

**Solutions from
Kapsch TrafficCom
benefit more than
traffic.**

Annual Report for Fiscal Year 2009/10.

Letter from the Chief Executive Officer.



Georg Kapsch, Chief Executive Officer

Dear shareholders.

Even against the background of the currently difficult economic situation, I am delighted to report about a fiscal year 2009/10, in which we continued the controlled growth of the business and the extension of our strong position in various markets. As can be seen from this annual report, the Kapsch TrafficCom Group, in particular, recorded growth rates in revenues, succeeded to generate a clearly positive free cash flow and significantly increased the equity ratio. With this strengthening of our financial position we regard ourselves as well prepared for future growth, even in a probably continuous challenging economic environment.

In the fiscal year 2009/10 ended 31 March 2010, the Kapsch TrafficCom Group increased revenues by 8 % to EUR 216.0 million (2008/09: EUR 200.3 million). Due to again large investments in the expansion into new markets, particularly the U.S.A., EBITDA declined by 9 % compared to the same period of the previous fiscal year (2008/09: EUR 35.0 million) to EUR 32.0 million and EBIT also declined by 15 % to EUR 24.5 million (2008/09: EUR 29.0 million).

Primarily due to an accounting profit of EUR 14.1 million resulting from the reclassification of the stake in our Norwegian competitor Q-Free ASA, which was required after the shareholding, as a consequence of capital increases, fell below the threshold of 20 %, and due to the financial result which unlike in the previous fiscal year clearly turned into positive again, profit before tax improved to EUR 43.9 million (2008/09: EUR 21.9 million) and profit after tax also improved to EUR 36.5 million (2008/09: EUR 16.4 million).

The performance of the segment SEC (Services, System Extensions, Components Sales) was particularly strong which also reflects the successful implementation of our strategy. We increased revenues by 19 % from EUR 135.6 million in fiscal year 2008/09 to EUR 161.9 million in fiscal year 2009/10. This success was adjacent to

further increased recurring revenues from the operation of the nationwide electronic truck tolling system in the Czech Republic in particular attributable to a record volume of on-board units (OBUs). At an all-time high of more than 3.5 million, the total volume of OBUs delivered in the fiscal year 2009/10 increased by 30 % compared with nearly 2.7 million units in the previous fiscal year. Moreover, bonus payments from the nationwide electronic truck tolling systems in Austria and in the Czech Republic, where the average toll transaction rate further increased from 98.2 % in the calendar year 2008 to 99.0 % in the calendar year 2009, contributed to this positive development of the segment.

We clearly improved the free cash flow to EUR 41.6 million compared to EUR 19.9 million during the same period of the previous fiscal year. At EUR 4.8 million, the capital expenditure in assets was significantly reduced compared to the previous year (2008/09: EUR 22.2 million). In the same period, Kapsch TrafficCom clearly improved its capital structure again. With total assets of EUR 295.1 million as of 31 March 2010, down by 9 % from EUR 324.5 million as of 31 March 2009, the Kapsch TrafficCom Group's equity ratio reached 57.0 % as of 31 March 2010 (31 March 2009: 41.4 %). As of 31 March 2010, the net working capital was reduced by 14 % to EUR 104.6 million compared to EUR 122.3 million as of 31 March 2009. This should further improve our position on the international financial markets.

The earnings per share increased from EUR 1.06 in the previous fiscal year 2008/09 to EUR 2.64 in fiscal year 2009/10. The managing board will propose that the shareholders' meeting to be held on 25 August 2010 resolve a dividend of EUR 0.75 per share for fiscal year 2009/10 (2008/09: EUR 0.50 per share), representing a payout ratio of approximately 28 % (2008/09: approximately 47 %).

The performance of the project business was also very pleasant in the past fiscal year. In particular, we received a large contract award in South Africa: The South African National Roads Agency Ltd (SANRAL) awarded the contract for the implementation and subsequent operation of a multi-lane free-flow (MLFF) tolling system to Electronic Toll Collection (ETC) Pty, a joint venture led by Kapsch TrafficCom. The contract value for the implementation of the system is Rand 1.16 billion (as of 31 March, 2010, approximately EUR 117 million). The system will be implemented over a period of 18 months and is scheduled to 'go live' in April 2011. Based on the specification of the agreements that have taken place since and on the current level of awareness of the scope and the configuration of the system, the contract value for the subsequent operations excluding VAT and provisional sums, which can only be determined on the full acknowledgement of the scope and the configuration of the system, is estimated at Rand 4.56 billion (as of 31 March, 2010, approximately EUR 461 million) for the full contract term. The operation services are supposed to commence on 8 April 2011 for a period of 8 years, except for the Transaction Clearing House (TCH) and the Violations Processing Centre (VPS), which will initially be for a term of 5 years.

