can be attributed largely to the difficult economic environment in this special manufacturing area.

Despite the lower revenue, EBIT reached EUR 0.4 million (2009/10: EUR 0.2 million). The EBIT margin thus increased from 2.3 % to 6.7 % in fiscal year 2010/11.

Revenue by segment		2010/11		2009/10		+/- %	2008/09	
Road Solution Projects (RSP)								
Revenue (% of total revenue)	in million EUR	158.9	(41 %)	45.8	(21 %)	>100 %	56.8	(28 %)
EBIT	in million EUR	0.1		-20.9		<-100 %	-1.7	
Services, System Extensions, Components Sales (SEC)								
Revenue (% of total revenue)	in million EUR	223.3	(57 %)	161.9	(75 %)	38 %	135.6	(68 %)
EBIT	in million EUR	48.3		45.3		7 %	31.7	
Others (OTH)								
Revenue (% of total revenue)	in million EUR	6.4	(2 %)	8.3	(4 %)	-23 %	8.0	(4 %)
EBIT	in million EUR	0.4		0.2		>100 %	-1.0	

At 47 %, the largest share of total revenue was generated in the region of Europe. This increase of EUR 64.9 million can be attributed largely to the projects in Poland and the Czech Republic as well as the growth in component sales in France, Portugal and Turkey. Revenue in the rest of the world increased by EUR 97.0 million (>100 %). The projects in South Africa represented key factors here. Revenue in Austria fell by EUR 4.9 million since no significant expansions to the existing nationwide truck toll system took place during the past fiscal year. The region of America saw a revenue increase of EUR 15.5 million (>100 %). An increase was achieved in the U.S.A. and Canada due to the acquisition of the MARK IV IVHS companies, while lower sales in Chile negatively impacted the growth in this area.

Revenue by region		2010/11		2009/10		+/- %	2008/09	
Austria (% of total revenue)	in million EUR	37.5	(10 %)	42.4	(20 %)	-12 %	37.8	(19 %)
Europe (excl. Austria) (% of total revenue)	in million EUR	182.0	(47 %)	117.1	(54 %)	55 %	122.8	(61 %)
Americas (% of total revenue)	in million EUR	27.6	(7 %)	12.1	(5 %)	>100 %	14.0	(7 %)
Rest of the World (% of total revenue)	in million EUR	141.5	(36 %)	44.5	(21 %)	>100 %	25.6	(13 %)

The cost of materials and other production services rose from EUR 98.0 million to EUR 191.3 million in fiscal year 2010/11, which reflects an increase of EUR 93.2 million. Compared with the previous year, the share of costs for materials and other production services in relation to revenue changed from 45.4 % to 49.2 %. This can be attributed primarily to the higher share of external deliveries for the projects in South Africa (Gauteng and Johannesburg), the construction of the nationwide truck toll system in Poland and the expansion projects in the Czech Republic.

Compared with the previous year, staff costs increased by EUR 26.8 million, rising from EUR 59.7 million to EUR 86.5 million in fiscal year 2010/11. At the same time, the average number of employees grew by 648 persons, changing from 973 to 1,621 in the past fiscal year. The integration of the newly acquired companies and the staff requirements connected with the technical and commercial operation projects obtained in South Africa and Poland represent the most important factors here. The staff cost ratio (staff costs in relation to total revenue) was reduced from 27.6 % in the previous year to 22.3 %.

Depreciation and amortization expenses increased by EUR 6.1 million compared with the previous year (2009/10: EUR 7.5 million; 2010/11: EUR 13.6 million), resulting primarily from the company mergers. Other operating expenses rose from EUR 42.3 million to EUR 63.4 million in fiscal year 2010/11, for an increase of EUR 21.1 million. Increased expenses arose primarily in the form of legal and consulting costs, travel costs, office expenditures, maintenance costs and licensing and patent costs. These increases resulted, on one hand, from the integration of the newly acquired companies and, on the other, from the project-related expenses.

In fiscal year 2010/11, financial result amounted to EUR -7.6 million (2009/10: EUR 4.1 million). The lower finance income can be attributed largely to reduced interest effects in long-term receivables and the decline in exchange rate gains. Finance costs rose considerably as a result of the exchange rate losses, which mainly related to not-realized exchange rate losses. Furthermore the interest expenses relating to the corporate bond burdened the financial result.

The profit before income taxes was EUR 41.3 million, which is EUR 2.6 million lower than the previous year's value. In the previous year, this item was largely influenced by a required reclassification of the shares held in Q-Free ASA, Norway, from associated companies to other investments. This balance sheet change led to an accounting gain of EUR 14.0 million that was recognized in profit and loss, thereby massively increasing the profit before taxes in fiscal year 2009/10.

Despite the negative factors affecting the financial and tax results, profit for the period amounted to EUR 28.4 million (2009/10: EUR 36.5 million).

2.3 Assets and liabilities

The balance sheet total of the Kapsch TrafficCom Group was EUR 450.1 million on 31 March 2011 (31 March 2010: EUR 295.1 million). Equity was EUR 191.5 million, resulting in an equity ratio of 42.5 % (31 March 2010: 57.0 %).

Non-current assets rose from EUR 101.4 million to EUR 159.7 million as at 31 March 2011. The largest changes were observed in the areas of intangible assets and property, plant and equipment, and resulted almost exclusively from the acquisition of companies. The other financial assets and investments declined due to the negative exchange rate development of the shares in the Norwegian Q-Free ASA.

Current assets increased from EUR 193.7 million to EUR 290.4 million as at 31 March 2011. The increases in trade receivables as well as in inventories resulted predominantly from the large projects in South Africa and Poland as well as the newly acquired companies.

Non-current liabilities increased to EUR 117.4 million (31 March 2010: EUR 37.6 million). The largest change took place in non-current financial liabilities due to the successful issuing of the company bond with a volume of EUR 75.0 million, a tenor of seven years and an interest rate of 4.25 %.

Current liabilities amounted to EUR 141.2 million on the balance sheet date (31 March 2010: EUR 89.2 million). Trade payables and other current liabilities and deferred income exhibited an increase that originated primarily from the large projects in South Africa and Poland as well as the newly acquired companies. Current financial liabilities increased by EUR 13.8 million compared with the end of the previous fiscal year.

2.4 Financial position

Net cash flow from operating activities declined to EUR -11.7 million in fiscal year 2010/11 (2009/10: EUR 46.5 million). The changes in net current assets resulting from the increase in trade receivables and inventories as well as the payment of income taxes could not be compensated by the increased operating result.

Net cash flow from investing activities amounted to EUR -60.9 million in the past fiscal year (2009/10: EUR -15.3 million) and was influenced by the payments for purchasing Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark, TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, and MARK IV IVHS.

Net cash flow from financing activities was EUR 65.5 million (2009/10: EUR -48.4 million) and was positively affected primarily by the issuing of the corporate bond.

As a result of outflows from operating and investing activities, cash and cash equivalents decreased to EUR 42.0 million on the balance sheet date (31 March 2010: EUR 47.7 million).

2.5 Non-financial performance indicators

Reliability and accuracy of installed ETC systems. The toll transaction rate is a figure for assessing the accuracy and reliability of a tolling system. It shows the number of successful transactions in relation to all potential toll collection transactions of vehicles equipped with a functioning on-board unit. A high toll transaction rate translates to maximum toll revenue.

In 2010, the average toll transaction rate of the existing truck tolling system in Austria amounted to approximately 99.9 %, placing it at an ever higher level as in 2009. During the same period, the average performance rate of the nationwide electronic tolling system in the Czech Republic was approximately 99.31 %, up 0.3 % from 99.0 % in 2009. The calculation of the average performance rate is based on methods agreed upon with the respective customer, meaning that comparisons between the average performance rates achieved in different projects are only possible on a limited basis.

Staff. The average number of employees in the Kapsch TrafficCom Group in the fiscal year 2010/11 was 1,621, a 67 % increase against an average of 973 in the fiscal year 2009/10. As of 31 March 2011, the Group had a workforce of 2,167 (2,054 salaried and 113 non-salaried employees).

The Group places great importance on the continued training and education of its employees. This involves not only promoting professional education and training, but also providing seminars and training sessions for developing one's own personality and teamwork skills. The group companies make contributions to an external pension fund on behalf of their employees which are based on the length of employment and company profits. In addition, the Group maintains a profit participation program that offers the staff an opportunity to share in the profits of the Kapsch TrafficCom Group.

Kapsch TrafficCom AG is certified pursuant to OHSAS 18001 for occupational health and safety and has implemented the necessary measures in its internal processes.

Environment. Valid certifications are held for quality management pursuant to ISO 9001 and environmental management pursuant to ISO 14001. In the future the Group will strive to fulfill its responsibilities toward environmental protection even more extensively, particularly with regard to the efficient and responsible use of natural resources.

Corporate social responsibility

Kapsch TrafficCom has taken up the call for long-term and responsible business activities and is dedicated to sustainability on an economic, ecologic and social level. Sustainability reports will be published regularly in the future to show the progress on a group level and the continuing establishment of predefined objectives.

Living up to its socio-political responsibility, the entire Kapsch Group – organized by Kapsch AG – supports a number of contemporary art and cultural institutions and projects, and also initiates its own projects in this field. Selected training initiatives and extensive social measures complement this approach, which the company considers to be an obligation both in and outside the Group. The employees of the Kapsch TrafficCom Group hold this long-term commitment to social responsibility in high regard.

Music. A key element of this commitment covers sponsoring activities related to the Vienna Concert Hall *(Wiener Konzerthaus)*. This cultural institution has an excellent reputation far beyond Austria's borders. The Kapsch Group has been the main sponsor of the Vienna Concert Hall since 1992. The Modern Vienna festival – one of the world's best known festivals of contemporary music – has been supported by Kapsch since its launch in 1989.

Visual arts. Promoting less known artists is of particular concern to the Kapsch Group. In particular, young domestic and international artists are assisted by sponsorship campaigns. One example is the photo calendar that Kapsch Group has supported since 1994. The calendar is presented annually in late fall in a private exhibition.

Educational institutions. As a company that is driven by technology and innovation, Kapsch TrafficCom is constantly interested in establishing contacts as early as possible with the best engineering talents. Since 2005, the Kapsch Group has supported *Universitäre Gründerservice Wien GmbH* which aims to support and accompany young entrepreneurs in the implementation of ideas relating to key business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting selected social projects at home and abroad. One example of the numerous projects is ICEP – the Institute for Cooperation in Development Projects, whose activities help to improve the circumstances of people in developing countries. With the specific advancement of migration and integration, Kapsch TrafficCom contributes to social justice, the positive development of society and safety over the long-term.

2.6 Risk management

As a technology company, Kapsch TrafficCom Group operates in an ever-changing environment. Risks are therefore part of its day-to-day business. For the company, risk means the possibility of deviating from company objectives, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG. Under the responsibility of a central risk manager, the risk management system comprises institutionalized processes for collecting and analyzing all relevant opportunities and risks pertaining to the Group's projects and provides the basis for the timely planning and implementation of control measures. In the 2010/11 fiscal year risk management was developed into a company-wide opportunity and risk management system. In addition to project risks, Enterprise Risk Management also analyses strategic, technological, organizational, financial, legal and IT risks, reporting to management on a regular basis. 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.

The material risks faced by the Group and the respective risk management measures are briefly explained below:

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch TrafficCom Group are generated in the segment Road Solution Projects (RSP). In this segment, the Group regularly participates in tenders for the implementation and operation of large electronic toll collection systems. On the one hand, there is a risk that tenders in which the 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, a risk exists that Kapsch TrafficCom Group may not win its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from maintenance agreements and from technical operations also depend on the successful participation in tenders for systems.

In the past, the revenues of the Kapsch TrafficCom Group have been heavily influenced by the realization of implementation projects in the given fiscal year. Significantly higher revenues were recorded, in particular, in 2003 (implementation of a nationwide electronic truck tolling system in Austria) and 2006/07 (implementation of a nationwide electronic truck tolling system in the Czech Republic). In the 2010/11 fiscal year sizeable revenue was generated from implementing an electronic toll system in South Africa as part of the Gauteng Project, and from starting to implement a nationwide electronic truck tolling system in Poland.

The strategy of the Kapsch TrafficCom Group is aimed at reducing the volatility of revenues from single large projects through increased geographic diversification and increased diversification of the product portfolio as well as sustained growth in the share of maintenance and operations of systems.

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since electronic toll collection systems and other ITS solutions are frequently sophisticated and technologically complex systems that must be implemented within a short period, system and product defects

or missed deadlines may occur due to the limited time available. The failure to meet guaranteed performance levels or deadlines usually results in penalties and/or compensation, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses, which enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom Group cannot execute projects in line within the set cost budgets.

Kapsch TrafficCom Group employs risk management methods and risk management procedures in order to guard against risks associated with projects.

Long-term contracts with public authorities. In many cases, the system contracts are awarded by public agencies. Framework agreements and service contracts in connection with tolling projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to the Kapsch TrafficCom Group. 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 concluded by the Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While the Kapsch TrafficCom 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

Innovation leadership. The leading market position of the Kapsch TrafficCom Group is, to a large extent, based on its ability to develop state-of-the-art, efficient and reliable systems, components and products. In order to maintain its technological leadership, the Kapsch TrafficCom Group invests a considerable portion of its revenues in research and development activities. However, if the Group does not succeed in developing new systems, components and products, this can be detrimental to its competitive position. Since its innovation leadership is based largely on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the Group. In addition, any failures in protecting these technologies may have a negative impact on the Group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties.

The Kapsch TrafficCom Group places great importance on the protection of technologies and the company's internal know-how, e.g. through patents and non-disclosure agreements with other parties. In order to avoid legal action and court proceedings, the Kapsch TrafficCom Group constantly monitors potential intellectual property rights infringements.

Acquisition and integration of companies as a part of the Group's growth. One of the strategic objectives of the Kapsch TrafficCom Group is to grow internationally both by organic means and through selected acquisitions and joint ventures. In the implementation of this strategy, the Group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Country risk. The strong expansion of business activities in Eastern Europe and non-European countries has exposed the Kapsch TrafficCom Group to a heightened political risk. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate ITS projects in these countries and also affect the availability and accessibility of funds. There may also be interference with the property rights of the Kapsch TrafficCom Group or problems with business practices and activities.

Financial risks

Foreign exchange risk. The Group maintains branches, offices and subsidiaries in several countries outside the euro zone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies rather than in euros. Although the Group aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the consolidated financial statements (transaction risk). In addition, risks arise from the conversion of the separate financial statements of international companies into the Group currency, the euro (translation risk). Fluctuations in exchange rates may also result in a change in the competitive position of the Kapsch TrafficCom 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 (Euribor, Pribor etc.). This exposes the Kapsch TrafficCom Group to interest rate risks. The Kapsch TrafficCom Group utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources must be available to ensure that the Kapsch TrafficCom Group can meet its payment liabilities at any time. The availability of medium and long-term financing is required to carry out large-scale projects (such as implementing a nationwide toll collection system under delayed payment terms from the client) and for acquiring other businesses. Additionally, implementing large-scale projects often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).

In financing agreements the Kapsch TrafficCom Group is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. A lack of liquid assets (even if the Group is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. The issuing of a seven-year, EUR 75 million corporate bond in November 2010 helped the Kapsch TrafficCom Group to again improve its liquidity.

Credit risk. The Kapsch TrafficCom Group is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of the Kapsch TrafficCom Group are public authorities, especially in connection with implementing and/or operating nationwide or regional toll collection systems. There is also a risk that the counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the recognition of impairment charges to receivables can be extremely detrimental for the net assets and financial position of the Kapsch TrafficCom Group and the results of operations.

Personnel risks

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

Kapsch TrafficCom Group has implemented a number of measures to counteract personnel risks, such as incentive schemes, training opportunities, etc.

Legal risks

A variety of regulations and legal requirements must be observed in connection with participating in public tenders, establishing infrastructure for ITS solutions (such as tolling stations) and operating toll collection systems. Working out applicable legal regulations and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. The failure to meet regulations or official requirements can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

In connection with the acquisition of shares in Q-Free ASA, Norway, in January 2009, Norwegian authorities have initiated investigation proceedings against Kapsch TrafficCom AG and Kapsch Aktiengesellschaft. Kapsch TrafficCom AG disagrees with the basis for these allegations and believes that any adverse impact on the financial position of Kapsch TrafficCom AG will not be material. Kapsch TrafficCom AG intends to vigorously defend against the allegations.

IT risks

As a technology group, the Kapsch TrafficCom Group is exposed to typical IT risks relating to security, confidentiality and the availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system designed according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (information security management). The Kapsch TrafficCom Group is also certified according to ISO 20000 “IT service management” (similar to ITIL) for the operation of toll systems.

Summary assessment of the Group’s risk situation

From a current perspective, no risks have been identified that could endanger the continued operations of the Kapsch TrafficCom Group. Increasing geographic expansion, the diversification of the product portfolio and an increased share of recurring revenues (further growth in the segment Services, System Extensions, Components Sales) are planned to further reduce the concentration of risks in the future.

2.7 Internal Control System (ICS)

The Corporate Law Amendment Act (URÄG 2008) adopted the 8th EU Directive into Austrian law. Under this legislation, companies with a capital market orientation are henceforth obliged to include in their group management reports not only an outline of their risk management systems but also of the main features of their ICS with regard to the financial reporting process.

Kapsch TrafficCom AG started to analyze and document its existing internal processes for financial reporting on an ongoing basis in the fiscal year 2009/10. The results obtained so far were presented at the quarterly meetings of the audit committee for assessment and discussion.

The International Financial Reporting Standards (IFRS) Group Accounting Manual represents the cornerstone for financial accounting and reporting throughout the whole Kapsch Group. The manual is published and regularly updated by the Kapsch Group and contains the essential financial and reporting procedures based on IFRS. Group-wide guidelines and work instructions represent another important pillar of the internal control system.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and the compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structure 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 accounting for all group transactions is handled by a variety of software solutions. In a number of countries, the accounting has been outsourced to locally-based tax accountants due to the size of the subsidiaries. Companies submit reporting packages to the

head office on a quarterly basis which contain all accounting data pertaining to the statement of comprehensive income, balance sheet and cash flow statement. The data is then transferred into the central consolidation system (Hyperion financial management). This financial information is verified on group-wide basis by the central Kapsch TrafficCom controlling department and subsequently forms the basis for the quarterly reports issued by the Kapsch TrafficCom Group in accordance with IFRS.

The supervisory board is kept informed of business developments by the managing board during regular meetings by way of consolidated presentations consisting of segment reporting, earnings development analyses containing comparisons of current figures with figures from the budget and the previous period as well as select financial figures, forecasts, group financial statements and developments in the number of employees and order inflow.

In keeping with the decentralized structure of the Kapsch TrafficCom Group, local management is responsible for the implementation and monitoring of the internal control system. The managing directors of the individual subsidiaries are responsible for establishing and designing internal control and risk management that meets the needs of the given company in view of accounting procedures, as well as for ensuring compliance with the group-wide rules and guidelines in this respect. The head of finance for the Kapsch TrafficCom Group, the central controlling department and the internal audit department subsequently verify compliance with these audit procedures by local management, and the results are regularly reported to the audit committee.

2.8 Research and development

The Kapsch TrafficCom Group has a network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Carlsbad (California, U.S.A.) and Capetown (South Africa). As of 31 March 2011, the Kapsch TrafficCom Group employed approximately 350 (31 March 2010: approximately 230) research and development engineers in its research and development activities, including internal R&D project management, quality assurance/ testing, production engineering, documentation, international device certifications, standardization activities as well as support for all IPR/patent issues.

Research and development activities are a high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. The knowledge of entirely new technologies and their possible applications based on national and international standards forms the foundation for successful business developments and enables the entry into new markets. The current focus is on countries such as the U.S.A., South Africa, South America and meanwhile also Russia.

Major development efforts of the last fiscal year consisted of specifying and developing a new, generic and scalable roadside platform that integrates all major sensor systems into a single, common software platform. The main goals of this work include eliminating overlapping development work by different R&D centers and offering the international sales force the basis for a more flexible, adaptable and customer-specific approach in system sales. This new sensor platform is currently in its end-testing phase and will be put into operation for the first time as part of the project in South Africa. The main initiatives in the component business area lay in developing new and lower-cost on-board unit generations for CEN/DSRC microwave and GPS/GNSS satellite tolling as well as new WLAN-based 5.9 GHz technologies to support the business development approach in the U.S.A., which is still ongoing. These technologies are currently in the standardization process and will be used in road safety systems as well as tolling systems in the U.S.A. and in Europe.

Successful research and development is the foundation for the sustained improvement of existing products and systems as well as the continuous reduction of production, installation, operating and maintenance costs, all of which are essential for maintaining a technological and competitive advantage.

