

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

Annual Report for Fiscal Year 2009/10.

The Company.

The Kapsch Group was founded in 1892 by Johann Kapsch in Vienna, Austria. In the early 1990s, the Kapsch Group entered the road traffic telematic business supported by selected acquisitions, including the acquisitions of the electronic toll collection division of Bosch Telecom, Germany (1999), and Combitech Traffic Systems AB, Sweden (2000). Following a reorganization of the Kapsch Group in 2002, Kapsch TrafficCom AG was formed by means of a demerger from former Kapsch AG. Since then Kapsch TrafficCom AG and its subsidiaries form the road traffic telematic division of the Kapsch Group. With the foundation of Kapsch Telematic Services GmbH in 2005, the company entered the commercial operation of tolling systems business.

Since 2006, the Kapsch TrafficCom Group has accelerated the internationalization by establishing subsidiaries and representative offices in various countries across the world, making selected acquisitions, including the acquisitions of DPS Automation S.A., Argentina. In 2008, the company entered the North American market through the acquisition of assets of TechnoCom Corp., U.S. and, through a joint venture with Busi Impianti S.p.A., the Italian market. In January 2009, Kapsch TrafficCom purchased a stake of 20.47 % in the Norwegian competitor Q-Free ASA. The stake was diluted to a current stake of 18.46 % as a consequence of capital increases in fiscal year 2009/10. In April 2010, Kapsch TrafficCom AG acquired 51.43 % of the shares of the South African TMT Services and Supplies (Proprietary) Limited through a capital increase.

Market.

Kapsch TrafficCom currently addresses the intelligent transportation systems (ITS) market which comprises the following market segments:

- **Electronic toll collection (ETC) systems** which encompass technologies that enable drivers to pay toll fee without stopping at tollgates.
- **Advanced traffic management systems (ATMS)** which are monitoring traffic, optimizing signal timings, and regulating the flow of traffic.
- **Commercial vehicle operations (CVO) systems** which are technologies applied to enhance motor carrier productivity and safety while journeying the interstate frontiers.
- **Public vehicle transportation management systems (PVTMS)** which enable streamlining of transit, allow transit companies in locating vehicles, and provide safety to commuters.
- **Advanced vehicle information systems (AVIS)** which include a host of applications that enable commuters to have a safe journey.

Intelligent transportation systems (ITS) are integrated networks of communication technologies, independent modules of sophisticated PC/satellite-based navigation systems, and other electronic data sensing, collection and transmission systems that collectively enhance transportation experience in terms of highly regulated and congestion-free traffic flow, guided, hassle-free, safer and collision-free on-road travel, faster emergency response times, automated & unobtrusive vehicle recognition & tracking, toll collection and fleet management.

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 (ATMS), with a focus on road safety and traffic control, and electronic access systems and parking management. In the future, Kapsch TrafficCom will also address the CVO and AVIS segment through its newly introduced 5.9 GHz technology.

Kapsch TrafficCom believes that the main drivers in the currently addressed market comprise the following:

Funding of infrastructure projects. The growth in the number of vehicles requires additional financing to construct new and maintain existing roads. Tolling offers a constant source of financing and thus helps governments in providing financing required for infrastructure projects. Efficient tolling systems, in particular electronic toll collection (ETC) systems, offer a significant, constant and sustainable source of additional funds for governments, public authorities and concessionaires, which can be used for the expansion and maintenance of road infrastructures.

Reduction of congestion. Road user charging is largely perceived as an effective solution for reducing high levels of congestion particularly in metropolitan areas, as paying for road usage encourages carpooling or the use of public transportation.

Reduction of environmental pollution. Efforts to reduce environmental pollution have become a market driver for the introduction of toll collection systems. Such systems encourage reduced or modified vehicle usage and reduce the need to further expand the road network, resulting in reduced emissions and levels of pollution. Increases in tolls further encourage carpooling and the use of public transportation. Efficient tolling systems, in particular electronic toll collection (ETC) systems have a demonstrated ability to reduce environmental pollution and emissions of carbon dioxide by reducing congestion at toll plazas and not interfering with the traffic flow. City charging/tolling systems also reduce the levels of congestion and environmental pollution.

Reduction of road accidents. Traffic management systems are particularly expected to increase the probability to survive accidents and to decrease accident rates.

Products, Systems and Solutions.

As an international provider of intelligent transportation systems (ITS) solutions with a comprehensive portfolio of products and services, our core competencies include:

- toll collection systems
- urban traffic solutions
- operations
- ITS and telematic solutions
- products and components for the ITS market

Our systems follow international technical standards and offer outstanding transaction performance, data security and system reliability and a high rate of return, while minimizing risks. Our products and solutions have an open, modular and flexible design, ensuring long-term protection of investment.

Toll collection systems. Improving traffic safety by ensuring the unimpeded flow of traffic or reducing negative environmental impacts through emissions-based charges are among the key goals of our customers. Kapsch TrafficCom develops, integrates, implements, maintains and provides ongoing support for single-lane and multi-lane free-flow toll collection systems. Our versatile products and systems support the road user charging process in many ways: as part of networks; for individual highway sections or areas; in urban environments or as nationwide systems either for HGVs or for all vehicles. Both pre-paid and post-paid charging models are being supported.