Besides the expansion into new markets, we also continued to extend our presence in existing markets. We successfully acquired two prestigious orders for the implementation of multi-lane free-flow (MLFF) tolling systems in Brisbane, Australia: Firstly, worth a total of EUR 4 million, on the Hale Street Link, a four-lane bridge in Brisbane. Secondly, worth a total of EUR 9 million, on the Airport Link, a four-lane tunnel leading from Brisbane Central Business District (CBD) to the Airport.

In addition to Australia, we also scored in Thailand, where Kapsch TrafficCom was awarded the contract to equip the Bang Na-Bangpakong Expressway in Bangkok – the longest girder bridge in the world – with a tolling system, worth a total of EUR 7 million. The recent developments in the Czech Republic were also particularly interesting: Through an amendment to the relevant law, the weight limit for vehicles subject to tolling was reduced from 12 to 3.5 tonnes as of 1 January 2010. This has already resulted in higher operation revenues in the segment SEC in the fourth quarter of the fiscal year 2009/10.

In the U.S.A., we made further progress: In cooperation with the New York State Department of Transportation, Volvo and the Southwest Research Institute, Kapsch TrafficCom develops a technology program that enables a variety of applications within the scope of the IntelliDrive program to promote the safety and mobility of the U.S. transportation system. The systems employ 5.9 GHz DSRC (dedicated short-range communication) road-side and on-board units to improve wireless mobile enforcement. In May 2010, we introduced our tolling equipment at the ITS America Annual Meeting 2010 in Houston, Texas. The tolling equipment is based on the 5.9 GHz DSRC WAVE (wireless access in vehicular environment) technology platform.

The project business remains in an exciting cycle: Nationwide electronic truck tolling systems in France and in Poland, for which Kapsch TrafficCom has prequalified, are close to an award. Several other projects – among these the nationwide systems in Hungary, Slovenia and Denmark – are close to the final decision for a tender.

On 8 April, 2010 (after the end of the fiscal year on 31 March, 2010), Kapsch TrafficCom AG acquired 51.43 % of the shares of the South African TMT Services and Supplies (Proprietary) Limited (TMT) through a capital increase in the total amount of Rand 75 million (approximately EUR 8 million). Besides shareholdings in various subsidiaries, TMT is also a 35 % participant in the Electronic Toll Collection joint venture (ETC), in which Kapsch TrafficCom holds the remaining 65 %. All of the existing shareholders of TMT, which includes the three founders of the company and Matemeku TMT (Proprietary) Limited, a black economic empowerment investor, will remain shareholders in TMT. The injection of new equity should place TMT in a strong position to take advantage of existing and upcoming opportunities that are expected to become available in the South African market.

With the fiscal year 2010/11 in mind, we take an optimistic view on our markets in the long term even in a changed economic environment. The fiscal year 2010/11 will be shaped by the realisation of the project in South Africa as well as the participation in tenders and by project awards in France, Poland, Hungary, Slovenia and Denmark.

The success of our company is based on a strong corporate culture and goal-oriented teamwork by all parties. My special thanks go out to our employees all over the world, whose commitment again allowed us to record excellent results despite the large investments into new markets and products. I would like to extend my thanks to my colleagues on the managing board, Erwin Toplak and André Laux, who, in addition to his successful function as a managing director in the Swedish subsidiary, has also been a member of the managing board of Kapsch TrafficCom AG since 1 April, 2010, for our most intense and constructive cooperation, and to the supervisory board for our productive discussions and their efficient handling of all issues. In concluding, I would like to express my thanks to you, our shareholders, for the trust you have placed in us. Please continue to accompany us on our growth course into a successful future.

With all best wishes



Georg Kapsch
Chief Executive Officer

Kapsch TrafficCom is an international supplier of superior intelligent transportation systems (ITS). Its principle business is the development and supply of electronic toll collection (ETC) systems, in particular for the multi-lane free-flow (MLFF) of the traffic, and the technical and commercial operation of such systems. Kapsch TrafficCom also supplies traffic management systems, with a focus on road safety and traffic control, and electronic access systems and parking management. With more than 230 references in 38 countries in all 5 continents, and with almost 18 million on-board units (OBUs) delivered and nearly 13,000 lanes equipped, Kapsch TrafficCom has positioned itself among the leading suppliers of ETC systems worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 25 countries.

Kapsch TrafficCom AG | Am Europlatz 2 | 1120 Vienna | Austria | www.kapschtraffic.com

Investor Relations | Marcus Handl | Phone +43 50811 1120 | Fax +43 50811 99 1120 | E-mail ir.kapschtraffic@kapsch.net

Public Relations | Brigitte Herdlicka | Phone +43 50811 1710 | Fax +43 50811 99 1710 | E-mail brigitte.herdlicka@kapsch.net