Research costs are recognized as expenses. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are met. Since the income statement is structured by expense type, the research and development costs are reported under various income statement items, in particular under the cost of materials and other production services, staff costs and other operating expenses. In the fiscal year 2010/11, the Kapsch TrafficCom Group invested approximately EUR 37.3 million (2009/10: EUR 24.9 million) in research and development, representing approximately 10 % of revenue.

2.9 Disclosures pursuant to Section 267 UGB in connection with Section 243a UGB

1. The registered share capital of Kapsch TrafficCom AG amounts to EUR 12.2 million and is fully paid in. It is divided into 12.2 million no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. As of 31 March 2011, approximately 31.6% of the shares of Kapsch TrafficCom AG were in free float. As of 31 March 2011, KAPSCH-Group Beteiligungs GmbH held approximately 68.4 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, whose shares are equally held by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act *(Privatstiftungsgesetz)*. As of 31 March 2011, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares convey special control rights.
5. There are no restrictions regarding the execution of the voting rights by employees with a stake in the company.
6. There are no special provisions on the appointment and removal of members of the managing board and the supervisory board.
7. The company has authorized capital *(genehmigtes Kapital)* of EUR 0.8 million. The subscription rights of the shareholders have been excluded with respect to this authorized capital. The managing board may, with the approval of the supervisory board, make use of the existing authorized capital within five years of the date on which the relevant authorization adopted at the general meeting of 15 May 2007 was recorded in the commercial register.
8. No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
9. There are no agreements between Kapsch TrafficCom AG and members of the managing board or the supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.10 Outlook and targets

With a view to the fiscal year 2011/12, the company´s outlook on market developments over the long-term is optimistic even in a changed economic environment. Essential events will be the implementation and the start of operations of the systems in South Africa and Poland. In the U.S., the company expects the decision of the pending tender for the award of the E-Z Pass® Group contracts. In addition, the coming fiscal year will be driven by the preparation for the tenders expected in Hungary, Slovenia and Denmark as well as the by integration of MARK IV IVHS.

2.11 Material events after the balance sheet date

Financing activities

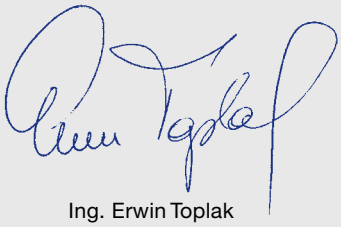
In April 2011, a revolving line of credit expiring on 31 December 2011 was contracted by the Group with a maximum amount of EUR 40 million (thereof EUR 20 million drawn at the date of this report) in connection with the tolling project in Poland.

Company foundation

On 1 April 2011, Kapsch Telematic Services FLLC, Minsk, Belarus was founded.

Vienna, 13 May 2011

Mag. Georg Kapsch
Chief Executive Officer



Ing. Erwin Toplak
Chief Operating Officer

André Laux
Executive Board member

Statement of all Members of the Management Board.

Statement of all Members of the Management Board pursuant to Section 82 Para. 4 No. 3 BörseG (Austrian Stock Exchange Act)

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

Vienna, 13 May 2011

Mag. Georg Kapsch
Chief Executive Officer

Ing. Erwin Toplak
Chief Operating Officer

André Laux
Executive Board member

Additional Information pursuant to Section 82 Para. 4 No. 3 BörseG.

(Austrian Stock Exchange Act)

Board Member	Area of responsibility
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Telematic Services and North American Market
Erwin Toplak (COO)	Sales region 1, Business Development, System Engineering, Research & Development and Technical Operations
André F. Laux (Member of the Board)	Sales region 2, Business Development, Product and Project Management

Consolidated Financial Statements as of 31 March 2011.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2010/11	2009/10
Revenue	(1)	**388,577,354**	**216,012,391**
Other operating income	(2)	7,564,449	10,938,947
Changes in finished and unfinished goods and work in progress	(3)	7,461,759	5,135,163
Other own work capitalized		0	15,707
Cost of materials and other production services	(4)	-191,255,566	-98,041,051
Staff costs	(5)	-86,462,023	-59,701,767
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-13,614,643	-7,485,401
Other operating expenses	(7)	-63,391,169	-42,333,317
Operating result		**48,880,161**	**24,540,673**
Finance income	(8)	4,497,773	9,260,153
Finance costs	(8)	-12,117,209	-5,134,662
Financial result	**(8)**	**-7,619,436**	**4,125,491**
Result from associates	(14)	0	15,243,465
Profit before income taxes		**41,260,725**	**43,909,629**
Income taxes	(9)	-12,825,554	-7,398,920
Profit for the period		**28,435,171**	**36,510,709**
Other comprehensive income for the period			
Gains/losses recognized directly in equity:			
Available-for-sale financial assets		-2,276,947	2,776,231
Effects from disproportionate capital increase at associates		0	69,121
Currency translation differences		4,294,277	3,798,590
Income tax relating to components of other comprehensive income		-258,963	-757,790
Other comprehensive income for the period net of tax	(10)	**1,758,367**	**5,886,150**
Total comprehensive income for the period		**30,193,538**	**42,396,859**
Profit attributable to:			
Equity holders of the Company		22,062,116	32,215,536
Minority interests		6,373,055	4,295,173
		28,435,171	**36,510,709**
Total comprehensive income attributable to:			
Equity holders of the Company		23,608,360	37,676,550
Minority interests		6,585,178	4,720,309
		30,193,538	**42,396,859**
Earnings per share from the profit for the period attributable to the equity holders of the Company (in EUR)	(30)	**1.81**	**2.64**
Earnings per share from the profit for the period attributable to the equity holders of the Company (in EUR), adjusted*)	(30)	**1.81**	**1.49**

*) Adjusted for the fair value adjustment of the share in Q-Free ASA, Norway (see note 30).

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Consolidated balance sheet.

All amounts in EUR	Note	31 March 2011	31 March 2010
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	19,404,442	15,823,618
Intangible assets	(13)	88,687,320	28,528,781
Shares in associates	(14)	0	0
Other non-current financial assets and investments	(15)	34,489,914	38,937,076
Other non-current assets	(16)	9,017,638	8,480,571
Deferred tax assets – due from tax group leader	(22)	1,879,894	1,302,201
Deferred tax assets – non-tax group	(22)	6,229,622	8,347,863
		159,708,830	**101,420,110**
Current assets			
Inventories	(17)	49,484,611	37,582,150
Trade receivables and other current assets	(18)	190,885,049	101,448,315
Other current financial assets	(15)	8,036,841	6,897,848
Cash and cash equivalents	(19)	42,000,584	47,743,108
		290,407,085	**193,671,421**
Total assets		**450,115,915**	**295,091,531**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	(20)	12,200,000	12,200,000
Capital reserve		70,077,111	70,077,111
Retained earnings and other reserves		94,065,714	80,936,724
		176,342,825	**163,213,835**
Minority interests		**15,170,566**	**5,034,869**
Total equity		**191,513,391**	**168,248,704**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	74,112,367	10,060,250
Liabilities from post-employment benefits to employees	(23)	16,314,606	14,316,080
Non-current provisions	(26)	686,388	582,733
Other non-current liabilities	(24)	10,422,739	9,353,264
Deferred income tax liabilities – due to tax group leader	(22)	1,794,041	1,812,366
Deferred income tax liabilities – non-tax group	(22)	14,081,707	1,471,490
		117,411,848	**37,596,183**
Current liabilities			
Trade payables		72,531,371	41,332,197
Other liabilities and deferred income	(25)	36,881,453	25,932,719
Current tax payables		3,973,331	5,900,286
Current financial liabilities	(21)	23,082,571	9,236,566
Current provisions	(26)	4,721,950	6,844,878
		141,190,676	**89,246,646**
Total liabilities		**258,602,524**	**126,842,829**
Total equity and liabilities		**450,115,915**	**295,091,531**

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Consolidated statement of changes in equity.

All amounts in EUR	Attributable to equity holders of the Company			Minority interests	Total equity
	Share capital	Capital reserve	Consolidated retained earnings and other reserves		
Carrying amount as of 31 March 2009	**12,200,000**	**70,077,111**	**47,769,158**	**4,193,524**	**134,239,793**
Dividend for 2008/09			-6,100,000	-2,287,948	-8,387,948
Effects from the acquisition of minority interests			1,591,016	-1,591,016	0
Total comprehensive income			37,676,550	4,720,309	42,396,859
Carrying amount as of 31 March 2010	**12,200,000**	**70,077,111**	**80,936,724**	**5,034,869**	**168,248,704**
Dividend for 2009/10			-9,150,000	-3,245,699	-12,395,699
Effects from business combinations and the acquisition of minority interests			-1,329,370	6,796,218	5,466,848
Total comprehensive income			23,608,360	6,585,178	30,193,538
Carrying amount as of 31 March 2011	**12,200,000**	**70,077,111**	**94,065,714**	**15,170,566**	**191,513,391**

Consolidated cash flow statement.

All amounts in EUR	Note	2010/11	2009/10
Cash flow from operating activities			
Operating result		48,880,161	24,540,673
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	13,614,643	7,485,401
Increase/decrease in obligations for post-employment benefits	(23)	114,354	102,064
Increase/decrease in other non-current liabilities and provisions	(24, 26)	103,655	58,691
Increase/decrease in other non-current receivables and assets		757,768	0
Increase/decrease in trade receivables (non-current)	(16)	-537,067	9,911,672
Increase/decrease in trade payables (non-current)	(24)	971,092	-5,494,549
Other (net)		-1,825,561	3,243,138
		62,079,045	39,847,090
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(18)	-72,588,781	38,826,166
Increase/decrease in inventories	(17)	-8,098,837	-3,362,366
Increase/decrease in trade payables and other current payables		28,696,976	-14,304,162
Increase/decrease in current provisions	(26)	-2,218,992	-3,777,964
		-54,209,634	17,381,674
Cash flow from operations		**7,869,411**	**57,228,764**
Interest received	(8)	1,173,389	676,682
Interest payments	(8)	-3,476,705	-2,642,103
Net payments of income taxes		-17,229,370	-8,808,142
Net cash flow from operating activities		**-11,663,275**	**46,455,200**

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All amounts in EUR	Note	2010/11	2009/10
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-6,362,478	-3,878,745
Purchase of intangible assets	(13)	-1,888,740	-957,846
Purchase of securities, investments and other non-current financial assets	(15)	-69,125	-6,279,899
Payments for acquisition of companies (net of cash acquired)		-52,180,953	0
Payments for acquisition of minority interests		-1,000,000	-4,226,308
Payments for the acquisition of shares in companies consolidated at equity	(14)	0	-103,918
Proceeds from the disposal of shares in subsidiaries		35,999	0
Proceeds from the disposal of property, plant and equipment and intangible assets		553,619	144,624
Net cash flow from investing activities		**-60,911,678**	**-15,302,092**
Cash flow from financing activities			
Dividends paid to company shareholders		-9,150,000	-6,100,000
Dividends paid to minority shareholders of group companies		-3,245,699	-2,287,948
Increase in other non-current financial liabilities	(21)	64,052,117	0
Increase in current financial liabilities	(21)	13,938,131	1,937,233
Decrease in current financial liabilities	(21)	-92,126	-41,910,208
Net cash flow from financing activities		**65,502,423**	**-48,360,924**
Net increase/decrease in cash and cash equivalents		**-7,072,530**	**-17,207,816**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	47,743,108	60,229,653
Net increase/decrease in cash and cash equivalents		-7,072,530	-17,207,816
Currency translation differences on cash and cash equivalents		1,330,006	4,721,271
Cash and cash equivalents at end of year	**(19)**	**42,000,584**	**47,743,108**

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Notes to the consolidated financial statements.

General information.

Kapsch TrafficCom Group is an international supplier of superior intelligent transportation systems (ITS).

The business activities of the Kapsch TrafficCom Group are subdivided into the following three segments:
- Road Solution Projects
- Services, System Extensions, Components Sales
- Others

The segment Road Solution Projects relates to the installation of ITS solutions.

The segment Services, System Extensions, Components Sales relates to the sale of services (maintenance and operation) and components in the area of ITS solutions.

The segment Others relates to non-core business activities conducted by Kapsch Components GmbH & Co KG. In this segment, Kapsch TrafficCom Group offers engineering solutions, electronic manufacturing and logistics services to affiliated entities and third parties.

Group structure.

DATAX HandelsgmbH, Vienna, is the ultimate parent of Kapsch Group. Until June 2007 KAPSCH-Group Beteiligungs GmbH, Vienna, a wholly-owned subsidiary of DATAX HandelsgmbH, had been the sole shareholder of the parent company Kapsch TrafficCom AG. Under an initial public offering in June 2007 and as a result of further changes in share ownership in the fiscal year ending 31 March 2009, KAPSCH-Group Beteiligungs GmbH reduced its share to 68.42 %.

Consolidated group.

The parent company, Kapsch TrafficCom AG, is a joint stock corporation incorporated and domiciled in Vienna, Austria. The address of its registered office is 1120 Vienna, Am Europlatz 2. Since 26 June 2007 the shares of the parent company have been listed in the Prime Market segment of the Vienna Stock Exchange.

The following subsidiaries are part of the consolidated group:
- Kapsch TrafficCom AG, Vienna
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch Components GmbH & Co KG, Vienna
- Kapsch Components GmbH, Vienna
- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Kapsch-Busi S.p.A., Bologna, Italy
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom S.r.l., Milan, Italy
- Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates *)
- Kapsch TrafficCom Russia OOO, Moscow, Russia
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria

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- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan
- PREMID a.s., Bratislava, Slovakia
- Jibesoev GmbH, Vienna
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- DPS Automation Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom France SAS, Paris, France
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia
- Kapsch TrafficCom Limited, Auckland, New Zealand
- Kapsch TrafficCom South Africa (Pty) Ltd., Cape Town, South Africa
- Electronic Toll Collection (PTY) Ltd., Centurion, South Africa
- Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa (formerly Triple Advanced Investments 22 (Pty) Ltd., South Africa)
- TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa **)
- SafeTCam (Pty) Ltd., Cape Town, South Africa **)
- Traffic Software Solutions (Pty) Ltd., Cape Town, South Africa **)
- TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa **)
- Electronic Tolling Operations (Pty) Ltd., Cape Town, South Africa **)
- Crestwave 61 (Pty) Ltd., Cape Town, South Africa **)
- Crestwave 63 (Pty) Ltd., Cape Town, South Africa **)
- TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa **)
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa **)
- Kapsch TrafficCom B.V., Amsterdam, Netherlands *)
- Kapsch TrafficCom Holding II US Corp., Sterling, U.S.A. *)
- Kapsch TrafficCom IVHS Technologies Holding Corp., Sterling, U.S.A. **)
- Kapsch TrafficCom IVHS Holding Corp., Sterling, U.S.A. **)
- Kapsch TrafficCom IVHS Inc., Sterling, U.S.A. **)
- Kapsch TrafficCom Canada Inc., Halifax, Canada *)
- Kapsch TrafficCom HoldCo Inc., Halifax, Canada *)
- Kapsch TrafficCom Coöperatief U.A., Amsterdam, Netherlands *)
- Mark IV Holdings B.V., Amsterdam, Netherlands **)
- Kapsch TrafficCom IVHS Corp., Mississauga, Canada **)
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico **)
- Kapsch TrafficCom Holding Corp., Sterling, U.S.A.
- Kapsch TrafficCom U.S. Corp., Sterling, U.S.A.
- KapschTrafficCom Inc, Carlsbad, U.S.A.
- Kapsch Telematic Services GmbH, Vienna
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services GmbH Deutschland, Berlin, Germany
- Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark
- Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark **)
- Kapsch Telematic Services Sp. z o.o., Warsaw, Poland (formerly Durante Investments Sp. z o.o., Poland)
- VTI Industrial Electronics (Proprietary) Limited, Germiston, South Africa

*) Companies newly established in the fiscal year 2010/11

**) Acquisition in the fiscal year 2010/11

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Accounting and measurement.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation

Pursuant to § 245a UGB, the consolidated financial statements as of 31 March 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Presentation currency is the euro (EUR). The consolidated financial statements as of 31 March 2011 are prepared under the historical cost convention, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date. 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, and income and expenses recorded during the reporting period. Although these estimates are made by the management board to the best of its knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 21.

a) New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year:

IFRS 3 (revised) "Business combinations" and consequential amendments to IAS 27 "Consolidated and separate financial statements" are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard was applied to business combinations occurring on or after 1 April 2010. The major change concerns the accounting for acquisitions of less than 100 percent of the shares in a company. The option to recognize the goodwill from an acquisition under the full goodwill method, i. e. including the amount of the share attributable to the non-controlling shareholders, was introduced. In addition, acquisitions and/or partial sales of shares without loss of control are to be reported directly in equity as transactions between shareholders. The full incidental acquisition costs are to be reported as expenses. Except for the incidental acquisition costs in the fiscal year ending 31 March 2011 for the acquisition of Mark IV IVHS (see Note 28), amounting to EUR 2.8 million and from now on reported as expenses, the first time adoption of the revised standards did not have any material impact on the Group's assets, financial position and earnings.

All other new regulations (standards, amendments to standards, interpretations) mandatory for the first time in the fiscal year had no material impact on the consolidated financial statements.

b) Standards, interpretations and amendments to published standards that have not yet been applied:

IFRS 9 "Financial instruments" was issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classification and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. At present, the date of endorsement is uncertain. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale debt investments, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss.

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A number of amendments to standards and interpretations, as well as a new interpretation have already been published, but have either not yet been adopted by the European Union or have been adopted by the European Union, but are not yet mandatory. The impact of these regulations on the consolidated financial statements of the Company is not material or cannot be adequately assessed and, therefore, is not presented in detail.

The consolidated financial statements were prepared by the management board on the undersigned date and released for publication. The entity financial statements of the parent company, which have been included in the consolidated financial statements after adoption of the applicable accounting standards, have not yet been approved by the supervisory board. The supervisory board and, in the event of presentation to the general meeting of shareholders, the general meeting of shareholders could amend the entity financial statements in a way that might affect the presentation of the consolidated financial statements.

2 Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the profit for the period.

Goodwill is tested annually for impairment, as well as when there are indications of impairment. If an impairment requirement is identified, goodwill will be reduced immediately by the amount of the impairment. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share 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.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

c) Associates

Associates are accounted for by the equity method. Associates are companies in which the Group has significant influence, but not control, generally accompanied by a shareholding of between 20 % and 50 % of the voting rights. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement and its share of post-reserve movements is recognized in reserves. Goodwill on acquisition of associates is included in the investment in associates, net of any impairment losses.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

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.

3 Currency translation

a) Translation of financial statements in foreign currencies

In accordance with IAS 21, financial statements of foreign subsidiaries which are included in the consolidated financial statements are translated as follows:

Income statements of foreign subsidiaries are translated into the Group's functional currency at average exchange rates of the reporting periods, balance sheets at the prevailing mean exchange rate at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities are recognized in shareholders' equity under "currency translation differences". When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on disposal of shares in foreign entities.

Goodwill and fair value write-ups arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement. Non-cash items in the balance sheet are translated at historical exchange rates, non-cash items which were recognized at their lower net realizable value are translated at the exchange rate prevailing at the time of measurement.

4 Financial instruments and risk management

Material financial instruments presented in the balance sheet include “cash and cash equivalents”, “securities”, “financial assets and investments”, “receivables and payables” and “loans”. For the accounting and measurement policies applicable for these items refer to the explanation of the respective balance sheet item.

The Group’s activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group’s risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group does not employ hedge accounting as envisaged by IAS 39.

a) Foreign exchange risk

Foreign exchange 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 exchange rate fluctuations.

In particular, foreign exchange risk exists where business transactions are made or could arise in the normal course of business in a currency other than the company’s functional currency (referred to as foreign currency below).

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Crown. Customer orders are invoiced mainly in the respective local currencies of the group companies. Only in case the Group expects to be exposed to significant foreign exchange risk, major orders denominated in foreign currencies are hedged by forward foreign exchange contracts.

If the exchange rate of the stated currencies as of 31 March 2011 (31 March 2010) had changed by the percentage rate (“volatility”) stated below, the profits before tax, provided all other variables had remained unchanged, would have been higher or lower, respectively, by the following amounts.

Currency	Volatility	Hypothetical impact on result in TEUR	
		2010/11	2009/10
AUD	10 %	152	–
CAD	10 %	468	–
CZK	10 %	1,850	2,991
PLN	10 %	581	–
SEK	10 %	441	672 *)
USD	10 %	435	149
ZAR	10 %	846	160

*) prior year figure adjusted

b) 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.

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For fixed-interest balance sheet items, the risk comprises the present value risk. In case the market rate for the financial instrument fluctuates, either a profit or a loss may result if the financial instrument is sold prior to maturity.