Multi-lane free-flow ETC systems. Kapsch TrafficCom is specialized in multi-lane free-flow ETC systems, and with the experience of implementing almost 20 such systems is a global leader in this field. Multi-lane free-flow systems work without impeding the traffic flow, ensuring maximum throughput and optimal utilization of existing road infrastructure. Our multi-lane free-flow systems leverage a variety of technologies in accordance with each toll project's specific requirements, offering a secure, flexible combination of the benefits delivered by microwave technology (DSRC), satellite positioning (GPS/GNSS, GSM/GPRS) and video technology.

Single-lane ETC systems. Our DSRC single-lane ETC systems utilize modern, high-performance traffic sensors based on a variety of technology platforms (video, laser, etc.), and may be integrated easily and cost-effectively into existing toll collection infrastructure. Due to higher vehicle throughput compared with manual toll collection, the systems alleviate toll plaza congestion, reduce emissions, and improve quality of life for road users and local residents.

Manual and automatic toll collection systems. Kapsch TrafficCom offers systems for conventional toll management and for manual and automatic toll collection. Electronic single-lane toll collection capabilities can be added later.

Enforcement and central systems are important parts of toll collection systems. Enforcement systems constitute an effective and visible deterrent against systematic toll evasion. This safeguards the road operator's income, enables fairness to all road users, and preserves the integrity of the system as a whole. Kapsch TrafficCom provides efficient and effective solutions for stationary and mobile enforcement or a combination thereof based on video or laser-scanner technologies. Central systems support the tolling and enforcement processes and support the payment processes ranging from the automatic validation of images to fully automatic invoicing and generation of payment reminders. Our central back-office transaction system has a highly flexible design and may be easily customized to accommodate customer-specific toll collection and charging requirements.

Urban traffic solutions. Road user charging and access control are today worldwide regarded as highly effective tools for urban traffic management, contributing to lower congestion and improving quality of life by reducing harmful emissions and noise pollution. The result is improved mobility and better conditions for local residents, private and business road users, and for the operators of public transport systems. Moreover, these systems help prevent excessive traffic in historical city centers.

Kapsch TrafficCom offers electronic toll collection and enforcement systems, primarily based on automatic video recognition of license plates in conjunction with DSRC microwave communication. This solution is geared to the demands of urban environments, accommodating traffic congestion, stop and go traffic and undisciplined driving behavior (such as weaving and overtaking). Moreover, it provides versatile support for zone- or time-based pricing models.

Dynamic zones, based on a fully automatic Kapsch TrafficCom system, enable urban traffic to be managed in accordance with changing traffic patterns and/or PM concentrations. This state-of-the-art system makes each individual road user aware of the impact of his behavior on the environment, enables highly responsive management of traffic, and encourages road users to adopt more eco-friendly driving habits.

Dynamic parking solutions from Kapsch TrafficCom enable local governments to introduce fully automatic time-based solutions for road parking. Charges are dependent upon the period a vehicle spends within a defined zone. This makes the entire process of calculating charges and monitoring payment simpler, more transparent and more reliable for both local government agencies and road users.

Operations. We are committed to supporting our customers' entire value chain, and operate electronic toll collection systems as a professional partner. Our turnkey solutions minimize risk for road operators and investors and create consistent investment security. We are dedicated to maintaining quality in processes and results across all project phases and stages of the value chain. To achieve smooth operation of an electronic toll collection system within the startup phase of a project requires different measures and service levels than maintaining and optimizing the operation over time. Our road user services create ideal conditions for a simple and effective management of operations considering these various demands. Our road user services include the planning and implementation of point-of-sale systems, the provision of call centers and the design of suitable web portals – to meet the varied information needs of road users in a cost-effective and timely manner.

Payment solutions provide comprehensive services from invoicing to reminders and dunning, and supports a variety of payment systems, such as cash, credit cards or fleet cards. To enable enforcement of the toll collection process, within the scope of an operations project, we also implement validation centers and provide specific measures for mobile enforcement.

ITS and telematic solutions. Our telematic solutions improve road safety and support an efficient use of existing infrastructure. Our solution portfolio includes incident detection systems, video-based traffic sensors and a multifunctional telematic platform. Incident detection systems from Kapsch TrafficCom reliably identify key events or exceptional situations, such as congestion, accidents, or dangerous driving within a matter of seconds. As a result, they promote the reliable and safe flow of traffic, especially in critical areas, such as tunnels.

The telematic platform comprises a modular software system that can be deployed alongside electronic toll collection solutions – providing a multifunctional basis for a variety of telematic applications for urban planning, traffic management, road safety and mobility services.

Products and components for the ITS market. At six engineering competence centers around the globe, Kapsch TrafficCom develops core technologies and components used in road user charging and telematic applications. Products include on-board units (OBUs), roadside infrastructure (such as transceivers), plus video cameras and enforcement technologies.