For 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 rates. Such changes would entail changes in interest payments. As a result of the corporate bond with a fixed interest rate issued in November 2010, variable-interest (both short-term and long-term) financial liabilities account only for a minor part of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2011, this, as in the prior year, would not have had a material impact on the result of the Group. At the balance sheet date, no financial derivatives were used to hedge the interest rate risk.

c) Credit risk

As part of the Group's risk management policy, the Group only deals with recognized creditworthy third parties, and implements policies to ensure that the Group sells to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain of the Group's policies limit the amount of its credit exposure to any financial institution, depending on the rating of the institution. With the exception of the tolling projects in the Czech Republic, South Africa and Poland (see Note 18), 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.

d) Liquidity risk

Prudent liquidity risk management shall involve securing the availability of sufficient cash and cash equivalents as well as the possibility of funding through the availability of adequate credit lines. Providing for adequate liquidity is statutory for every company under the Austrian commercial code. The Group provides for its liquidity through available credit lines.

e) Capital management

The objectives of the Group with respect to capital management, on the one hand, include securing its going concern in order to be able to provide the equity holders with dividends and the other stakeholders with appropriate services, and on the other hand, maintaining an optimal capital structure.

The Group monitors its capital based on net gearing, calculated from the ratio of net debt (net assets) to equity. Net debt (net assets) includes non-current and current financial liabilities less cash and cash equivalents, bank balances and current securities.

in TEUR	2010/11	2009/10
Non-current financial liabilities	74,112	10,060
Current financial liabilities	23,083	9,237
Total financial liabilities	97,195	19,297
Cash on hand and at banks	42,001	47,743
Current securities	8,037	6,898
Net assets (+) / debt (-)	-47,157	35,344
Equity	191,513	168,249
Net gearing	25 %	n.a.

The change over the prior year is primarily due to the corporate bond issued in November 2010 (see Note 21).

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5 Research and development costs

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

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

Other development expenditures that do not meet these criteria are recognized as an expense. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding three years.

Development assets are tested for impairment annually in accordance with IAS 36.

6 Intangible assets

Acquisition costs of computer software, industrial property and similar rights are capitalized and amortized systematically on a straight-line basis over their useful lives ranging from 4 to 30 years. Acquired customer contracts (tolling contracts) are amortized from 2 to 10 years. The carrying amount of each intangible asset is tested for impairment when a triggering event occurs.

7 Other financial assets

a) Securities

Financial assets recognized under non-current assets and other short-term financial assets include only available-for-sale securities. Available-for-sale securities are carried at fair value. Unrealized gains and losses arising from the changes in fair value are recognized in equity under a separate item.

The difference arising on the sale of financial assets between the proceeds and the carrying amounts is taken through profit or loss. Additionally, the amount recognized in equity is taken through profit or loss. All acquisitions and sales are recognized at the respective date of the transaction, transaction costs are included in acquisition costs.

At each balance sheet date the Group, assesses whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets. If such evidence exists, the Group accounts for that impairment and the amounts previously recognized in equity are removed from equity and recognized in profit or loss. The amount of the impairment is measured as the difference between the carrying amount and the present value of the estimated future cash flows.

If in subsequent periods the fair value of the impaired financial instruments increases and that increase can be directly related to an event occurring after the impairment was recognized in profit or loss, the Group reverses the impairment loss. In case of debt instruments the reversal is recognized in profit or loss, in case of equity instruments it is recognized directly in equity.

b) Other investments

Other available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

c) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments are accounted for as stand-alone derivatives and are measured at fair value through profit or loss. Changes in the fair value of these derivative financial instruments are recognized immediately in the income statement under "other gains/losses net".

8 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful lives of the assets.

The useful lives range between 3 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery and 3 to 10 years for other equipment, factory and office equipment.

Impairment is charged for the difference between the recoverable amount and the carrying amount of an asset. The recoverable amount represents the higher of fair value less cost to sell or value in use of an asset. For purposes of impairment testing, the assets are grouped down to the lowest level where separate cash flows are identifiable.

The difference between the proceeds from the sale of property, plant and equipment and their carrying amount is taken through profit or loss and recognized in the operating result.

9 Leases

a) Finance leases – accounting for leasing agreements from the lessee's perspective

Leasing agreements by which the Group as lessee assumes substantially all risks and rewards associated with the use of an asset are accounted for as finance leases.

The respective assets are capitalized under non-current assets at the lower of the net present value of minimum lease payments or the fair value of the leased asset and are depreciated over their expected useful lives or shorter lease term, if applicable. The difference between the minimum lease payments and the accrued net present value is recognized as deferred interest expense. The interest component is spread over the term of the lease using the effective interest rate method.

b) Operating leases – accounting for leasing agreements from the lessee's perspective

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

10 Government grants

Government grants with regard to assets relate to purchased non-current assets (technical equipment) and are deferred and taken through profit or loss over the estimated useful life of the respective asset.

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

11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

12 Construction contracts

The Group accounts for construction contracts in accordance with IAS 11. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The construction progress is represented by the ratio of costs incurred by the balance sheet date and the estimated total costs for the respective project.

The carrying amount results from comparing the total of accumulated costs incurred by the balance sheet date plus the profit calculated according to the percentage of completion method (prorated) or loss (in full) on the respective construction contract to the invoiced amounts. The balance is recognized either under current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

13 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for bad debt. An allowance for bad debt is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the income statement.

14 Cash and cash equivalents

For the presentation of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call and other cash at banks. Overdrafts are recognized in the balance sheet under current financial liabilities.

15 Other provisions

Provisions are set up when the Group has a present legal or constructive obligation to third parties as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions for warranties, liabilities for construction flaws, serial and systems 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 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 of defects to be rectified under the warranty for products sold before the balance sheet date.

16 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.

For the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19, the projected unit credit method is used. According to this method, post-employment costs for employee benefits are recognized in the income statement 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 obligation for pension payments and termination benefits is calculated as the present value of future benefits using an interest rate based on the average yield on industrial bonds of the same maturity. Actuarial gains and losses exceeding the corridor (= up to 10 % of benefit obligation or 10 % of plan assets, if any, at beginning of period) are charged to the income statement over the average remaining service of the active staff.

Contributions paid by the Group under a defined contribution pension scheme are charged to the income statement 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 the same way as to the calculation for liabilities arising from termination benefits, however without taking the corridor method into consideration.

17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises 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 accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Temporary differences mainly arise in connection with depreciation (amortization) periods of non-current assets, provisions for pension benefits, other post-employment benefits, differences regarding the measurement of receivables and payables and tax loss carry-forwards.

Deferred income tax is 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.

In March 2005, the major Austrian group companies of the entire Kapsch Group formed a tax group according to Sec. 9 of the Austrian Corporate Income Tax Act. The group taxation regime applies for the respective entities effective from the tax year 2005 (i.e. fiscal year 2004/05). Tax group leader is KAPSCH-Group Beteiligungs GmbH, the parent of this group. Principally, this entity is the only entity which has tax receivables or tax liabilities. Tax group members, such as the Austrian companies in the Kapsch TrafficCom Group, merely reflect receivables or liabilities with the tax group leader and not with tax authorities. Any tax loss incurred by a member of the tax group prior to the effective date of the tax group is not available for utilization by the leader of the tax group. Such tax losses are only available for utilization against future taxable income by the entity in which they initially arose.

Accordingly, deferred taxes arising in entities which are members of the tax group and where the right of set off of taxable income and losses exists are shown as “deferred tax assets – due from group leader” or “deferred tax liabilities – due to group leader”. Those deferred tax effects arising in periods prior to the formation of the tax group or representing tax losses from periods prior to the formation of the tax group are shown as deferred tax assets or deferred tax liabilities.

18 Liabilities

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method. Borrowing costs are charged to the income statement in the period in which they are incurred.

19 Contingent liabilities

Contingent liabilities occur for two reasons. For one, they comprise possible obligations that arise from past events and whose existence will be confirmed by uncertain future events that are at least partly beyond an entity’s control. For another, they comprise present obligations that fail to meet general or special recognition standards (i.e. the amount of settlement of an obligation cannot be measured with sufficient reliability or an outflow of resources to settle the obligations is not deemed probable).

The Group discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote and a liability does not have to be recognized pursuant to IFRS.

20 Revenue recognition

In accordance with IAS 18, revenue is recognized in the income statement upon delivery when the significant risks and rewards of ownership of the goods are transferred to the customer, net of discounts and eliminated sales within the Group. Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue for construction contracts is recognized in accordance with the "percentage-of-completion method", provided the conditions under IAS 11 are met.

Other revenue is recognized by the Group as follows:

- Revenue from expenses recharged is recognized on the basis of the accumulated amounts in accordance with the respective agreements.
- Interest income is recognized on a time-proportion basis using the effective interest method.

21 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

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

The Group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the Group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by management indicate that no material effect is to be expected, if the actual final results should deviate by 10 % from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been reliable up to now.

Further areas where assumptions and estimates are significant to the consolidated financial statements include capitalized goodwill, inventories, deferred taxes and provisions for warranties. Sensitivity analyses of the assumptions made by management in connection with capitalized goodwill, inventories, deferred taxes and provisions for warranties indicate that no material effect will arise if the actual final outcomes were to differ by 10 % from the estimates made. Sensitivities for the acquired goodwill (break-even interest rate) are detailed in Note 13.

22 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The management board has been identified as the chief operating decision-maker.

Notes to the consolidated financial statements.

Figures in the disclosure notes are presented in Euro thousands (TEUR) unless otherwise stated.

1 Segment Information

Operating segments

The Group reports three main operating segments (see section "General Information"):

- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

The segment results for the fiscal year ended 31 March 2011 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	158.9	223.3	6.4	388.6
Operating result	0.1	48.3	0.4	48.9

The segment results for the fiscal year ended 31 March 2010 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	45.8	161.9	8.3	216.0
Operating result	-20.9	45.3	0.2	24.5

The segment assets and liabilities as of 31 March 2011 and capital expenditure, depreciation and amortization and other non-cash-effective expenses for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	138.6	215.4	3.4	357.5
Investments in associates	0.0	0.0	0.0	0.0
Unallocated assets				92.6
Total assets	**138.6**	**215.4**	**3.4**	**450.1**
Liabilities	56.2	87.9	1.5	145.5
Unallocated liabilities				113.1
Total liabilities	**56.2**	**87.9**	**1.5**	**258.6**
Capital expenditure	0.0	7.0	0.0	7.0
Depreciation and amortization	1.6	11.8	0.2	13.6
Other non-cash-effective expenses	0.0	0.9	0.0	0.9

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The segment assets and liabilities as of 31 March 2010 and capital expenditure, depreciation and amortization and other non-cash-effective expenses for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	66.2	121.1	4.6	191.9
Investments in associates	0.0	0.0	0.0	0.0
Unallocated assets				103.2
Total assets	**66.2**	**121.1**	**4.6**	**295.1**
Liabilities	33.2	69.8	1.3	104.3
Unallocated liabilities				22.6
Total liabilities	**33.2**	**69.8**	**1.3**	**126.8**
Capital expenditure	0.8	4.0	0.0	4.8
Depreciation and amortization	1.8	5.3	0.4	7.5
Other non-cash-effective expenses	0.0	0.4	0.0	0.4

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

	2010/11			2009/10		
	Revenue	Road Solution Projects	Services, System Extensions, Components Sales	Revenue	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	99.7	X	X	78.6	X	X
Customer 2	98.7	X	X	9.0	X	X
Customer 3	39.7	X		0.0		

Information by region

Revenue is segmented by the location of the customer and balance sheet figures by the location of the Company.

The figures for the fiscal year ended 31 March 2011 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated Group
Revenue	37.5	182.0	27.6	141.5	388.6
Non-current non-financial assets	13.2	46.9	41.4	6.6	108.1

The figures for the fiscal year ended 31 March 2010 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated Group
Revenue	42.4	117.1	12.1	44.5	216.0
Non-current non-financial assets	15.8	13.9	14.5	0.1	44.4

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2 Other operating income

	2010/11	2009/10
Income from the sale of non-current assets	72	2
Income from costs recharged	62	43
Sundry operating income	7,431	10,895
	7,564	**10,939**

Sundry operating income mainly relates to research funding awards received and to the assumption of costs of transactions billed for the nationwide electronic truck tolling system in the Czech Republic.

3 Change in finished and unfinished goods and work in progress

	2010/11	2009/10
Change in unfinished goods and work in progress	-235	3,217
Change in finished goods	7,697	1,918
	7,462	**5,135**

4 Costs of materials and other production services

	2010/11	2009/10
Cost of materials	82,315	32,066
Cost of purchased services	108,940	65,975
	191,256	**98,041**

5 Staff costs

	2010/11	2009/10
Wages	2,345	2,197
Salaries and other remunerations	67,026	43,317
Expenses for social security and payroll-related taxes and contributions	15,181	12,484
Expenses for termination benefits (see Note 23)	573	569
Expenses for pensions (see Note 23)	556	502
Contributions to pension funds and other external funds (see Note 23)	264	164
Fringe benefits	517	468
	86,462	**59,702**

As of 31 March 2011, the number of staff amounted to 2,167 persons (31 March 2010: 1,023 persons) and averaged 1,621 persons in the fiscal year 2010/11 (2009/10: 973).

6 Amortization of intangible assets and depreciation of property, plant and equipment

	2010/11	2009/10
Depreciation of property, plant and equipment	6,595	5,145
Amortization of intangible assets	7,020	2,340
	13,615	**7,485**

Low-value assets are capitalized as property, plant and equipment or intangible assets and written off in the year of acquisition.

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7 Other operating expenses

	2010/11	2009/10
Rental expenses	8,470	7,094
Legal and consulting fees	13,096	7,252
Allowance and write-off of receivables	584	371
Marketing and advertising expenses	6,086	8,671
Travel expenses	7,243	4,353
Maintenance	3,752	1,538
Communication and IT expenses	5,641	3,407
Training costs	1,652	855
Losses on disposal of non-current assets	282	35
Insurance costs	2,181	720
License and patent expenses	3,155	1,167
Office expenses	3,563	886
Taxes and charges	280	245
Adjustment provision for warranties	-489	504
Commissions and other fees	2,488	994
Transport costs	954	842
Automobile expenses	2,586	1,583
Other	1,869	1,815
	63,391	**42,333**

The item “Other” includes membership dues and bank charges as well as other administrative and selling expenses.

8 Financial result

	2010/11	2009/10
Interest and similar income:		
Interest income	1,034	454
Income from securities	139	223
Income from interest accretion of long-term receivables	437	1,825
Gains from the disposal of financial assets	18	7
Currency translation differences	2,869	6,752
	4,498	**9,260**
Interest and similar expenses:		
Interest expense	-3,417	-2,642
Expense from interest accretion of long-term payables	-362	-701
Losses on disposals and write-down of financial assets, investments and securities	0	-79
Expenses from other investments	-469	-22
Expenses from currency hedging	-1,340	-1,219
Currency translation differences	-6,530	-471
	-12,117	**-5,135**
	-7,619	**4,125**

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9 Income taxes

	2010/11	2009/10
Current taxes	-10,329	-7,915
Deferred taxes (see Note 22)	-2,496	516
Total	**-12,826**	**-7,399**
Thereof income/expense from group taxation	-102	112

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

	2010/11	2009/10
Profit before income taxes	41,261	43,910
Arithmetic tax expense based on a tax rate of 25 % (2009/10: 25 %)	-10,315	-10,977
Unrecognized deferred tax assets on current losses	-1,421	-183
Derecognition of deferred tax assets recognized on prior year losses	-1,179	0
Different foreign tax rates	383	109
Tax allowances claimed and other permanent tax differences	-929	162
Income and expenses not subject to tax and other differences	636	3,490
Recognized tax expense	**-12,826**	**-7,399**

For further information on deferred tax assets and liabilities see Note 22.

10 Other comprehensive income

2010/11	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-2,277	-259	-2,536
Currency translation differences	4,294	0	4,294
Fair value changes recognized in equity	**2,017**	**-259**	**1,758**

2009/10	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	2,776	-758	2,018
Gains/losses recognized in the income statement	69	0	69
Currency translation differences	3,799	0	3,799
Fair value changes recognized in equity	**6,644**	**-758**	**5,886**

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11 Additional disclosures on financial instruments by category

	2010/11	2009/10
Available-for-sale financial assets:		
Other non-current financial assets and investments	34,490	38,937
Other current financial assets	8,037	6,898
	42,527	**45,835**
Loans and receivables:		
Other non-current assets	9,018	8,481
Trade receivables	79,329	83,999
Cash and cash equivalents	42,001	47,743
	130,348	**140,223**
Financial liabilities at (amortized) cost:		
Non-current financial liabilities	74,112	10,060
Other non-current liabilities	10,423	9,353
Trade payables	72,531	41,332
Current financial liabilities	23,083	9,237
	180,149	**69,982**

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

	2010/11	2009/10
Available-for-sale financial assets	-312	128
Loans and receivables	-2,189	8,559
Financial liabilities at (amortized) cost	-5,118	-4,562
	-7,619	**4,125**

12 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 31 March 2009	**4,416**	**6,745**	**25**	**5,701**	**16,887**
Currency translation differences	12	133	6	219	371
Change in consolidated entities	0	0	0	-7	-7
Additions	201	2,017	191	1,470	3,879
Disposals	-36	-43	-27	-52	-160
Scheduled depreciation	-662	-3,100	0	-1,383	-5,145
Carrying amount as of 31 March 2010	**3,930**	**5,751**	**194**	**5,948**	**15,824**
Acquisition/production cost	4,805	26,687	194	13,108	44,794
Accumulated depreciation	-875	-20,936	0	-7,160	-28,971
Carrying amount as of 31 March 2010	**3,930**	**5,751**	**194**	**5,948**	**15,824**
Currency translation differences	-5	39	-19	98	112
Reclassification	3	0	-3	0	0
Addition resulting from company acquisition	425	2,137	516	2,207	5,284
Additions	716	2,866	463	1,434	5,477
Disposals	-93	-37	-355	-213	-698
Scheduled depreciation	-720	-3,417	0	-2,458	-6,595
Carrying amount as of 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**
Acquisition/production cost	6,767	38,337	796	18,095	63,995
Accumulated depreciation	-2,511	-31,000	0	-11,081	-44,591
Carrying amount as of 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**

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13 Intangible assets

	Capitalized development costs	Concessions and rights	Goodwill	Total
Carrying amount as of 31 March 2009	**296**	**5,059**	**20,734**	**26,089**
Currency translation differences	9	-93	-148	-232
Additions	0	5,021	0	5,021
Disposals	0	-10	0	-10
Scheduled amortization	-124	-2,216	0	-2,340
Carrying amount as of 31 March 2010	**181**	**7,761**	**20,586**	**28,529**
Acquisition/production cost	8,013	16,070	20,586	44,669
Accumulated amortization	-7,832	-8,309	0	-16,141
Carrying amount as of 31 March 2010	**181**	**7,761**	**20,586**	**28,529**
Currency translation differences	1	7	-589	-581
Reclassification	0	-2,168	2,168	0
Addition resulting from company acquisition	0	40,995	24,942	65,937
Additions	0	655	1,233	1,888
Disposals	0	-65	0	-65
Scheduled amortization	-60	-6,960	0	-7,020
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**88,687**
Acquisition/production cost	8,675	55,157	48,341	112,173
Accumulated amortization	-8,553	-14,933	0	-23,485
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**88,687**

The addition in goodwill results from the acquisitions of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, the U.S.-American, Canadian and Mexican operations of Mark IV IVHS (see Note 28) and from subsequent earn-out payments for the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina. The remaining goodwill results from the acquisition of Kapsch TrafficCom AB, Jönköping, Sweden, the "Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A., the acquisition of Kapsch-Busi, S.p.A, Bologna, Italy, and the acquisition of Kapsch TrafficCom, Argentina S.A., Buenos Aires, Argentina.

For the purpose of impairment testing, goodwill was allocated to two cash-generating units (CGU) (**"Road Solution Projects"** and **"Services, System Extensions, Components Sales"**). The following assumptions were made:

	Road Solution Projects	Services, System Extensions, Components Sales
The carrying amount of goodwill allocated to the CGU	TEUR 38,084	TEUR 10,256
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	TEUR 0	TEUR 0
Determination of recoverable amount of CGU	Value in use	Value in use

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Cash-generating unit "Road Solution Projects":

Key assumptions for determining expected cash flows of the CGU:

- The Management has based its determination on the assumption that after the successful implementation of tolling systems, in particular in Austria, the Czech Republic, Switzerland, Australia, South America, South Africa and Poland, demand for tolling systems will increase, in particular as a result of tight public budgets.
- The planning for the segment Road Solution Projects is based on projects in the Czech Republic, South Africa, U.S.A., Australia and Poland as well as on the fact that tenders in several countries are already in progress.
- 4 years of detailed planning
- 15.4 % (2009/10: 14.3 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 4.0 % (2009/10: 4.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The break-even interest rate is 20.1 %.

Cash-generating unit "Services, System Extensions, Components Sales":

Key assumptions for determining expected cash flows of the CGU:

- The Management has based its determination on the assumption that the Group will remain the preferred supplier for operation, maintenance and supply of components for tolling projects installed in previous years.
- The planning for the segment Services, System Extensions, Components Sales is based on ongoing maintenance for existing tolling systems in Austria, Switzerland, the Czech Republic, Australia, South America, South Africa and Poland, on the commercial operation in the Czech Republic, South Africa and Poland as well as on component orders for customers worldwide, particularly in the U.S.A., Canada, Mexico, Australia, Turkey, Spain, Portugal, Denmark, France, Greece, Chile, Thailand, South Africa and Poland.
- 4 years of detailed planning
- 15.1 % (2009/10: 13.7 %) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 4.0 % (2009/10: 4.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- The Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The break-even interest rate is 45.6 %.

Development costs relate to expenses which in accordance with IAS 38 are capitalized and amortized over 3 years once the assets are available for commercial use. Additional research and development costs of the Group in the fiscal year 2010/11 amounted to EUR 37,3 million (2009/10: EUR 24.9 million). In the fiscal year 2010/11, EUR 14,9 million thereof (2009/10: EUR 7.4 million thereof) was project-specific development costs and charged to the customer. The remaining amount of EUR 22,4 million (2009/10: EUR 17.5 million) was recognized as an expense.

14 Shares in associates

Shares in associates developed as follows:

	2010/11	2009/10
Carrying amount as of 31 March of prior year	**0**	**12,302**
Share in result	0	1,205
Addition	0	104
Currency translation differences	0	760
Effects from disproportional capital increases	0	69
Fair value adjustment on the date of losing significant influence according to IAS 28.18	0	14,038
Reclassification to “other non-current financial assets and investments”	0	-28,479
Carrying amount as of 31 March of fiscal year	**0**	**0**

In January 2009, the Group acquired an investment in the amount of 20.47 % in Q-Free ASA, Norway. In the third quarter of the fiscal year ending 31 March 2010, the share of Kapsch TrafficCom AG was diluted to below 20 % as a result of a capital increase at Q-Free ASA. This made a reclassification to the item “other non-current financial assets and investments” necessary (see Note 15). The accounting profit arising at the time of the dilution was recognized in income in accordance with IAS 28.18.

15 Current and non-current financial assets

	2010/11	2009/10
Other non-current financial assets and investments	34,490	38,937
Other current financial assets	8,037	6,898
	42,527	**45,835**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other	Total
Carrying amount as of 31 March 2009	**3,437**	**347**	**0**	**3,784**
Currency translation differences	0	0	417	417
Addition from reclassification	0	28,479	0	28,479
Additions	0	0	6,432	6,432
Change in fair value	79	-255	0	-176
Carrying amount as of 31 March 2010	**3,517**	**28,571**	**6,849**	**38,937**
Currency translation differences	0	0	520	520
Additions	69	0	505	574
Change in fair value	-103	-3,313	0	-3,416
Write-down	0	-343	-157	-500
Disposals	0	0	-1,625	-1,625
Carrying amount as of 31 March 2011	**3,483**	**24,916**	**6,092**	**34,490**

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Other current financial assets	Available-for-sale securities	Other	Total
Carrying amount as of 31 March 2009	**3,946**	**0**	**3,946**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	2,952	0	2,952
Carrying amount as of 31 March 2010	**6,898**	**0**	**6,898**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	1,139	0	1,139
Carrying amount as of 31 March 2011	**8,037**	**0**	**8,037**

As of 31 March 2011, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of 31 March 2011, the other investments classified as available-for-sale mainly relate to a 18.40 % investment in Q-Free ASA, Norway (see Note 14). These financial assets are measured at fair value based on quoted market prices (level 1 pursuant to IFRS 7). Unrealized gains and losses are recognized in other comprehensive income of the period (see Note 10).

In the fiscal year 2010/11, other non-current financial assets mainly relate to a fixed-term investment in the amount of TEUR 5,597 (2009/10: TEUR 6,697). The fixed-term investment is pledged as a collateral for guarantees issued by the Group.

16 Other non-current assets

	2010/11	2009/10
Truck tolling system Czech Republic	9,017	8,480
Other	1	1
	9,018	**8,481**

Other non-current assets relate to trade receivables (long-term) that are due from the Czech Ministry of Transport for the installation of the Czech truck tolling system. As in the prior year, they fall due between 1 and 5 years as of the balance sheet date.

Long-term receivables were discounted on the basis of cash flows using an interest rate of 4.14 % to 5.00 % (for the part which was funded by external loans) and an interest rate for alternative investments of 2.89 % (for that part which was funded by internal cash flows of the Group). Thus, the fair values approximate the carrying amounts.

Gross cash flows of other non-current assets are as follows:

	2010/11	2009/10
Up to 2 years	7,705	7,338
Between 2 and 3 years	1,753	1,554
More than 3 years	1	0
	9,459	**8,892**

Long-term receivables in the amount of TEUR 0 (2009/10: TEUR 8,480) were pledged as collateral to banks (see Note 21).

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17 Inventories

	2010/11	2009/10
Purchased parts and merchandise, at acquisition cost	13,520	9,079
Unfinished goods and work in progress, at production cost	9,062	9,297
Finished goods, at production cost	26,903	19,206
	49,485	**37,582**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 9,793 (2009/10: TEUR 7,029).

18 Trade receivables and other current assets

	2010/11	2009/10
Trade receivables, less allowance for bad debt	79,329	83,999
Gross amount due from customers for contract work	84,225	7,301
Receivables from tax authorities (other than income tax)	10,030	2,779
Other receivables and prepaid expenses	17,301	7,370
	190,885	**101,448**

Allowances for bad debt developed as follows:

	2010/11	2009/10
Balance as of 31 March of prior year	**587**	**278**
Addition resulting from company acquisition	207	0
Addition	421	425
Utilization	-27	0
Disposal	-108	-115
Balance as of 31 March of fiscal year	**1,079**	**587**

Maturity structure of trade receivables and other current assets:

	2010/11	2009/10
Not yet due	176,618	81,753
Overdue, but not impaired:		
Less than 60 days	12,059	16,061
More than 60 days	3,288	4,221
	191,965	**102,035**

The fair values in the next fiscal year approximate the carrying amounts. Except for the tolling project in the Czech Republic, there is no concentration of credit risk with respect to trade receivables, as the Group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the Czech truck tolling system in the amount of TEUR 4,361 (2009/10: TEUR 17,712) and to the operation and maintenance of the system in the amount of TEUR 27,907 (2009/10: TEUR 23,117) are due from Ředitelstvím silnic a dálnic ČR (RSD), a company of the Czech Republic.

Trade receivables in an amount of TEUR 7,353 (2009/10: TEUR 17,712) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work are as follows:

	2010/11	2009/10
Construction costs incurred plus recognized gains	136,707	7,301
Less amounts billed and prepayments received	-52,481	0
	84,225	**7,301**

As of 31 March 2011, amounts due from customers for contract work relate to the tolling project in South Africa in the amount of TEUR 43,273 and to the tolling project in Poland in the amount of TEUR 39,692.

19 Cash and cash equivalents

	2010/11	2009/10
Cash on hand	65	20
Deposits held with banks	41,935	47,723
	42,001	**47,743**

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.

20 Share capital

	2010/11	2009/10
Carrying amount as of 31 March of fiscal year	**12,200**	**12,200**

The registered share capital of the Company amounts to EUR 12,200,000. The share capital is fully paid in. The total number of shares issued is 12,200,000. The shares are ordinary bearer shares and have no par value.

21 Current and non-current financial liabilities

	2010/11	2009/10
Current		
Loans for acquisitions	10,000	0
Other current loans	13,083	9,237
	23,083	**9,237**
Non-current		
Loans for acquisitions	0	10,000
Corporate bond	73,796	0
Other	316	60
	74,112	**10,060**
Total	**97,195**	**19,297**

In November 2010, Kapsch TrafficCom AG issued a corporate bond with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25 %. Considering offsetting capital expenses according to IFRS, the addition of non-current financial liabilities was TEUR 73,732 and led to an effective interest rate of 4.54%.

The other non-current financial liabilities mature in 1 to 5 years.

The fair values and the gross cash flows of non-current financial liabilities are as follows:

	2010/11	2009/10
Carrying amount	**97,195**	**19,297**
Fair value	**92,227**	**18,736**
Gross cash flows:		
Up to 1 year	23,083	9,237
Between 1 and 3 years	9,754	10,543
Between 3 and 5 years	6,273	0
More than 5 years	78,442	0
	117,551	**19,779**

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

	2010/11	2009/10
Total financial liabilities:		
Carrying fixed interest rates	79,579	1,937
Carrying variable interest rates	17,616	17,360
	97,195	**19,297**
Average interest rates:		
Short-term loans	1.65 – 2.25 %	1.67 – 3.25 %
Loans for acquisitions	3.53 %	3.19 %
Corporate bond	4.54 %	–
Other	2.50 %	2.50 %

Other non-current assets amounting to TEUR 0 (2009/10: TEUR 8,480), trade receivables (current) amounting to TEUR 7,353 (2009/10: TEUR 17,712) as well as 9.9 million shares in Q-Free ASA were pledged as collateral for guarantees issued by banks and for loans granted. A bill of exchange amounting to TEUR 1,425 (2009/10: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities

	2010/11	2009/10
Deferred tax assets – due from tax group leader	1,880	1,302
Deferred tax assets – non-tax group	6,230	8,348
	8,110	**9,650**
Deferred tax liabilities – due to tax group leader	1,794	1,812
Deferred tax liabilities – non-tax group	14,082	1,471
	15,876	**3,284**
Balance	**-7,766**	**6,366**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards in the amount of TEUR 14,087 (2009/10: TEUR 2,080) have not been recognized, because it was uncertain whether there would be sufficient taxable profits available against which to offset them. All other deferred tax assets have been recognized in the respective group companies as future deductible items. Deferred tax assets are normally realized after more than 12 months.

Deferred tax assets/liabilities are attributable to the following positions:

	31 March 2009	Addition resulting from company acquisition	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2010
Deferred tax assets						
Tax loss carry-forwards	2,804	0	584	0	25	3,413
Provisions disallowed for tax purposes	1,140	0	695	0	33	1,868
Depreciation disallowed for tax purposes	40	0	-42	0	2	0
Other	4,258	0	-19	-20	150	4,369
	8,242	**0**	**1,218**	**-20**	**210**	**9,650**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	0	0	0	0
Other	1,871	0	702	738	-27	3,283
	1,871	**0**	**702**	**738**	**-27**	**3,283**
Total change	**6,371**	**0**	**516**	**-758**	**237**	**6,366**

	31 March 2010	Addition resulting from company acquisition	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2011
Deferred tax assets						
Tax loss carry-forwards	3,413	0	-195	0	1	3,219
Provisions disallowed for tax purposes	1,868	0	-817	0	26	1,077
Depreciation disallowed for tax purposes	0	0	894	0	0	894
Other	4,369	1,391	-2,871	26	6	2,921
	9,650	**1,391**	**-2,990**	**26**	**33**	**8,110**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	2	0	0	2
Other	3,283	12,798	-496	285	3	15,874
	3,283	**12,798**	**-494**	**285**	**3**	**15,876**
Total change	**6,366**	**-11,407**	**-2,496**	**-259**	**30**	**-7,766**

23 Liabilities from post-employment benefits to employees

Amounts recognized in the balance sheet:

	2010/11	2009/10
Termination benefits	5,912	5,561
Pension benefits	10,403	8,755
	16,315	**14,316**

Termination benefits

The obligation to set up a provision for termination benefits is based on the respective labor law.

Retirement benefits

Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on past service cost and are, except for the pension plans acquired in the course of the business combination Mark IV IVHS, not covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the Group (see Note 5).

For the valuation of termination benefits and pension benefit obligations including plan assets an interest rate of 5 % (2009/10: 5 %) was used, and for compensation increases a rate of 3 % (2009/10: 3 %). In addition, the calculation was based on the earliest possible statutory retirement age, including transition provisions and using the mortality tables AVÖ 2008-P (2009/10: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 2-3 % (2009/10: 2-3 %).

The following amounts are recognized in the income statement as expenses for termination benefits:

	2010/11	2009/10
Current service cost	182	183
Interest expense	322	305
Actuarial losses	70	81
Total, included in staff costs (Note 5)	**573**	**569**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**5,561**	**5,294**
Total expense according to the table above	573	569
Payments	-223	-302
Carrying amount as of 31 March of fiscal year	**5,912**	**5,561**
Actuarial present value of obligations (defined benefit obligation)	7,094	6,516
Unrecognized actuarial gains/losses	-1,183	-954
Amount recognized in the balance sheet	**5,912**	**5,561**

The following amounts are recognized in the income statement as expenses for retirement benefits:

	2010/11	2009/10
Current service cost	4	0
Interest expense	533	502
Actuarial adjustment	17	0
Gains from external plan assets	1	0
Total, included in staff costs (Note 5)	**556**	**502**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**8,755**	**8,920**
Addition resulting from business combinations	2,024	0
Total expense according to the table above	556	502
Payments	-720	-667
Total	**10,616**	**8,755**
Fair value of plan assets	-213	0
Carrying amount as of 31 March of fiscal year	**10,403**	**8,755**
Actuarial present value of obligations (defined benefit obligation)	11,877	9,998
Unrecognized actuarial gains/losses	-1,261	-1,243
Fair value of plan assets	-213	0
Amount recognized in the balance sheet	**10,403**	**8,755**

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24 Other non-current liabilities

	2010/11	2009/10
Truck tolling system Czech Republic	6,185	5,021
Other	4,238	4,332
	10,423	**9,353**

Other non-current liabilities relate to trade payables (non-current) in the amount of TEUR 6,185 (2009/10: TEUR 5,021) due to subcontractors for the installation of the Czech truck tolling system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years as of the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck tolling system (see Note 16). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities mainly relate to a liability in the amount of TEUR 3,500 (2009/10: TEUR 3,500) from a put option for shares in Kapsch-Busi S.p.A, Bologna, Italy, and to the non-current portion of a contingent payment obligation in the amount of TEUR 574 (2009/10: TEUR 755) from the acquisition of the "Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A., in the fiscal year ending 31 March 2009.

The gross cash flows of other non-current liabilities are as follows:

	2010/11	2009/10
Less than 2 year	9,151	4,394
Between 2 and 3 years	1,450	4,910
More than 3 years	405	305
	11,006	**9,610**

25 Other liabilities and deferred income

	2010/11	2009/10
Amounts due to customers for contract work	300	1,679
Prepayments received	205	1,746
Non-current employee liabilities	13,381	9,790
Liabilities to tax authorities (other than income tax)	1,556	3,400
Other liabilities and deferred income	21,439	9,318
	36,881	**25,933**

Amounts due to customers for contract work are as follows:

	2010/11	2009/10
Construction costs incurred plus recognized gains	-202	-13,872
Less amounts billed and prepayments received	503	15,551
	300	**1,679**

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26 Provisions

	2010/11	2009/10
Non-current	686	583
Current	4,722	6,845
	5,408	**7,428**

The provisions changed as follows:

	31 March 2009	Addition resulting from company acquisition	Addition	Utilization/ disposal	Currency translation differences	31 March 2010
Obligations from anniversary bonuses	524	1	78	-20	0	583
Other	0	0	0	0	0	0
Non-current provisions, total	**524**	**1**	**78**	**-20**	**0**	**583**
Warranties	1,820	0	1,029	-653	165	2,361
Losses from pending transactions and rework	934	0	0	-224	0	710
Legal fees, costs of litigation and contract risks	3,228	0	36	-2,473	99	891
Other	4,640	0	9,382	-11,260	120	2,883
Current provisions, total	**10,623**	**0**	**10,447**	**-14,609**	**384**	**6,845**
Total	**11,147**	**1**	**10,525**	**-14,629**	**384**	**7,428**

	31 March 2010	Addition resulting from company acquisition	Addition	Utilization/ disposal	Currency translation differences	31 March 2011
Obligations from anniversary bonuses	583	0	52	-29	0	605
Other	0	98	0	-14	-3	81
Non-current provisions, total	**583**	**98**	**52**	**-44**	**-3**	**686**
Warranties	2,361	45	100	-1,163	136	1,480
Losses from pending transactions and rework	710	0	0	-710	0	0
Legal fees, costs of litigation and contract risks	891	0	55	461	35	1,442
Other	2,883	51	1,761	-2,910	15	1,800
Current provisions, total	**6,845**	**96**	**1,916**	**-4,322**	**186**	**4,722**
Total	**7,428**	**194**	**1,969**	**-4,366**	**183**	**5,408**

The provision for anniversary bonuses relates to non-current entitlements by employees based on collective labor agreement provisions. The valuation was based on an interest rate of 5 % (2009/10: 5 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2009/10: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 3 % (2009/10: 3 %).

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.

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In case the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision will be 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 amount of the provision. According to past experience, it is probable that there will be claims under the warranties.

Other provisions mainly include provisions for commissions and bonuses, credits receivable, discounts granted to customers and legal and consulting fees.

27 Contingent liabilities, other commitments and operating lease commitments

The Group's contingent liabilities primarily result from large-scale projects. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance and bid bonds and sureties.

Details of contingent liabilities and other commitments are as follows:

	2010/11	2009/10
Contract, warranty, performance and bid bonds		
City Highway Santiago	0	263
City Highway Sydney and Melbourne	2,306	2,881
Truck Tolling System Austria	12,500	12,500
Truck Trolling System Czech Republic	9,414	10,046
Tolling project Poland	24,656	0
Tolling projects South Africa: Gauteng, Marian Hill, Huguenot	120,208	117,084
Other	967	1,069
	170,051	**143,844**
Bank guarantees	**1,975**	**2,419**
Sureties	**544**	**30**
	172,570	**146,293**

For details of securities for above mentioned contingent liabilities and other commitments see Note 15 and Note 21. In addition, various assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 10,075 are pledged in favour of a Swedish bank in order to secure contingent liabilities.

Operating lease commitments:

The future payments from non-cancellable obligations from rental and operating lease contracts are presented below:

	2010/11	2009/10
Up to 1 year	8,969	6,304
Between 1 and 5 years	25,198	16,550
Over 5 years	12,860	11,146
	47,027	**34,000**

28 Business combinations

Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark (formerly Payvend F&P A/S).

On 1 April 2010, Kapsch Telematic Services GmbH, Vienna, acquired 60 % of the shares in Payvend F&P A/S, Copenhagen, Denmark at a purchase consideration of TEUR 750. Subsequently, the company was renamed to Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark.

Purchase consideration	750
Less share of fair value of net assets acquired	750
Goodwill	**0**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Intangible assets	1,667	1,667
Liabilities, other liabilities and deferred income	-417	-417
Net assets acquired	**1,250**	**1,250**
Thereof controlling interest (60 %)	750	
Thereof non-controlling interest (40 %)	500	

The acquired company contributed revenue of TEUR 9 and a net income of TEUR -234 to the Group's result of the period from 1 April 2010 to 31 March 2011.

TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa.

Kapsch TrafficCom AG, Vienna, through a subsidiary, acquired 51.43 % of the increased share capital of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, as part of a capital increase on 8 April 2010. The consideration paid in connection with the capital increase amounted to a total of ZAR 75 million. This investment was increased to 56.81 % by an additional purchase of shares on 30 August 2010. The business combination involves the entities TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, SafeTCam (Pty) Ltd., Cape Town, South Africa, Traffic Software Solutions (Pty) Ltd., Cape Town, South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa, Electronic Tolling Operations (Pty) Ltd., Cape Town, South Africa, Crestwave 61 (Pty) Ltd., Cape Town, South Africa, Crestwave 63 (Pty) Ltd., Cape Town, South Africa, TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa and Berrydust 51 (Pty) Ltd., Cape Town, South Africa.

For the remaining share of 43.19 %, a put-option has been granted to the minority shareholders by the Group.

Purchase consideration (including contingent elements)	7,885
Less share of fair value of net assets acquired	6,420
Goodwill	**1,465**

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Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Intangible assets	6,683	403
Property, plant and equipment	1,267	1,267
Receivables and other assets	4,577	4,577
Cash and cash equivalents	7,170	7,170
Liabilities, other liabilities and deferred income	-7,215	-5,456
Net assets acquired	**12,483**	**7,961**
Thereof controlling interest (51.43 %)	6,420	
Thereof non-controlling interest (48.57 %)	6,063	

The acquired company contributed revenue of TEUR 34,204 and a net income of TEUR 5,125 to the Group's result for the period from 8 April 2010 to 31 March 2011. If the acquisition had occurred on 1 April 2010, there would not have been a significant change in revenue or profit of the Group.

MARK IV IVHS, U.S.A., Canada, Mexico.

Kapsch TrafficCom AG agreed on 5 November 2010 (signing) to acquire the business of MARK IV IVHS, part of MARK IV, LLC (U.S.), in the U.S., in Canada and in Mexico. Closing date for this acquisition was 30 November 2010. This business combination involves the entities Kapsch TrafficCom IVHS Technologies Holding Corp., Sterling, U.S.A., Kapsch TrafficCom IVHS Holding Corp., Sterling, U.S.A., Kapsch TrafficCom IVHS Inc., Sterling, U.S.A., Mark IV Holdings B.V., Amsterdam, Netherlands, Kapsch TrafficCom IVHS Corp., Mississauga, Canada, and Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico.

Purchase consideration (including contingent elements)	55,071
Less share of fair value of net assets acquired	31,595
Goodwill	**23,476**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Intangible assets	32,647	0
Property, plant and equipment	4,011	2,561
Receivables and other assets	15,716	15,716
Cash and cash equivalents	4,255	4,255
Liabilities, other liabilities and deferred income	-25,034	-14,411
Net assets acquired	**31,595**	**8,121**

The business acquired contributed TEUR 19,327 to the revenue of the Group. If the acquisition had occurred on 1 April 2010, there would have been an increase in the revenue of the Group of TEUR 38,650. It is not possible to indicate the effects on the group result of the period, as the seller was under creditor protection pursuant to "Chapter 11" in the prior period and the necessary results attributable to the assets and liabilities transferred in the course of the business combination were not available.

29 Related parties

The following transactions were performed with related parties:

KAPSCH-Group Beteiligungs GmbH, Vienna
From January 2005, the company has provided services to the Group in the area of group consolidation and legal advice. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 490 (2009/10: TEUR 494). The company invoiced to the Group expenses in connection with the implementation of the corporate performance management-tool ("CPM-Tool"- particularly with regard to synergies with the consolidation tool HFM) in the amount of TEUR 158 (2009/10: TEUR 0). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the Group in the amount of TEUR 22 (2009/10: TEUR 0).

In December 2005, the company issued a parental guarantee to FöreningsSparbanken AB, Stockholm, Sweden, in favor of the group company Kapsch TrafficCom AB, Jönköping, Sweden, in the amount of EUR 20.2 million. For the project in South Africa (Gauteng), the company also issued parental guarantees in favor of Kapsch TrafficCom AG to Unicredit Bank Austria AG, Vienna, and to Raiffeisen Bank International AG, Vienna, in September 2009. As of the balance sheet date 31 March 2011, the assumed guarantees amount to EUR 29.7 million. The annual fee for the assumption of the liabilities is 0.5 % of the guaranteed amounts. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 241 (2009/10: TEUR 202).

In January 2007, KAPSCH-Group Beteiligungs GmbH issued an unconditional and irrevocable first demand payment guarantee up to EUR 40 million with respect to the payment obligations of Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, Czech Republic, UniCredit Bank Austria AG, Vienna, and Raiffeisen Bank International AG, Vienna, for the delivery and operation of the Czech truck tolling system. The annual fee for the assumption of the liability is 0.5 % of the guaranteed amount. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 110 (2009/10: TEUR 199). This guarantee was released on 20 October 2010, expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 110 (2009/10: TEUR 199).

KAPSCH-Group Beteiligungs GmbH acts as the tax group leader in a tax group formed in March 2005, of which Austrian subsidiaries of this Group are members. Accordingly, all post-formation tax effects of the group companies which are tax group members are considered to be related party transactions (see Note 9 and 22).

Kapsch Aktiengesellschaft, Vienna
In connection with the use of the KAPSCH trademark and logo, the company invoices license fees to the Group. The license fee amounts to 0.5 % of all third-party sales of the Group, whereby the annual minimum fee is TEUR 250. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 1,924 (2009/10: TEUR 1,104).

Activities in the area of corporate development, public relations, sponsoring and other marketing activities are carried out centrally by Kapsch Aktiengesellschaft for all group companies. Cost allocated to the Group in the fiscal year 2009/10 amounted to TEUR 1,591 (2009/10: TEUR 1,024).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the board of the company, Georg Kapsch, and costs for consulting services of certain supervisory board members of the company) to the Group. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 1,400 (2009/10: TEUR 1,184).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the Group in the fiscal year 2010/11 amounted to TEUR 355 (2009/10: TEUR 309). Furthermore, Kapsch Aktiengesellschaft serviced a software tool and invoiced to the Group TEUR 55 (2009/10: 24).

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Kapsch Partner Solutions GmbH, Vienna
The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the Group and provides apprentices and trainees. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 1,092 (2009/10: TEUR 920).

Kapsch Financial Services GmbH, Vienna
The company leases telephone and IT equipment (hardware and software) to the Group and provides call centre services and IT support. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 869 (2009/10: TEUR 2,246).

Kapsch BusinessCom AG, Vienna
The company delivers hardware (IT equipment) on behalf of Kapsch TrafficCom AG, Vienna, and provides maintenance and other services for various customer projects, the three largest of which by far are the "Truck Tolling System Austria", the "Truck Tolling System Czech Republic" and the "Truck Tolling System Poland". The deliveries and services performed amounted to TEUR 6,141 in the fiscal year 2010/11 (2009/10: TEUR 2,868).

The company provides IT, EDP and telephone services to the Group in the amount of TEUR 2,725 (2009/10: TEUR 376), as well as other services in the amount of TEUR 456 (2009/10: TEUR 928).

The Group invoices consulting services in the area of public relations to the company. Income of the Group resulting from these services in the fiscal year 2010/11 totaled TEUR 44 (2009/10: TEUR 44).

Kapsch Components GmbH & Co KG provides logistics services to the company in the amount of TEUR 71 (2009/10: TEUR 97), and other services in the amount of TEUR 100 (2009/10: TEUR 128).

Kapsch CarrierCom AG, Vienna
Kapsch TrafficCom AG provides services in the area of public relations to the company. Income of the Group resulting from this service in the fiscal year 2010/11 amounted to TEUR 44 (2009/10: TEUR 44).

Kapsch Components GmbH & Co KG provides logistics services to the company in the amount of TEUR 663 (2009/10: TEUR 617) and provides the company with other deliveries and services in the amount of TEUR 45 (2009/10: TEUR 19).

Kapsch s r.o., Prague
The company provides technical maintenance services for the Czech truck tolling system and is responsible for the current IT support for the Czech subsidiaries. Expenses incurred for this in the fiscal year 2010/11 totaled TEUR 2,736 (2009/10: TEUR 1,910). Furthermore, the company provided public relations services amounting to TEUR 91 in the fiscal year 2010/11 (2009/10: TEUR 95) and other services amounting to TEUR 133 (2009/10: TEUR 0).

Kapsch Sp. z o.o., Warsaw
The company provides hardware (IT equipment) and renders maintenance and other services for the tolling project in Poland to the Group. This services amounted to TEUR 2,857 in the fiscal year 2010/11 (2009/10: TEUR 0).

Kapsch Immobilien GmbH, Vienna
On 15 July 2008, a new lease agreement was concluded for the location Am Europlatz 2 and a waiver of termination was agreed for 10 years. It is possible to partly terminate the agreement after 5 or 7 years, respectively. Investments in the amount of TEUR 53 (2009/10: TEUR 0) were made for the adaptation in the field of garage and parking deck. Lease expenses incurred by the Group amounted to TEUR 3,193 in the fiscal year 2010/11 (2009/10: TEUR 3,245).

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Lease income of the Group resulting from the sub-lease to related parties in the fiscal year 2010/11 totaled TEUR 386 (2009/10: TEUR 267).

Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold at arm's length.

Liabilities for pension benefits include pension obligations (pensions in payment) to the widow of Dr. Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

The following tables provide an overview of revenue and expenses at the respective balance sheet date as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2010/11	2009/10
Parent company		
Revenue	0	0
Expenses	884	907
Affiliated companies		
Revenue	1,583	1,401
Expenses	21,667	10,807
Other related parties		
Revenue	0	1
Expenses	4,193	5,790

	31 March 2011	31 March 2010
Parent company		
Trade receivables and other assets	1,696	1,798
Trade payables and other payables	96	459
Affiliated companies		
Trade receivables and other assets	262	307
Trade payables and other payables	4,405	1,971
Other related parties		
Trade receivables and other assets	0	0
Trade payables and other payables	412	198

30 Earnings per share

Earnings per share (basic earnings) is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares. As of 31 March 2011, as in the prior year, no treasury shares were held by the Company.

	2010/11	2009/10
Profit for the period attributable to equity holders of the Company (in EUR)	22,062,116	32,215,536
Weighted average number of ordinary shares	12,200,000	12,200,000
Earnings per share (in EUR)	**1.81**	**2.64**
Profit for the period attributable to equity holders of the Company, adjusted for the fair value adjustment of the share in Q-Free ASA, Norway (see note 14)	22,062,116	18,177,176
Number of shares	12,200,000	12,200,000
Earnings per share, adjusted (in EUR)	**1.81**	**1.49**

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31 Events after the balance sheet date

Financing activities

In April 2011, a revolving line of credit expiring on 31 December 2011 was contracted by the Group with a maximum amount of EUR 40 million (thereof EUR 20 million drawn at the date of this report) in connection with the tolling project in Poland.

Company foundation

On 1 April 2011, Kapsch Telematic Services FLLC, Minsk, Belarus was founded.

32 Supplementary disclosures

The consolidated group companies are listed in the notes to the consolidated financial statements under the item "consolidated group". The parent company Kapsch TrafficCom AG, Vienna, with the exception of Kapsch Telematic Services sp. z o.o., Poland, Electronic Toll Collection (PTY) Ltd., South Africa, Kapsch Telematic Services Danmark A/S, Denmark, Kapsch Telematic Services Solutions A/S, Denmark, Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services GmbH Deutschland, Germany, Kapsch Telematic Services Kft., Hungary, Kapsch Telematic Services spol. s r.o., Czech Republic, Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic, TMT Services and Supplies (Pty) Ltd., South Africa, SafeTCam (Pty) Ltd., South Africa, Traffic Software Solutions (Pty) Ltd., South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., South Africa, Electronic Tolling Operations (Pty) Ltd., South Africa, Crestwave 63 (Pty) Ltd., South Africa, Crestwave 61 (Pty) Ltd., South Africa, TMT Services and Supplies (North) (Pty) Ltd., South Africa and Berrydust 51 (Pty) Ltd., South Africa, directly or indirectly holds 100 % of the shares in the fully consolidated subsidiaries. With regard to additional disclosures in accordance with § 265 (2) UGB for the companies mentioned above, the protection-of-interest clause pursuant to § 265 (3) UGB was applied.

The average number of staff in the fiscal year 2010/11 was 1,551 salaried employees and 70 waged workers (2009/10: 921 salaried employees and 52 waged workers).

Expenses for the auditor

The expenses for the auditor amount to TEUR 184 (2009/10: TEUR 109) and are broken down as follows:

	2010/11	2009/10
Audit of the consolidated financial statements	61	40
Other assurance services	111	43
Tax consulting services	0	0
Other services	12	26
	184	**109**

Compensation and other payments to members of the management and the supervisory board

The compensation paid to members of the management board is shown below:

Managing board remuneration 2010/11 in TEUR	Fixed	Variable	Total
Georg Kapsch	416	405	821
Erwin Toplak	360	57	417
André Laux	278	56	334
Total	**1,054**	**518**	**1,573**

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Expenses for termination benefits for members of the management board amount to TEUR 43.

Individual pension agreements are granted to Erwin Toplak and André Laux. Annually, approximately TEUR 19 is paid by Kapsch TrafficCom AG to an external pension fund.

Remunerations paid to supervisory board members amount to TEUR 21 (2009/10: TEUR 19).

As in the previous years, no advances or loans were granted to members of the management and supervisory board, nor any guarantees issued in their favor.

In the fiscal year 2010/11, the following persons served on the managing board:
Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak
André Laux

In the fiscal year 2010/11, the following persons served on the supervisory board:
Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy Chairman)
William Morton Llewellyn

Delegated by the works council:
Ing. Christian Windisch
Dipl.-Ing. Werner Dreschl (until 19 November 2010)
Claudia Rudolf-Misch (from 20 November 2010)

Authorized for issue:

Vienna, 13 May 2011

Mag. Georg Kapsch	Ing. Erwin Toplak	André Laux
Chief Executive Officer	Chief Operating Officer	Executive Board member

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Auditor’s Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of Kapsch TrafficCom AG, Vienna, for the fiscal year from 1 April 2010 to 31 March 2011. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2011, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ending 31 March 2011, and the notes to the consolidated financial statements.

Management’s Responsibility 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 (IFRS) as adopted by the EU, and with the legal provisions applicable in Austria. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under the circumstances.

Auditor’s Responsibility and Description of Type and Scope of the Statutory Audit
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
Our audit did not give rise to any objections. Based on the results of our audit, in our opinion the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 March 2011 and of its financial performance and its cash flows for the financial year from 1 April 2010 to 31 March 2011 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Comments on the Management Report for the Group.

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether the other disclosures in the management report for the Group do not give rise to a misstatement of the Group's financial position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 13 May 2011

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:
Felix Wirth
Austrian Certified Public Accountant

Kapsch TrafficCom AG, Vienna

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Kapsch TrafficCom AG, Vienna

Management Report

on the financial statements as of March 31, 2011

1. General economic situation

Global Economy:

Following the financial and economic crisis, world trade has increased again since the start of 2009 and has largely been able to regain pre-crisis levels. Real global trade is expected to increase by 10% per year in 2011 and 2012 as well. The global economy also improved as a result of very expansive monetary and fiscal policy. The global gross domestic product rose by 4.5% year-on-year, but slowed over the course of 2010. The International Monetary Fund (IMF) has forecasted growth of 4.4% for 2011, and expects the global economy to continue growing by 4.5% in 2012.

From a regional perspective, the economic upturn has been very uneven. In the emerging markets, such as in Asia, recovery was observed earlier than in the industrial countries, such as the euro-zone in particular. However, the expansion in Asia is now showing a slight decline, which can be attributed to the end of the significant inventory build-up following the crisis as well as attempts by China and other emerging countries to slow growth in order to prevent their economies from overheating and to counteract rising inflationary pressure. Asian and Latin American economies will continue to grow in 2011 and 2012, lending a noticeable impetus to the global economy.

In the euro region, very large differences exist between the individual countries. High-export and internationally competitive nations such as Germany and the Scandinavian countries exhibited positive growth figures for 2010, while the situation in Southern European countries and in Ireland appeared somewhat worse. The problematic national budgets of these euro countries are leading to an abrupt increase in lending rates and continue to put the European Currency Union to a hard test. In the interests of solidarity, the EU has resolved to provide EUR 110 billion of support to Greece and EUR 85 billion to Ireland. It is also assumed that Portugal will need between EUR 80 and EUR 90 billion.

The oil price has risen again significantly in recent months due to the flare up of unrest in North Africa and the Near East and stood at roughly USD 110 per barrel Brent as of mid May. Raw materials prices are likewise increasing due to high demand. The price of gold is also rising, ending the reporting period at approx. USD 1.525 per Troy ounce.

2010 was a turbulent year for the financial markets. The European sovereign debt crisis and the relaxation of monetary policy by the US Federal Reserve dominated the international markets. The euro lost ground against the US dollar in the first half of 2010, but the euro exchange rate recovered again in the second half of the year. Demand for low-risk investments in German and American bonds increased.

The final weeks of the fiscal year 2010/11 were dominated by the terrible catastrophe in Japan. Following the massive destruction caused by the earthquake and tsunami, the threat of a nuclear disaster has largely been the focus of attention.

The consequences for the global economy are still difficult to estimate. Japan is faced with its largest reconstruction effort since World War II. The required investments and restoration of the destroyed infrastructure could mean a short-term boost to the Japanese economy. However, Japan is one of the few major economic powers with a strong focus on exports, and this leads to fears of massive economic losses due to production downtimes as well as the radioactive contamination of agricultural products and ocean water. According to economists, the direct consequences on the global economy should remain within limits.

The overall outlook for the global economy justifies the expectation that investors could remain in a risk-averse posture. The high national debts of the developed countries and rising raw materials prices will have a significant impact on growth.

U.S.A.:

The economy in the U.S.A. developed positively during 2010. The gross domestic product of the U.S.A. increased by 2.7% in 2010, and indicators point toward a continuation of this positive trend. GDP growth of 2.2% is forecasted for the year 2011 and a further increase in growth to 2.9% for 2012.

Measures to stabilize the economy as well as extensive intervention by the US Federal Reserve (Fed) during the year 2010 are allowing banks to repair their balance sheets. Expansive monetary policy and the buyback of government bonds by the Fed have kept the USD exchange rate low. At the end of 2010, the euro was at 1.34 US dollars, while on 31 March 2011 it was 1.42 US dollars. Since the end of 2010, the Fed has held to a historically low interest rate between 0.0% and 0.25%. Experts expect the prime rate will be kept low over the short-term and the relaxed monetary policy will be maintained.

The labor market has recovered slightly in recent months, but is still characterized by delayed development. The unemployment rate remains high and was at 9.0% in January 2011. In 2011, unemployment is expected to average between 8.8% and 9.0%. Developments in the areas of industrial production and exports are positive. Private consumer spending remained expansive despite belt-tightening, which can be attributed in part to the increased prices of food and fuel. Forecasts indicate that the consumption and real estate boom seen prior to the crisis will not return quickly. In particular, the recovery in the real estate market has remained very weak to date. No noticeable improvement is in sight for the construction industry as well.

Emerging Markets:

The rapid implementation of government economic stimulus programs has boosted the emerging markets in the last two years. Emerging countries such as China and India have even seen a surplus of capital.
China exhibited GDP growth of 10.5% in 2010. Although the government took measures to counteract the risk of currency appreciation and rising inflationary pressure, growth amounting to 9% per year is expected for the years 2011 and 2012.
Japan made the turnaround in 2010 and was able to achieve an increase of 3.6% in its gross domestic product. As a result of the recent natural catastrophes, serious estimates regarding future developments are almost impossible, and the opinions of experts also diverge extensively in this area.

Europe:

Following the global crisis, recovery was also observed in the euro countries during 2010. The gross domestic product in the euro zone rose by 1.7%, and stable growth of 1.5% is expected for the years 2011 and 2012. Industry in the euro region was able to exceed production forecasts, and the volume of new orders also developed positively. At the start of the 4th quarter of 2010, the industrial capacity utilization of 77.6% was far above the low of the previous year (69.6%) but still fell short of the long-term average of 81.2%.

In general, an analysis of the current economic situations in the euro countries shows significant differences.

The competitive export countries of the euro region, such as Germany and the neighbors with which it has strong economic relationships, such as Austria and Slovakia, are profiting from the massive growth in the emerging markets (in particular, from China). Germany, for instance, proved to be the economic motor for Europe in 2010 with growth of 3.6%, and there are good prospects for continued stable growth in 2011 as well. Alongside the positive effects from the rise in global trade, German economic growth also benefits from the low interest rates in the euro zone. As a result, the country has been spared tax hikes and cost-cutting measures, benefiting companies and further promoting consumption.

Other euro countries have encountered great difficulties in controling their national debts and lag behind in terms of growth. High public spending and austerity packages can be seen in Greece, Ireland, Portugal and Spain, and the economies of these countries are stagnating. Portugal is even in a recession at this time.

In recent months, all the nations of Europe have banded together to overcome this crisis through joint action. To this end, a comprehensive plan was passed for opposing the debt crisis in the euro region, stabilizing the economic and monetary union and improving competitiveness. The new crisis fund for high-debt euro countries was recently raised to 700 billion EUR. As of 2013, this money should be made available as credit financing under favorable conditions to euro countries that are unable to get their national budgets under control on their own despite austerity programs. Almost all EU states are helping to finance this rescue fund through cash contributions and guarantees. Strict criteria, including massive cost-cutting measures, must be met in order to take advantage of this aid.

Although the EU began to assist Greece at the start of 2010 – in total, roughly 110 billion EUR should have been approved – the budget deficit for 2010 was again higher than expected at 10.5%. Ireland requested assistance at the end of 2010 and received a loan of roughly EUR 85 billion.

The situation in Portugal also intensified in the spring of 2011. The goals for the budget deficit in 2010 were clearly missed at 9.1%, and political turbulence has ensued since that time. The unemployment rate (11.2% in January 2011) and inflation (roughly 3.5% in February 2011) also rose considerably. At the start of April 2011, after receipt of a significantly worse rating and a correspondingly massive interest rate increase for Portuguese government bonds, the country requested assistance from the EU rescue fund. Estimates of the required aid run to EUR 80-90 billion.

In addition to the crisis fund, adherence to the stability package has once again received greater attention throughout the entire euro region. The new debt of a country may not exceed 3% and the total debt level must be lower than 60% of the GDP. If these criteria are not met, a deficit process must be followed by which 0.2% of the GDP must be set aside as a pledge for improving the debt. If the debt situation does not improve, this pledge is treated as a penalty. The euro countries are also called upon to more closely coordinate their tax, pension and social policies in order to avoid differences in competitiveness.

Overall, the economic recovery in the euro region has been astonishingly robust despite the rising price of oil and continued debt problems.

The new EU countries were able to achieve GDP growth of 1.9% in 2010 (2009: -3.3%). Indicators point to continued GDP growth of 2.6% in 2011 while growth as high as 3.6% is expected for 2012. Poland, the Czech Republic, Slovakia and Hungary have enjoyed good economic growth.

Inflation in the EU (EU-27) increased in 2010 primarily due to rising energy prices and was at 2.8% in February 2011. To counteract this, the European Central Bank raised the prime rate from 1% to 1.25% at the start of April 2011, and another increase is expected over the course of 2011. The 3-month Euribor rate was 1.23% on 31 March 2011.

The unemployment rate in the EU (EU-27) remained at a high level of 9.5% in February 2011, only 0.1% lower than the previous year. This figure also varies widely between the individual countries. The Netherlands, Luxembourg and Austria have the lowest rates, while the highest unemployment rates are reported by Spain, Lithuania and Latvia. Latvia, however, was also able to demonstrate the greatest reduction in unemployment, followed by Estonia and Sweden. The largest increase was reported by Greece and Ireland.

Austria:

The Austrian GDP increased by 2.0% in 2010, which can be primarily attributed to the strong growth in exports (2010: +12.3%) and rising investments. The GDP growth forecast for 2011 was recently revised upward to 2.5%, and growth of 2.0% is expected for 2012 as well.

Positive export developments can be attributed to the strong economic growth in Germany, which was in turn positively influenced by growing demand from Asia. Austria's exporters also profited from increasing exports to Switzerland, Russia and the U.S.A. According to forecasts, Austrian goods exports are expected to grow by 7% in 2011 and 6.4% in 2012.

Consumption by private households remained a stable pillar of the economy in 2010 due to high real growth (tax reform, expansion of social transfers and low inflation). Consumer spending by private households increased by 1.1% in 2010. Trade also profited from the positive development in consumer spending, making possible an increase of 2.8% in value creation.

In 2011, it is expected that net real per capita income will decline somewhat due to lower salary conditions in the public sector and a slight increase in the inflation rate. Net real wages should recover somewhat in 2012.

In February 2011, the inflation rate reached its highest level since September of the previous year. The Europe-wide harmonized consumer price index jumped to 3.1% and exerted a damping effect on economic growth. This increase can be attributed above all to increased prices for fuels, heating oil and food. Approximately 0.4% of this increase originates from the raising of indirect taxes for budget consolidation. On the other hand, core inflation, which excludes energy and unprocessed foods, remained low.

Overall, the Austrian economy is recovering very well compared with the rest of the world. Following on the economic stimulus programs, the austerity package and tax reforms were implemented relatively quickly and have already begun to show the desired effects, demonstrating that they were correctly dimensioned. It has been possible to keep many employees in their jobs by reducing working hours. In addition, innovative ideas helped Austrian companies successfully ride out the crisis.

However, the continued growth of the Austrian economy is subject to a number of uncertainties and risks. The EU countries are faced with the great challenge of overcoming the debt crisis and ensuring the stability of the monetary union in Europe. The unrest in the Near East and North Africa has led to increased oil prices and negatively impacted inflation. It remains to be seen how the situation in North Africa will develop. Due to the low trade volume with Japan, experts believe the catastrophe there will have only a negligible impact on the Austrian economy, with the exception of delivery bottlenecks. The potential influence of this situation on the global economy and thereby directly on Austria remains difficult to assess from today's perspective.

The development of the unemployment rate remains positive. Unemployment has continued to fall, reaching 6.9% in March 2011 according to the national calculation and 4.3% according to the Eurostat definition. This places Austria alongside the Netherlands in the top ranks of the 27 EU countries (average of 9.6%). According to the most recent forecasts, the unemployment rate should stabilize further, and an annual average of 4.1% is expected for 2011 and 4.0% for 2012.

2. Development of the market for intelligent transportation systems

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the intelligent transportation systems market. The study "Intelligent Transportation Systems - A global strategic business report" from Global Industry Analysts, September 2010, describes the ITS market as a diversifying market with the following, widely differing application and product segments.

- **Electronic toll collection (ETC)** systems with technologies that enable drivers to pay toll fees without stopping at tollgates.
- **Traffic management systems (TMS)** that monitor traffic, optimize signal timing, and regulate the flow of traffic.
- **Commercial vehicle operations (CVO) systems** which are technologies to enhance motor carrier productivity and safety during interstate transportation.
- **Public vehicle transportation management systems (PVTMS)** which streamline transit, allow transit companies to locate vehicles and provide safety to commuters.
- **Vehicle information systems (VIS)** which include a host of applications that enable commuters to have a safe journey.

According to Global Industry Analysts, the size of the ITS market amounted to USD 12.5 billion in 2010 and is increasing steadily. The largest market segment is traffic management systems, accounting for almost 40%. The fastest-growing ITS segment is electronic toll collection systems with a compounded average growth rate of 17.1% between 2000 and 2010; at a worldwide volume of about USD 3 billion, it had a share on the ITS market of roughly 25% in 2010.

Market situation and market forces

Funding of infrastructure projects. Independent of the economic recession, the worldwide increase in road traffic is the most important growth factor for the ITS market. According to analyses by the EU (European Union 2010, "Energy and Transport in Figures"), commercial traffic increased by 2.3% per year and in total by 33.7% between 1995 and 2008. Commercial road traffic increased by 2.9% per year and by 45.7% in total. While the recent economic crisis triggered a fall in the volume of goods transport, this has already been largely compensated for by the subsequent upswing. Despite political pressure, goods transport could not be shifted significantly from road to rail or ship transport. This growth increases the financing burden for road infrastructure enormously, which in turn fosters greater demand and a high growth potential for ITS applications and the market segment electronic toll collection systems, in particular.

In 2005, the trans-European road network (TEN-V) with a total length of 84,700 km comprised one-fourth of the primary street network but carried 40% of the total commercial traffic. It is predicted that TEN-V will be expanded by 4,800 km per year up to 2020, of which 3,500 km will consist of existing roads. Major investments will be required in the new member states and along the corridor routes to these countries. The European Union estimates investments of EUR 600 billion will be required by 2020. The long-term forecasts for traffic growth continue to remain high.

In addition to dedicated short-range communication systems (DSRC) according to the Comité Européen de Normalisation(CEN) standard, the use of satellite-based systems has been expanding, depending on the application requirements. Significant growth potential also exists in the area of video-based systems for automatic number plate recognition for tolling and enforcement in urban environments.

The high financing requirements for the preservation of road infrastructure are leading to new business models and private concessionaire models in the U.S.A. Standard & Poor's research estimates an annual demand of USD 92 billion for the preservation of highways and bridges and a further USD 125.6 billion for their improvement. While the standardized tolling technology based on 5.8 GHz DSRC microwave is used in Europe, electronic toll collection systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard based on 5.9 GHz will gradually replace the existing technology in the U.S.A. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for car-to-car communication and for applications that increase traffic safety as well as additional ITS solutions for traffic information, traffic management and entertainment. These developments will also make it possible for European manufacturers to gain a foothold in the North America, which is also an important growth market for Kapsch TrafficCom.

Reduction of congestion and environmental pollution through road traffic. To reduce traffic congestion and environmental pollution, city charging systems and environmental zones (low emission zones) are deployed in several major cities. Environmental pollution can be viewed as another key driver for the ITS market and also for electronic toll collection systems. In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. This topic is politically very sensitive, and the development of this segment within electronic toll collection systems is therefore not as fast as originally expected. Traffic safety devices to monitor compliance with traffic regulations are another field of application in cities. Examples include systems to monitor traffic violations at junctions (e.g. jumping red lights) as well as systems to detect speeding. These applications, which fall under the traffic management system segment, enjoy fast-growing potential on the market both in and between cities, and for municipal authorities they often pave the way for larger and more extensive ITS solutions such as city charging.

The increasing traffic volume can be considered a global trend. Especially in Asia, an increased demand for electronic toll lanes is expected for the replacement and expansion of toll systems previously based on more traditional methods. India has one of the largest road networks in the world, amounting to 3.4 million km in 2004. Only 2% is made up of highways, but these carry 40% of the commercial traffic. Between 1992 and 2002, 52,000 km of highways were built in China and an additional 200,000 km are planned for the coming years.

Reduction of road accidents. Traffic management systems are particularly expected to increase the probability of surviving accidents and reduce accident rates.

3. Economic situation of Kapsch TrafficCom AG

3.1. General situation

In the past fiscal year Kapsch TrafficCom AG managed to further consolidate its position as internationally leading provider of innovative traffic telematics systems, products and services. The company supplies products and systems for toll collection and traffic management and, in addition, offers the technical and also commercial operation, as is the case e.g. in the nationwide electronic truck tolling system in the Czech Republic.

The fiscal year 2010/11 was marked by the project in South Africa as well as by the award of the contract for the implementation and operation of a nationwide electronic truck tolling system in Poland.

The contract awarded by the South African National Roads Agency Ltd (SANRAL) in September 2009 for the implementation and operation of an electronic toll collection system for the multi-lane free-flow of traffic in the Gauteng province was in the implementation phase during the reporting period. After transfering the toll collection system as agreed in fiscal year 2011/12, the technical and commercial operation will be handled by the South African subsidiary.

With the signing of a contract on 2 November 2010 for the implementation and operation of a nationwide electronic truck tolling system in Poland, the Kapsch TrafficCom Group was able to further expand its leading position in the European market. The first construction phase encompasses the existing road network of roughly 1,750 km and the technical as well as commercial operation up to 2018 with an order value of approximately EUR 560 million. The commissioning will take place in fiscal year 2011/12. The Polish contract partner GDDKiA (General Directorate for National Roads and Highways) expects an expansion of the road network to 7,600 km by 2018.

In Austria, roughly 2,200 km of highways and expressways are tolled with fully electronic multi-lane free-flow systems for trucks heavier than 3.5 tons permissible total weight. Since 2004, Kapsch TrafficCom AG has delivered the entire central and roadside infrastructure for 490 toll stations as well as approximately 1 million on-board units (GO Boxes). The average toll transaction rate in Austria remained at the previous year's high level of 99.88%.

In a move that further highlights the planned growth course, a 4.25% corporate bond with a volume of EUR 75 million and a tenor of seven years was successfully issued on 3 November 2010.

The US, Canadian and Mexican business of MARK IV IVHS was taken over on 30 November 2010. This brings the largest provider of components for electronic toll systems based on the existing 915 MHz technology in North America into the Kapsch TrafficCom Group. The newly acquired subsidiaries are exclusive suppliers of the E-ZPass® Group, a consortium of 24 toll authorities in 14 US states. Projects are also running with customers in Canada and Mexico. In addition to current customer relationships, this takeover offers the ideal basis for participating in the expected technology migration from 915 MHz to 5.9 GHz WAVE. Initial demo and pilot projects based on the 5.9 GHz technology have already been implemented in the U.S.A. by the Kapsch TrafficCom Group.

Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates, was founded on 30 March 2011 together with a local partner.

3.2. Financial Performance Indicators

(a) Earnings situation

Compared to the prior year, net sales in the amount of EUR 79.5 million were up 13 %, and the operating performance was EUR 87.9 million. This means an increase in the operating performance of 23 % over the prior year (EUR 71.5 million). Sales in the segment Road Solution Projects (RSP) increased from EUR 5.6 million in prior year to EUR 24.9 million in the fiscal year. Sales in the segment Services, System Extensions, Component Sales (SEC) however declined from EUR 64.8 million in the prior year to EUR 54.7 million.

The increase in sundry other operating income by EUR 2.6 million is primarily due to intercompany recharges and higher research funding awards.

In connection with the increase in sales primarily from the tolling projects in Poland and South Africa, cost of materials and other purchased services also increased from EUR 32.9 million to EUR 45.1 million, and other operating expenses from EUR 27.1 million to EUR 31.2 million.

Personnel expenses rose from EUR 26.2 million to EUR 29.9 million, which is due to the increase in the number of staff to prepare and execute the current and planned projects and to the expansion for investments in technology.

Due to these cost increases, EBIT declined by EUR 1 million from EUR -0.5 million to EUR -1.5 million year-on-year.

In contrast, the financial result developed positively and increased on the prior year from EUR 15.1 million to EUR 19.8 million which is mainly due to dividends from subsidiaries.

(b) Assets and liabilities

The balance sheet total of Kapsch TrafficCom AG increased by 57 % from EUR 166.2 million to EUR 261.0 million.

On the one hand, with regard to financial assets, shares in affiliated companies rose by EUR 20.0 million as a result of the acquisition of the North American business of Mark IV IVHS, on the other hand, receivables from affiliated companies increased by EUR 53.5 million.

Furthermore, on the assets side, long-term receivables increase by EUR 11.7 million to EUR 48.9 million resulting from the financing of the acquisition of the Mark IV IVHS entities and the development costs for the North American market.

On the liabilities side, the increase of the balance sheet total is mainly reflected in liabilities. Due to the issuing of the company bond (EUR 75 million), an increase in loans and overdrafts by EUR 2.5 million, an increase in trade payables by EUR 6.8 million and an increase in payables to affiliated companies by EUR 6.2 million total liabilities increased by EUR 90.7 million.

This development resulted in a decrease of the equity ratio from 77.7 % to 53.0 %.

(c) Financial position

Due to the increase in inventory, the net cash flow from operating activities amounted to EUR 11.2 million.

The net cash flow from investing activities of EUR -75.7 million results from investments made in financial assets and financing of subsidiaries.

The net cash flow from investing activities was EUR 68.3 million and results from the issuing of the bond in an amount of EUR 75 million as well as the payment of the dividend for the fiscal year 200910 in the amount of EUR 9.1 million.

Overall, cash and bank balances increased from EUR 2.5 million to EUR 6.3 million over the prior year.

3.3. Non-financial performance indicators

(a) Reliability and accuracy of installed ETC-Systems

The toll transaction rate is a figure for assessing the accuracy and reliability of a tolling system. It shows the number of successful transactions in relation to all potential toll collection transactions of vehicles equipped with a functioning on-board unit. A high toll transaction rate translates to maximum toll revenue.

In 2010, the average toll transaction rate of the existing truck tolling system in Austria amounted to approximately 99.88%, placing it at the same high level as in 2009.

(b) Personnel-related issues

The average number of employees in Kapsch TrafficCom AG in the fiscal year 2010/11 was 395 (prior year: 354) employees. As of 31 March 2011, the company had a workforce of 433 (prior year: 363).

The Company is certified pursuant to OHSAS 18001 since 2005. The related measures for occupational safety and health regarding risk evaluation, planning and supervision have been implemented in the internal processes.

(c) Environmental issues

The Company is certified pursuant to ISO 14001 since 2005. Environmental awareness could be raised throughout the Company. It is planned also for the future to meet the Company's social responsibility: in particular, to use natural resources even more economically and responsibly.

(d) Other

Kapsch specifically supports women through trainee and advanced training programs in the Company and also participates in events of the Technical University. Together with the Public Employment Service Austria (AMS), the "women in engineering" project is implemented.

Kapsch – in recognition of the socio-cultural significance of art and culture and aware of the socio-political responsibility of the Company – supports a variety of training initiatives, contemporary art and selected social projects. These activities are carried out through Kapsch Aktiengesellschaft for the entire Group.

The following examples – representative of numerous other projects – provide an overview of the Company's activities in the area of corporate social responsibility:

Music. A key element of this commitment covers sponsoring activities related to the Vienna Concert Hall (Wiener Konzerthaus). This cultural institution has an excellent reputation far beyond Austria's borders. The Kapsch Group has been the main sponsor of the Vienna Concert Hall since 1992. The Modern Vienna festival – one of the world's best known festivals of contemporary music – has been supported by Kapsch since its launch in 1989.

Visual arts. Promoting less known artists is of particular concern to the Kapsch Group. In particular, young domestic and international artists are assisted by sponsorship campaigns. One example is the photo calendar that Kapsch Group has supported since 1994. The calendar is presented annually in late fall in a private exhibition.

Educational institutions. As a company that is driven by technology and innovation, we are constantly interested in establishing contacts as early as possible with the best engineering talents. Since 2005, the Kapsch Group has supported Universitäre Gründerservice Wien GmbH which aims to support and accompany young entrepreneurs in the implementation of ideas relating to key business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting selected social projects at home and abroad. One example of the numerous projects is ICEP – the Institute for Cooperation in Development Projects, whose activities help to improve the circumstances of people in developing countries. With the specific advancement of migration and integration, Kapsch TrafficCom contributes to social justice, the positive development of society and safety over the long-term.

3.4. Risk reporting

As a technology company, Kapsch TrafficCom Group operates in an ever-changing environment. Risks are therefore part of its day-to-day business. For the company, risk means the possibility of deviating from company objectives, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG. Under the responsibility of a central risk manager, the risk management system comprises institutionalized processes for collecting and analyzing all relevant opportunities and risks pertaining to Kapsch TrafficCom Group's projects and provides the basis for the timely planning and implementation of control measures. In the 2010/11 fiscal year risk management was developed into a company-wide opportunity and risk management system. In addition to project risks, Enterprise Risk Management also analyses strategic, technological, organizational, financial, legal and IT risks, reporting to management on a regular basis. 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.

The material risks faced by the Group and the respective risk management measures are briefly explained below:

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch TrafficCom AG are generated in the segment Road Solution Projects (RSP). In this segment, the Group regularly participates in tenders for the implementation and operation of large electronic toll collection (ETC) systems. On the one hand, there is a risk that tenders in which the 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, a risk exists that Kapsch TrafficCom AG may not win its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from maintenance agreements and from technical operations also depend on the successful participation in tenders for systems.
In the past, the sales revenues of Kapsch TrafficCom AG have been heavily influenced by the realization of RSP implementation projects in the given fiscal year. Significantly higher revenues were recorded, in particular, in 2003 (implementation of a national electronic truck tolling system in Austria) and 2006/07 (implementation of a national electronic truck tolling system in the Czech Republic). In the 2010/11 fiscal year sizeable revenue was generated from implementing an electronic toll system in South Africa as part of the Gauteng Project, and from starting to implement a national electronic truck tolling system in Poland.
The strategy of Kapsch TrafficCom AG is aimed at reducing the volatility of revenues from single large projects through increased geographic diversification and increased diversification of the product portfolio as well as sustained growth in the share of maintenance and operations of systems.

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom AG is usually contractually obligated to provide performance guarantees. Since ETC systems and other ITS solutions are frequently sophisticated and technologically complex systems that must be implemented within a short period, system and product defects can occur due to the limited time available for testing. The failure to meet guaranteed performance levels or missed deadlines usually results in penalties and/or compensation, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses, which enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom AG cannot execute projects in line within the set cost budgets.

Kapsch TrafficCom AG employs risk management methods and risk management procedures in order to guard against risks associated with projects.

Long-term contracts with public authorities. In many cases, the system contracts are awarded by public agencies. Framework agreements and service contracts in connection with tolling projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to Kapsch TrafficCom AG. 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 concluded by the Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While Kapsch TrafficCom AG aims to include appropriate limitations to its liability in contracts, it is still impossible to guarantee that all contracts contain sufficient limitations to the company's liability or that these limitations can be enforced under applicable law.

Strategic risks

Innovation leadership. The leading market position of Kapsch TrafficCom AG is, to a large extent, based on its ability to develop state-of-the-art, efficient and reliable systems, components and products. In order to maintain its technological leadership, Kapsch TrafficCom AG invests a considerable portion of its revenues in research and development activities. However, if the Group does not succeed in developing new systems, components and products, this can be detrimental to its competitive position. Since its innovation leadership is based largely on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the Kapsch TrafficCom Group. In addition, any failures in protecting these technologies may have a negative impact on Kapsch TrafficCom Group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties.

Kapsch TrafficCom AG places great importance on the protection of technologies and the company's internal know-how, e.g. through patents and non-disclosure agreements with other parties. In order to avoid legal action and court proceedings, Kapsch TrafficCom AG constantly monitors potential intellectual property rights infringements.

Acquisition and integration of companies as a part of the Group's growth. One of the strategic objectives of Kapsch TrafficCom AG is to grow internationally both by organic means and through selected acquisitions and joint ventures. In the implementation of this strategy, Kapsch TrafficCom Group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Country risk. The strong expansion of business activities in Eastern Europe and non-European countries has exposed Kapsch TrafficCom AG to a heightened political risk. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate ITS projects in these countries and also affect the availability and accessibility of funds. There may also be interference with the property rights of Kapsch TrafficCom AG or problems with business practices and activities.

Financial risks

Foreign exchange risk. The Group maintains branches, offices and subsidiaries in several countries outside the euro zone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies rather than in EUR. Although the company aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the financial statements

Interest rate risk. Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (Euribor, Pribor etc.). This exposes Kapsch TrafficCom AG to interest rate risks. Kapsch TrafficCom AG utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources must be available to ensure that Kapsch TrafficCom AG can meet its payment liabilities at any time. The availability of medium and long-term financing is required to carry out large-scale projects (such as implementing a national toll system under delayed payment terms from the client) and for acquiring other businesses. Additionally, implementing large-scale projects with ITS solutions often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).
In financing agreements Kapsch TrafficCom AG is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of Kapsch TrafficCom AG and the results of operations. A lack of liquid assets (even if the company is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of Kapsch TrafficCom AG and the results of operations. The issuing of a seven-year, EUR 75 million bond in November 2010 helped Kapsch TrafficCom AG to again improve its liquidity.

Credit risk. Kapsch TrafficCom AG is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of Kapsch TrafficCom AG are public authorities, especially in connection with implementing and/or operating national or regional toll systems. There is also a risk that the counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the recognition of impairment charges to receivables can be extremely detrimental for the net assets and financial position of Kapsch TrafficCom AG and the results of operations.

Personnel risks

The success of Kapsch TrafficCom AG depends heavily on key personnel with many years of experience in the industry. Moreover, the 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 the recruitment of personnel may adversely affect the success of the company.

Kapsch TrafficCom AG has implemented a number of measures to counteract personnel risks, such as incentive schemes, training opportunities, etc.

Legal risks

A variety of regulations and legal requirements must be observed in connection with participating in public tenders, establishing infrastructure for ITS solutions (such as tolling stations) and operating toll systems. Working out applicable legal regulations and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. The failure to meet regulations or official requirements can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity. In connection with the acquisition of shares in Q-Free ASA, Norway, in January 2009, Norwegian authorities have initiated investigation proceedings against Kapsch TrafficCom AG and Kapsch Aktiengesellschaft. Kapsch TrafficCom AG disagrees with the basis for these allegations and believes that any adverse impact on the financial position of Kapsch TrafficCom AG will not be material. Kapsch TrafficCom AG intends to vigorously defend against the allegations.

IT risks

As a technology group, Kapsch TrafficCom AG is exposed to typical IT risks relating to security, confidentiality and the availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system designed according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (information security management). Kapsch TrafficCom AG is also certified according to ISO 20000 "IT service management" (similar to ITIL) for the operation of toll systems.

Summary assessment of the risk situation

From a current perspective, no risks have been identified that could endanger the continued operations of Kapsch TrafficCom AG. Increasing geographic diversification, the diversification of the product portfolio and an increased share of recurring revenues (further growth in the Services, System Extensions, Components Sales segment) are planned to further reduce the concentration of risks in the future.

3.5. Internal Control System (ICS)

The Corporate Law Amendment Act (URÄG 2008) adopted the 8th EU Directive into Austrian law. Under this legislation, companies with a capital market orientation are henceforth obliged to include in their group management reports not only an outline of their risk management systems but also of the main features of their ICS with regard to the financial reporting process.

Kapsch TrafficCom AG started to analyze and document its existing internal processes for financial reporting on an ongoing basis in the fiscal year 2009/10. The results obtained so far were presented at the quarterly meetings of the audit committee for assessment and discussion.

The International Financial Reporting Standards (IFRS) Group Accounting Manual represents the cornerstone for financial accounting and reporting throughout the whole Kapsch Group. The manual is published and regularly updated by the Kapsch Group and contains the essential financial and reporting procedures based on IFRS. Group-wide guidelines and work instructions represent another important pillar of the internal control system.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and the compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structure 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 supervisory board is kept informed of business developments by the managing board during regular meetings by way of consolidated presentations consisting of segment reporting, earnings development analyses containing comparisons of current figures with figures from the budget and the previous period as well as select financial figures, forecasts, group financial statements and developments in the number of employees and order inflow.

The head of finance, the central controlling department and the internal audit department subsequently verify compliance with these audit procedures by local management, and the results are regularly reported to the audit committee.

3.6. Research and development

Kapsch TrafficCom AG has a network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Carlsbad (California, U.S.A.) and Capetown (South Africa). The research and development centers are organized as competence centers. Research and development activities are being coordinated from the headquarters in Vienna.

Research and development activities and in particular the knowledge on as well as the application of newest technologies based on national and international standards, are a high priority for Kapsch TrafficCom AG in light of its business development and support to enter new markets. The current focus is on countries, such as the U.S.A., South Africa and India, South Africa and also Russia.

Successful research and development is the foundation for the sustained improvement of existing products and systems and the continuous reduction of production, installation, operations and maintenance costs, all of which are essential for maintaining our technological and competitive advantage.

Major development efforts of the last fiscal year consisted of specifying and developing a new, generic and scalable roadside platform that integrates all major sensor systems into a single, common software platform. The main goals of this work include eliminating overlapping development work by different R&D centers and offering our international sales force the basis for a more flexible, adaptable and customer-specific approach in system sales. This new sensor platform is currently in its end-testing phase and will be put into operation for the first time as part of the toll project in South Africa. The main initiatives in the component business area lay in developing new and lower-cost on-board unit generations for CEN/DSRC microwave and GPS/GNSS satellite tolling as well as new WLAN-based 5.9GHz technologies to support the business development approach in the U.S.A., which is still ongoing, These technologies are currently in the standardization process and will be used in road safety systems as well as tolling systems in the U.S.A. and in Europe.

Research costs are recognized as expenses. Since the income statement is structured by expense type, the research and development costs are reported within various items of the income statement, in particular under the cost of material and other production services, staff costs and other operating expenses.

In the past fiscal year expenses for research and development amounted to EUR 23.4 million (prior year: EUR 15.7 million).

3.7. Disclosures pursuant to section 243a UGB

1. The registered share capital of Kapsch TrafficCom AG amounts to EUR 12,200,000 and is fully paid in. It is divided into 12,200,000 no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. As of March 31, 2011, approximately 31.6 % of the shares in Kapsch TrafficCom AG have been in free float. As of March 31, 2011, KAPSCH-Group Beteiligungs GmbH held approximately 68.4 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly owned subsidiary of DATAX HandelsgmbH, the shares of which are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act ("Privatstiftungsgesetz"). As of March 31, 2011, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares conveys special control rights.
5. There are no restrictions regarding the execution of the voting rights by employees with a stake in the Company.
6. There are no special provisions on the appointment and removal of members of the management board and the supervisory board.
7. The Company has an authorized capital ("genehmigtes Kapital") of EUR 800,000. The subscription rights of the shareholders have been excluded in respect of such authorized capital. The management board may, with the approval of the supervisory board, make use of the authorized capital within five years from the date the authorization granted by the shareholders' meeting dated May 15, 2007 was entered into the commercial register.
8. No agreements have been entered into which become effective when a takeover bid for shares in the Company is launched.
9. There are no agreements between Kapsch TrafficCom AG and members of the management board or the supervisory board or employees which become effective when a takeover bid for shares in the Company is launched.

3.8. Outlook

With a view to the fiscal year 2011/12, the company on market developments over the long-term is optimistic even in a changed economic environment. The implementation and launch of the tolling systems in Poland and South Africa will be significant. In the U.S.A. we are awaiting the decision on the tender for the renewal of the E-ZPass® Group contracts. Furthermore, the coming fiscal year will be shaped by the preparation for the tenders expected in Hungary, Slovenia and Denmark as well as by the integration of MARK IV IVHS.

3.9. Material events after the balance sheet date

Financing

In April 2011, a revolving line of credit expiring on 31 December 2011 was contracted by Kapsch TrafficCom AG with a maximum amount of EUR 40 million (thereof EUR 20 million drawn at date of this report) in connection with the tolling project in Poland.

Company foundation

On April 1, 2011, Kapsch Telematic Services FLLC, Minsk, Belarus was founded.

Vienna, May 13, 2011

The Executive Board:

signed:

Mag. Georg Kapsch
(Chief Executive Officer)

signed:

Ing. Erwin Toplak
(Executive Board member)

signed:

André Laux
(Executive Board member)

Statement of all Members of the Management Board.

Statement of all Members of the Management Board pursuant to Section 82 Para. 4 No. 3 BörseG (Austrian Stock Exchange Act)

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

Vienna, 13 May 2011

Mag. Georg Kapsch	Ing. Erwin Toplak	André Laux
Chief Executive Officer	Chief Operating Officer	Board member

Additional Information pursuant to Section 82 Para. 4 No. 3 BörseG.

(Austrian Stock Exchange Act)

Board Member	Area of responsibility
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Telematic Services and North American Market
Erwin Toplak (COO)	Sales region 1, Business Development, System Engineering, Research & Development and Technical Operations
André F. Laux (Member of the Board)	Sales region 2, Business Development, Product and Project Management

Balance Sheet as of March 31, 2011

Assets

	March 31, 2011 EUR	March 31, 2010 kEUR
A. Fixed assets		
I. Intangible assets		
Industrial property and similar rights and assets, and licenses in such rights and assets	1,835,094.41	2,581
II. Tangible assets		
1. Investments in leasehold buildings	2,692,925.66	3,044
2. Technical equipment and machinery	507,722.05	518
3. Other equipment, factory and office equipment	2,301,403.89	2,292
	5,502,051.60	5,854
III. Financial assets		
1. Shares in affiliated companies	57,698,370.23	37,662
2. Participating interests	12,406,390.85	12,749
3. Securities	8,041,215.79	6,902
	78,145,976.87	57,313
	85,483,122.88	65,748
B. Current assets		
I. Inventories		
1. Merchandise	17,182,575.81	4,996
2. Services not yet invoiced	13,350,620.17	4,958
3. Prepayments	4,928,876.13	4,494
	35,462,072.11	14,448
II. Receivables and other assets		
1. Trade receivables	7,998,447.38	14,090
2. Receivables from affiliated companies	119,665,713.81	66,137
3. Receivables from companies in which the Company has a participating interest	0.00	152
4. Other assets	4,266,154.92	1,724
	131,930,316.11	82,103
III. Cash, bank balances	6,273,415.90	2,449
	173,665,804.12	99,000
C. Prepaid expenses and deferred charges	1,875,224.10	1,499
	261,024,151.10	166,247

Shareholders' Equity and Liabilities

	March 31, 2011 EUR	March 31, 2010 kEUR
A. Shareholders' equity		
I. Share capital	12,200,000.00	12,200
II. Capital reserves		
Appropriated	69,200,000.00	69,200
III. Unappropriated retained earnings, thereof prior period unappropriated retained earnings brought forward EUR 38,634,417.01 (prior year: kEUR 33,140)	56,868,992.26	47,784
	138,268,992.26	129,184
B. Investment grants	594,957.99	672
C. Accruals		
1. Accruals for severance payments	2,718,181.00	2,500
2. Other accruals	6,597,677.99	9,957
	9,315,858.99	12,457
D. Accounts payable		
1. Corporate Bonds	75,000,000.00	0
2. Bank loans and overdrafts	13,925,462.56	11,426
3. Customer advances	530,748.62	81
4. Trade payables	8,895,826.49	2,060
5. Payables to affiliated companies	11,238,295.36	5,012
6. Other liabilities, of which taxes EUR 52,369.46 (prior year: kEUR 1,812), of which social security payables EUR 599,295.08 (prior year: kEUR 504)	3,254,008.83	3,538
	112,844,341.86	22,117
E. Deferred income	0.00	1,817
	261,024,151.10	166,247

Contingent liabilities	113,438,855.40	79,791

Income Statement for the fiscal year 2010/11

	2010/11 EUR	2009/10 kEUR
1. Net sales	79,538,776.09	70,450
2. Change in services not yet invoiced	8,392,610.78	1,047
3. Other operating income		
a) Income from the retirement of fixed assets excluding financial assets	0.00	3
b) Income from the reversal of accruals	2,436,759.95	1,451
c) Other	16,507,253.19	14,864
	18,944,013.14	16,318
4. Cost of materials and purchased services		
a) Cost of materials	-6,166,367.13	-7,254
b) Cost of purchased services	-38,888,591.96	-25,606
	-45,054,959.09	-32,860
5. Personnel expenses		
a) Wages	-125,042.48	-109
b) Salaries	-23,290,624.23	-20,234
c) Expenses for severance payments and contributions to severance provision funds	-502,907.22	-464
d) Expenses for pensions	-19,238.00	-89
e) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-5,800,662.92	-5,184
f) Other social benefits	-155,312.64	-136
	-29,893,787.49	-26,216
6. Depreciation and amortization of fixed intangible and tangible assets	-2,161,022.57	-2,096
7. Other operating expenses		
a) Taxes not included in line 17	-100,712.71	-76
b) Other	-31,132,599.30	-27,050
	-31,233,312.01	-27,126
8. Subtotal of lines 1 to 7 (Operating result)	-1,467,681.15	-483
9. Income from participating interests, of which from affiliated companies EUR 20,477,705.40 (prior year: kEUR 12,098)	20,477,705.40	12,098
10. Income from other long-term securities	20,372.22	85
11. Other interest and similar income, of which from affiliated companies EUR 1,820,184.71 (prior year: kEUR 1,163)	1,925,618.19	1,276
12. Income from the write-up of fixed financial assets	1,138,992.30	2,952
13. Expenses on fixed financial assets, of which		
a) Amounts written off EUR 2,019,288.08 (prior year: kEUR 725)	-2,019,288.08	-725
b) Relating to affiliated companies EUR 1,676,708.63 (prior year: kEUR 0)		
14. Interest and similar expenses, of which relating to affiliated companies EUR 75,741.79 (prior year: kEUR 89)	-1,743,484.75	-559
15. Subtotal of lines 9 to 14 (Financial result)	19,799,915.28	15,127
16. Net operating income	18,332,234.13	14,644
17. Taxes on income, thereof recharged from group parent EUR 97,578.77 (prior year: kEUR 0)	-97,658.88	0
18. Net income for the year	18,234,575.25	14,644
19. Prior period unappropriated retained earnings brought forward	38,634,417.01	33,140
20. Unappropriated retained earnings	56,868,992.26	47,784

Notes to the financial statements for the fiscal year 2010/11

A. Accounting and valuation methods

1. General principles

The financial statements as of March 31, 2011 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code (UGB) as amended.

The financial statements, prepared under Austrian generally accepted accounting principles, present a true and fair view of the assets and liabilities, the financial situation of the Company, as well as its results of operations.

Accounting and valuation methods are based on generally accepted accounting principles. Section 201 (2) UGB was adhered to, as were the provisions on classification and valuation of balance sheet and income statement items under Sections 195 to 211 and 222 to 235 UGB. The income statement was prepared in accordance with the total expenditure format.

2. Fixed assets

Purchased **intangible assets** and **tangible assets** are valued at acquisition or production cost less scheduled straight-line amortization/depreciation charged according to the estimated useful life of the assets.

Low-value assets with acquisition costs of less than EUR 400 were written off in the year of acquisition or production in an insignificant amount.

Intangible assets

Acquired IT software is amortized based on a useful life of between four to eight years.

Tangible assets

Tangible assets were depreciated on a straight-line basis over the following useful lives:

	Years
Investments in leasehold buildings	2 - 10
Technical equipment and machinery	2 - 20
Factory and office equipment	3 - 20

No unscheduled depreciation was charged in the fiscal year.

Additions to fixed assets are depreciated according to the date of their initial use.

Financial assets

Financial assets are stated at acquisition costs or the lower market values at the balance sheet date. Write-downs are made only in case a diminution in value is expected to be permanent.

3. Foreign currency receivables and payables

Foreign currency receivables are stated using the exchange rate at the date of the transaction or the lower bank buying rate at the balance sheet date.

Foreign currency payables are stated using the exchange rate at the date of the transaction or the higher bank selling rate at the balance sheet date.

4. Current assets

Inventories and receivables were stated in accordance with the strict lower of cost or market principle.

Inventories

The stocks of purchased goods, recorded by means of electronic data processing, were stated using the moving average price method. Inventories denominated in foreign currencies were stated using the exchange rate at the date of acquisition. Where required, write-downs were made to lower replacement costs.

A proportional deduction from acquisition or production cost was made for goods with diminished usability or marketability, which was derived from the respective inventory turnover ratio. In case of long-term contracts, no administrative and selling overheads were capitalized (option provided by Section 206 (3) UGB).

Receivables

Receivables were stated at nominal values. Identifiable risks were considered in the valuation of the individual receivables by write-offs. No-interest or low-interest receivables were discounted.

5. Accruals

The accruals were set up in accordance with the principle of prudence at the estimated amounts.

The accruals for severance payments and anniversary bonuses were calculated in accordance with IAS 19 using the projected unit credit method (for severance payments the corridor method of IAS 19 is applied). A discount rate of 5.0 % (prior year: 5.0 %) was used for the calculation of entitlements and a percentage of 3.0 % (prior year: 3.0 %) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables Pagler & Pagler AVÖ 2008-P (prior year: AVÖ 2008-P).

6. Accounts payable

In accordance with the principle of prudence, accounts payable were valued at the amount repayable.

B. Comments on balance sheet items

Assets

Fixed assets

Movements in fixed assets:

	Acquisition/Production cost				Accumulated amortization/ depreciation	Net book value		Amortization/ depreciation current year	Write-ups of current fiscal year
	Balance April 1, 2010	Additions	Disposals	Balance March 31, 2011		Balance March 31, 2011	Balance March 31, 2010		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets									
Industrial property and similar rights and assets, and licenses in such rights and assets *)	7,368,384.44	267,509.16	281,066.52	7,354,827.08	5,519,732.67	1,835,094.41	2,580,737.88	939,893.89	0.00
II. Tangible assets									
1. Investments in leasehold buildings	3,600,874.21	151,832.63	0.00	3,752,706.84	1,059,781.18	2,692,925.66	3,043,993.40	502,900.37	0.00
2. Technical equipment and machinery	1,157,385.29	226,614.31	3,636.04	1,380,363.56	872,641.51	507,722.05	517,935.15	236,719.70	0.00
3. Other equipment, factory and office equipment **)	4,518,611.92	524,182.13	193,753.80	4,849,040.25	2,547,636.36	2,301,403.89	2,292,188.67	481,508.61	0.00
	9,276,871.42	902,629.07	197,389.84	9,982,110.65	4,480,059.05	5,502,051.60	5,854,117.22	1,221,128.68	0.00
III. Financial assets									
1. Shares in affiliated companies	40,290,453.74	21,713,234.17	0.00	62,003,687.91	4,305,317.68	57,698,370.23	37,661,844.69	1,676,708.63	0.00
2. Participating interests	12,748,970.30	0.00	0.00	12,748,970.30	342,579.45	12,406,390.85	12,748,970.30	342,579.45	0.00
3. Securities	10,004,356.99	0.00	0.00	10,004,356.99	1,963,141.20	8,041,215.79	6,902,223.49	0.00	1,138,992.30
	63,043,781.03	21,713,234.17	0.00	84,757,015.20	6,611,038.33	78,145,976.87	57,313,038.48	2,019,288.08	1,138,992.30
	79,689,036.89	22,883,372.40	478,456.36	102,093,952.93	16,610,830.05	85,483,122.88	65,747,893.58	4,180,310.65	1,138,992.30
*) thereof low-value assets in accordance with Section 13 EStG		14,928.84	14,928.84					14,928.84	
**) thereof low-value assets in accordance with Section 13 EStG		31,180.86	31,180.86					31,180.86	

Financial obligations of the Company from the use of tangible assets not recognized in the balance sheet amount to:

	In the following fiscal year		In the next 5 fiscal years	
	EUR	Prior year kEUR	EUR	Prior year kEUR
Obligations from rental and leasing agreements	5,143,571.49	4,474	15,905,751.19	11,001

Shares in affiliated companies and shares in associates

Supplementary disclosures pursuant to Section 238 No. 2 UGB

	Share	Sharehold-ers' equity	Result of fiscal year	FN
	%	kEUR	kEUR	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100	24,900	7,965	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95	1,770	607	1)
Kapsch Components GmbH & Co KG, Vienna	100	-679	3,019	1)
Kapsch Components GmbH, Vienna	100	76	7	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100	24,858	-78	1)
Kapsch Telematic Services GmbH, Vienna	-	-	-	2)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	99	12,872	2,150	1)
Kapsch TrafficCom S.r.l., Milan, Italy	100	37	-23	1)
Kapsch-Busi S.p.A., Bologna, Italy	67	-152	-298	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100	34	-4	3)
Kapsch TrafficCom Ltd., Manchester, England	100	299	-124	1)
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100	57	-4	1)
Kapsch TrafficCom Russia OOO, Moscow, Russia	100	-434	53	3)
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	100	22	7	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	230	72	1)
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	25	3,110	2,009	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100	8,696	-16	1)
Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan	100	17	11	3)
Jibeseov GmbH, Vienna	100	231	187	3)
PREMID a.s., Bratislava, Slovak Republic	100	-40	-10	1)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates		-	-	2)
b) Shares in associates				
Autostrada Wschodina Sp. z o.o., Warsaw, Poland	25	60	-72	3)
Q-Free ASA, Trondheim, Norway	18.40	55,341	-4,816	3)

1) Figures as of March 31, 2011
2) The protection-of-interest clause pursuant to Section 241 (2) UGB is used.
3) Figures as of December 31, 2010

Current assets

Inventories

Prepayments in the amount of EUR 4,325,000 (prior year: kEUR 3,900) relate to prepayments made to affiliated companies.

Maturity of receivables

	3/31/2011		3/31/2010	
	Total	of which with a remaining maturity > 1 year	Total	of which with a remaining maturity > 1 year
	EUR	EUR	EUR	EUR
Trade receivables	7,998,447.38	8,429.23	14,089,697.66	8,429.33
Receivables from affiliated companies	119,665,713.81	48,847,153.27	66,137,145.01	11,661,334.33
Receivables from companies in which the Company has a participating interest	0.00	0.00	152,106.59	0.00
Other assets	4,266,154.92	0.00	1,724,098.95	0.00
	131,930,316.11	48,855,582.50	82,103,048.21	11,669,763.66

Receivables from affiliated companies include trade receivables in the amount of EUR 31,017,656.22 (prior year: kEUR 39,011), other receivables in the amount of EUR 69,511,943.94 (prior year: kEUR 14,201), dividend receivables in the amount of EUR 17,860,000.00 (prior year: kEUR 5,700) and intra-group recharges in the amount of EUR 1,276,113.65 (prior year: kEUR 7,225).

Other assets mainly include research bonuses, receivables from fiscal authorities, accrued receivables and other receivables.

Other receivables include income in the amount of EUR 2,693,659.00 (prior year: kEUR 1,420) that will affect cash flow only after the balance sheet date.

Shareholders' equity and liabilities

Investment grants

Kapsch TrafficCom AG, Vienna, received an investment grant amounting to EUR 750,000.00 from the lessor for the adaptation of the new location at Euro Plaza. The grant is related to the following items of fixed assets:

	4/1/2010	Usage	3/31/2011
	EUR	EUR	EUR
Leasehold improvements	671,638.66	-76,680.67	594,957.99

Accruals

Accruals for severance payments

The amount recognized in the balance sheet does not include actuarial losses amounting to EUR 475,652.00 (prior year: kEUR 239).

Other accruals include the following items:	3/31/2011 EUR	3/31/2010 kEUR
Losses from pending transactions	0.00	710
Personnel accruals (including vacation accruals of EUR 2,341,838.96, prior year: kEUR 2,014)	3,704,615.89	3,227
Warranties and liabilities for construction flaws, as well as production and system defects	183,651.57	393
Invoices not yet received and outstanding project costs	2,196,271.81	5,095
Sundry accruals	513,138.72	532
	6,597,677.99	9,957

Accounts payable

Maturity of payables

	3/31/2011			3/31/2010	
	total	remaining maturity < 1 year	remaing maturity > 5 years	total	remaining maturity < 1 year
	EUR	EUR	EUR	EUR	EUR
1. Corporate bond	75,000,000.00	75,000,000.00	75,000,000.00	0.00	0.00
2. Bank loans and overdrafts	13,925,462.56	0.00	0.00	11,425,462.56	10,000,000.00
3. Customer advances	530,748.62	0.00	0.00	81,270.00	0.00
4. Trade payables	8,895,826.49	0.00	0.00	2,060,248.07	0.00
5. Payables to affiliated companies	11,238,295.36	0.00	0.00	5,011,727.21	0.00
6. Other payables	3,254,008.83	60,250.00	0.00	3,538,404.73	60,250.00
	112,844,341.86	75,060,250.00	75,000,000.00	22,117,112.57	10,060,250.00

In November 2010, Kapsch TrafficCom AG issued a corporate bond with a volume of EUR 75 million, a maturity of 7 years and a fixed interest rate of 4.25 %.

All other long-term liabilities have a maturity below five years.

Payables to affiliated companies include only trade payables (same as prior year).

Other liabilities include expenses in the amount of EUR 2,946,929.27 (prior year: kEUR 3,313) that will affect cash flow only after the balance sheet date.

Collateral securities

9.9 million bearer shares in Q-Free ASA were pledged as collateral for a loan from Erste Group Bank AG.

The export promotion credit recognized in the amount of EUR 1,425,462.56 is secured by bill of exchange.

In connection with the financing of the "Truck Tolling Czech Republic" project, current as well as future receivables, rights or other claims from the subcontractor agreement for the "Truck Tolling Czech Republic" project against Kapsch Components GmbH & Co KG, Vienna, and Kapsch TrafficCom Argentinia S.A., Buenos Aires, Argentina, as well as from a receivable subordinated in relation to Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic, were pledged as collateral to Ceskoslovenska Obchodni Banka A.S., Prague, Czech Republic, in accordance with the collateral agreement and collateral assignment agreement dated January 23, 2007.

Contingent liabilities

Contingent liabilities in the amount of EUR 113,438,855.40 (prior year: kEUR 79,791) result from the assumption of liability on behalf of subsidiaries in the amount of EUR 10,624,565.09 (prior year: kEUR 10,234), bank guarantees for the performance of contracts relating to major projects in the amount of EUR 68,380,768.34 (prior year: kEUR 42,957), payment guarantees in the amount of EUR 17,670,205.44 (prior year: kEUR 10,050), guarantees for project financings in the amount of EUR 16,286,437.40 (prior year: kEUR 15,668) as well as other guarantees (security deposits, bid bonds and sureties) in the amount of EUR 476,879.13 (prior year: kEUR 882).

In addition, Kapsch TrafficCom AG, Vienna, issued performance bonds for export transactions or projects of Kapsch TrafficCom AB, Jönköping, Sweden, in a contract value of EUR 44.8 million (prior year: EUR 41.3 million).

Derivative financial instruments

At the balance sheet date, the Company had no obligations from derivative financial instruments.

C. Comments on income statement items

Breakdown of net sales

By activity:	2010/11 EUR	2009/10 kEUR
Road Solution Projects	24,880,188.26	5,639
Services, System Extensions, Components Sales	54,658,587.83	64,811
	79,538,776.09	70,450

By region:	2010/11 EUR	2009/10 kEUR
Domestic	17,669,042.63	35,252
European Union	48,322,871.01	24,577
Foreign	13,546,862.45	10,621
	79,538,776.09	70,450

Expenses for severance payments and contributions to severance provision funds include the following:

	2010/11 EUR	2009/10 kEUR
Expenses for severance payments	261,443.17	263
Payments to severance provision funds	241,464.05	201
	502,907.22	464

Expenses for the auditor

Expenses for the auditor amount to EUR 184,830.00 (prior year: kEUR 109) and are broken down as follows:

	2009/10 EUR	2008/09 kEUR
Audit of the financial statements	50,190.00	43
Other assurance services	122,280.00	40
Other services	12,360.00	26
	184,830.00	109

Taxes on income

a) As in the previous year, the movement in untaxed reserves did not result in change in the item "taxes on income".

b) The option to capitalize **deferred tax assets** on temporary differences between the business result and tax result was not used. The capitalizable amount pursuant to Section 198 (10) UGB amounts to EUR 897,896.36 (prior year: kEUR 418) and is mainly long-term.

c) The Company is member of a tax group, parent of the tax group is KAPSCH-Group Beteiligungs GmbH, Vienna. In accordance with Section 9 (1) KStG (Austrian Corporate Income Tax Act), the tax result of the respective group member is allocated to the tax result of the holding company or the group parent in the respective fiscal year. Pursuant to Section 7 (2) KStG, the income is determined at the group parent based on the consolidated result of the group and taxed. Tax is allocated using the stand-alone method.

D. Other disclosures

Disclosures on share capital

The registered share capital of the Company amounts to EUR 12,200,000. The share capital is fully paid in. The total number of shares issued is 12,200,000. The shares are no-par value bearer shares.
Under the initial public offering in June 2007 the Company issued 2,200,000 new shares at an issue price of EUR 32 per share.

Authorized capital

Authorized capital amounts to EUR 800,000 as of March 31, 2011 (prior year: kEUR 800).

Group relations

The Company is a 68.42% subsidiary of KAPSCH-Group Beteiligungs GmbH, Vienna, and thus is related to its shareholder and its affiliated companies as a group company.

DATAX HandelsgmbH, Vienna, prepares the consolidated financial statements for the largest group of companies. These consolidated financial statements are deposited at the Commercial Court Vienna.

The Company prepares the consolidated financial statements for the smallest group of companies.

Regarding the disclosure on the legal and economic relations with affiliated companies, the protection clause pursuant to Section 241 (3) UGB was used.

Disclosures on board members and staff

The average number of staff during the fiscal year 2010/11 was 395, including 375 salaried employees and 20 waged workers (prior year: 340 salaried employees, 14 waged workers).

In the fiscal year, total remunerations of the management board amounted to EUR 1,572,805.00, expenses for severance payments and pensions for managing directors amounted to EUR 62,083.93. In the prior year, the protection-of-interest clause pursuant to Section 241 (4) UGB was applied.
Remunerations paid to the supervisory board amounted to EUR 21,365.13.

The following persons served on the management and supervisory board:

Management Board

Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak
André Laux (since April 1, 2010)

Supervisory Board

Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy Chairman)
William Morton Llewellyn

delegated by the Works Council:

Ing. Christian Windisch
Dipl.-Ing. Werner Dreschl (until November 19, 2010)
Claudia Rudolf-Misch (since November 20, 2010)

Vienna, May 13, 2011

The Management Board:

signed:

Mag. Georg Kapsch

signed:

Ing. Erwin Toplak

signed:

André Laux

We draw attention to the fact that the English translation of this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements including the accounting system of Kapsch TrafficCom AG, Vienna, for the fiscal year from April 1, 2010 to March 31, 2011. These financial statements comprise the balance sheet as of March 31, 2011, the income statement for the fiscal year ended March 31, 2011, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of March 31, 2011 and of its financial performance for the fiscal year from April 1, 2010 to March 31, 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, May 13, 2011

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Felix Wirth
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

Kapsch TrafficCom is an international supplier of superior Intelligent Transportation Systems (ITS). Its principle business is the development and supply of electronic toll collection systems, in particular for the multi-lane free-flow of the traffic, and the technical and commercial operation of such systems. Kapsch TrafficCom also supplies traffic management systems, urban traffic solutions and selected ITS and telematic applications. With 260 references in 41 countries on all 5 continents, and with almost 44 million on-board units delivered and more than 18,000 lanes equipped, Kapsch TrafficCom has positioned itself among the internationally recognized suppliers of electronic toll collection systems worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 25 countries.

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Consolidated Financial Statements

as of 31 March 2013

Consolidated statement of comprehensive income

All amounts in USD	2012/13	2011/12	2010/11
Revenue	**631,902,427**	**763,290,891**	**516,341,588**
Other operating income	20,607,221	14,227,168	10,051,640
Changes in finished and unfinished goods and work in progress	6,094,192	-10,709,703	9,915,185
Other own work capitalized	362,896	273,193	0
Cost of materials and other production services	-332,880,020	-398,756,031	-254,140,396
Staff costs	-170,021,617	-168,954,809	-114,890,736
Amortization of intangible assets and depreciation of property, plant and equipment	-22,838,117	-25,538,516	-18,091,138
Other operating expenses	-113,503,252	-115,231,185	-84,234,185
Operating result	**19,723,729**	**58,601,007**	**64,951,958**
Finance income	18,242,762	10,007,202	5,976,641
Finance costs	-16,568,447	-18,159,246	-16,101,347
Financial result	**1,674,316**	**-8,152,042**	**10,124,707**
Results from joint ventures and associates	422,877	-45,358	0
Profit before income taxes	**21,820,922**	**50,403,607**	**54,827,251**
Income taxes	-228,999	-12,300,052	-17,042,596
Profit for the period	**21,591,923**	**38,103,555**	**37,784,655**
Other comprehensive income for the period			
Gains/losses recognized directly in equity:			
Available-for-sale financial assets	-13,820,702	16,095,473	-3,025,607
Currency translation differences	-3,748,982	-2,140,107	5,706,235
Income tax relating to components of other comprehensive income	555,724	-108,292	344,110
Other comprehensive income for the period net of tax	**-17,013,960**	**13,847,074**	**2,336,518**
Total comprehensive income for the period	**4,577,963**	**51,950,628**	**40,121,173**
Profit attributable to:			
Equity holders of the company	12,513,880	28,592,200	29,316,140
Minority interests	9,078,042	9,511,353	8,468,515
	21,591,923	**38,103,555**	**37,784,655**
Total comprehensive income attributable to:			
Equity holders of the company	-3,024,115	42,947,291	31,370,789
Minority interests	7,602,076	9,003,337	8,750,385
	4,577,963	**51,950,628**	**40,121,173**
Earnings per share from the profit for the period attributable to the equity holders of the company (in USD)	**0.96**	**2.25**	**2.41**

Kasama Wichgool

Kasama Wichgool
CPA - 36041

Senior Analyst, Financial Planning & Analysis
Kapsch TrafficCom North America
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Consolidated Financial Statements

as of 31 March 2013

Consolidated balance sheet

All amounts in USD	2012/13	2011/12	2010/11
ASSETS			
Non-current assets			
Property, plant and equipment	31,597,128	29,179,039	27,567,891
Intangible assets	101,377,282	107,353,940	125,998,076
Interests in joint ventures and associates	2,169,511	0	0
Other non-current financial assets and investments	48,768,344	68,421,522	48,999,821
Other non-current assets	1,205,684	4,568,265	12,811,358
Deferred tax assets	25,004,537	14,943,608	11,521,191
	210,122,489	**224,466,375**	**226,898,335**
Current assets			
Inventories	85,061,279	65,309,337	70,302,787
Trade receivables and other current assets	324,192,766	384,105,096	271,190,389
Other current financial assets	5,768,764	10,968,993	11,417,940
Cash and cash equivalents	101,188,260	60,007,655	59,670,230
	516,211,070	**520,391,081**	**412,581,346**
Total assets	**726,333,559**	**744,857,455**	**639,479,680**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	16,646,500	17,362,800	17,332,540
Capital reserve	150,469,981	156,944,715	99,558,552
Retained earnings and other reserves	125,563,667	149,718,400	133,639,160
	292,680,150	**324,025,915**	**250,530,251**
Minority interests	**15,512,712**	**18,216,966**	**21,552,823**
Total equity	**308,192,861**	**342,242,881**	**272,083,075**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	133,648,162	99,176,001	105,291,440
Liabilities from post-employment benefits to employees	22,137,968	22,309,372	23,178,161
Non-current provisions	1,754,349	1,466,028	975,151
Other non-current liabilities	2,261,150	4,593,838	14,807,585
Deferred income tax liabilities	16,756,684	24,462,275	22,554,677
	176,558,315	**152,007,514**	**166,807,012**
Current liabilities			
Trade payables	102,721,750	78,818,381	103,045,319
Other liabilities and deferred income	67,252,302	70,850,256	52,397,480
Current tax payables	10,283,092	5,068,776	5,644,911
Current financial liabilities	25,172,429	71,119,941	32,793,409
Current provisions	36,152,810	24,749,704	6,708,474
	241,582,382	**250,607,060**	**200,589,593**
Total liabilities	**418,140,697**	**402,614,574**	**367,396,606**
Total equity and liabilities	**726,333,559**	**744,857,455**	**639,479,680**

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Consolidated Financial Statements

as of 31 March 2013

Consolidated cash flow statement

All amounts in USD	2012/13	2011/12	2010/11
Cash flow from operating activities			
Operating result	19,723,729	58,601,007	64,951,958
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	22,838,117	25,538,516	18,091,138
Impairment charge	0	69,736	0
Increase/decrease in obligations for post-employment benefits	755,926	539,971	151,954
Increase/decrease in other non-current liabilities and provisions	526,681	-4,127,640	137,737
Increase/decrease in other non-current receivables and assets	5,473,357	-746,457	1,006,922
Increase/decrease in trade receivables (non-current)	4,040,219	8,296,266	-713,655
Increase/decrease in trade payables (non-current)	-2,663,382	-5,322,354	1,290,387
Other (net)	-5,240,836	-3,143,047	-2,425,805
	45,453,811	79,705,999	82,490,635
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	44,941,255	-127,960,234	-96,455,972
Increase/decrease in inventories	-22,654,869	813,002	-10,761,735
Increase/decrease in trade payables and other current payables	26,667,762	2,699,409	38,132,542
Increase/decrease in current provisions	12,539,612	19,166,650	-2,948,597
	61,493,758	-105,281,173	-72,033,762
Cash flow from operations	**106,947,569**	**-25,575,174**	**10,456,873**
Interest received	1,832,927	1,433,343	1,559,199
Interest payments	-9,262,106	-9,698,485	-4,619,846
Net payments of income taxes	-12,697,771	-18,686,704	-22,894,387
Net cash flow from operating activities	**86,820,620**	**-52,527,018**	**-15,498,160**
Cash flow from investing activities			
Purchase of property, plant and equipment	-16,395,726	-14,780,756	-8,454,461
Purchase of non-current intangible assets	-9,754,514	-3,347,974	-2,509,758
Purchase of securities and investments	-91,782	-6,636,204	-91,853
Payments for acquisition of companies (net of cash acquired)	0	0	-69,338,050
Payments for acquisition of minority interests	0	0	-1,328,800
Payments for the acquisition of shares in companies consolidated at equity	-2,200,085	-45,358	0
Proceeds from the disposal of property, plant and equipment and intangible assets	1,754,132	1,639,986	735,649
Proceeds from the disposal of securities and other financial assets	13,773,740	0	47,835
Net cash flow from investing activities	**-12,914,235**	**-23,170,306**	**-80,939,438**
Cash flow from financing activities			
Proceeds from shares issued and contributions from shareholders	0	64,539,300	0
Dividends paid to company shareholders	-15,121,080	-18,044,000	-12,158,520
Dividends paid to minority shareholders of group companies	-9,572,940	-11,128,405	-4,312,885
Increase in other non-current financial liabilities	47,777,594	281,849	85,112,453
Decrease in other non-current financial liabilities	-25,565	0	0
Increase in current financial liabilities	6,877,689	59,398,859	18,520,988
Decrease in current financial liabilities	-58,981,176	-17,605,781	-122,417
Net cash flow from financing activities	**-29,045,479**	**77,441,822**	**87,039,620**
Net decrease/increase in cash and cash equivalents	**44,860,906**	**1,744,498**	**-9,397,978**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	60,007,655	59,670,230	63,441,042
Net decrease/increase in cash and cash equivalents	44,860,906	4,276,586	-9,397,978
Exchange gains/losses on cash and cash equivalents	-798,985	-211,445	1,767,312
Effect on exchange rate changes on cash	-2,881,316	-3,727,716	3,859,854
Cash and cash equivalents at end of year	**101,188,260**	**60,007,655**	**59,670,230**

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Consolidated Financial Statements

as of 31 March 2013

Consolidated statement of changes in equity

All amounts in USD	Attributable to equity holders of the company				Minority interests	Total equity
	Share Capital	Captial reserve	Other reserves	Consolidated retained earnings		
Carrying amount as of 31 March 2011	**17,332,540**	**99,558,552**	**6,036,559**	**127,602,601**	**21,552,823**	**272,083,075**
Proceeds from shares issued	1,068,480	63,349,725				64,418,205
Dividend for 2010/11				-18,044,000	-11,128,405	-28,071,084
Contributions from shareholders			121,095			121,095
Result for the period				27,512,783	9,511,353	36,665,063
Other comprehensive income for the period:						
Currency translation differences	1,038,220	5,963,562	1,932,066	6,962,201	1,718,806	18,357,103
Fair value gains/losses on available-for-sale financial assets			15,383,630		0	15,383,630
Carrying amount as of 31 March 2012	**17,362,800**	**156,944,715**	**19,609,218**	**130,109,184**	**18,216,966**	**342,242,881**
Dividend for 2011/12				-15,121,080	-9,572,940	-24,466,645
Result for the period				12,398,656	9,078,042	21,393,111
Other comprehensive income for the period:						
Currency translation differences	716,300	6,474,733	3,061,064	5,228,408	2,209,356	17,833,649
Fair value gains/losses on available-for-sale financial assets			-13,142,838		0	-13,142,838
Carrying amount as of 31 March 2013	**16,646,500**	**150,469,981**	**3,405,316**	**122,158,352**	**15,512,712**	**308,192,861**

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SECTION B MATERIAL CHANGES IN FINANCIAL CONDITION

Kapsch TrafficCom IVHS Inc. "Kapsch" will update our response for any material changes in financial condition subsequent to submitting its SOQ upon becoming a Qualified Proposer. Additionally, Kapsch has provided a detailed letter of each material change that has occurred during the timeframe given.

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