State-of-the-art programming stations are available for personalization of on-board units, and mobile readers for the mobile enforcement of on-board units (OBUs). Our products are designed for ease-of-configuration, using standardized interfaces, compact, maintenance-free operation and user friendliness.

References, Customers and Selected Projects.

Expertise, experience and dependability: customers around the globe rely on our products, systems, solutions and services 24/7 – from Austria to the Czech Republic, to Chile, to Australia and South Africa. Our clients include public sector organizations, city governments, private concessionaires and leading system integrators. More than 230 customer references in 38 countries, almost 18 million delivered on-board units (OBUs) and nearly 13,000 equipped lanes – form the basis of our experience and demonstrate our leadership in electronic toll collection systems worldwide.

Europe. A nationwide electronic multi-lane free-flow system for trucks was launched in Austria on January 1, 2004. Kapsch TrafficCom was responsible for the entire turnkey system: for planning, design, implementation of the roadside infrastructure, the development of application software and the design and production of on-board units (OBUs), system integration, implementation and taking into operation of the entire system, coordination of subcontractors and project roll-out.

In the Czech Republic, Kapsch TrafficCom was tasked with the design, development, production, integration, installation, implementation, operation and maintenance of the nationwide electronic truck tolling system that started commercial operation on January 1, 2007. The project was completed in just nine months.

In Italy, Kapsch TrafficCom has deployed urban traffic solutions in Rome, Bologna, Piacenza, Genoa, Livorno, Arezzo, Ravenna, Lecce and Salerno.

South America. Kapsch TrafficCom has established three electronic MLFF systems on highways in Chile: Costanera Norte, Autopista Central and Vespucio Norte Express. All three systems include technologies for vehicle detection and classification (VDC) and vehicle detection and registration (VDR).

Africa. Kapsch was responsible for the introduction of Africa's first electronic toll collection system on the Platinum Toll Highway in South Africa in 2002. In 2009, Kapsch TrafficCom was awarded the contract for the implementation and operation of an MLFF system in the Gauteng Region. The Gauteng open road tolling (GORT) is among the world's largest tolling system projects.

North America. 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 roadside and on-board units to improve wireless mobile enforcement.

Asia-Pacific region. In 2010, Kapsch TrafficCom was awarded the contract to equip the Bang Na-Bangpakong Expressway in Bangkok, Thailand – the longest girder bridge in the world with a toll collection system.

In 2007, Kapsch TrafficCom implemented an ETC system (manual toll collection with electronic DSRC) on highway No. 8 in New Delhi, India, including the largest toll plaza in Asia with 36 lanes.

In 1999, Kapsch TrafficCom implemented the world's first MLFF system for an urban highway in Melbourne in Australia, including systems for vehicle detection and classification and for vehicle registration. Moreover, Kapsch TrafficCom has introduced other MLFF systems in Australia: on the Western City Orbital and Eastlink in Melbourne, on the Hills Motorway (M2) in Sydney and the Clem 7 tunnel in Brisbane. About six million on-board units (OBUs) have been delivered to Australia.

Research and Development, Innovation and Quality.

Research and Development. The Kapsch TrafficCom Group has a network of research and development centers in Vienna (Austria, HQ), Jönköping (Sweden), Buenos Aires (Argentina), and Carlsbad (California, U.S.A). These research and development centers are organized as competence centers. All research and development activities are coordinated from the headquarters. As of 31 March 2010, the Kapsch TrafficCom Group employed 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 (as of 31 March 2009: approximately 210).

Research and development activities are a high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. Our 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 and the countries of South America. 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.

The Kapsch TrafficCom Group focuses its activities primarily on new, innovative applications and applied research and development for all kinds of ITS solutions. The research and development activities are complemented in some areas by joint projects and close cooperation with universities, public and private institutes and technology and research companies.

Research costs are recognized as expenses as far as permitted. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are satisfied. 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. Research and development costs for the fiscal year 2009/10 amounted to EUR 24.9 million (fiscal year 2008/09: EUR 21.3 million).

Innovation. We view our mission as consistently creating competitive advantages and benefits for our customers and partners while ensuring that we live up to our responsibility with regard to the environment. Our objective is global leadership in quality and innovation for ITS solutions.

Kapsch TrafficCom wins over and retains customer confidence through a keen focus on customer requirements. We intend to achieve long-lasting partnerships with satisfied customers through optimal service. Kapsch TrafficCom is committed to a permanent and integrated innovation process that lives up to its market position as a leading European innovator and secures this position over the long term.

Quality. The quality processes of Kapsch TrafficCom are based on ISO 9001 and fulfil the requirements of the V-Model, a project management method for the identification of improvement potential originally stemming from IT. The company follows an integrated management system for health & safety, security, environment and quality (HSSEQ), with quality certified according to ISO 9001, environment certified according to ISO 14001 and health & safety certified according to OHSAS 18001. Kapsch TrafficCom is also certified for IT-service-management according to ISO 20000. All processes are documented in line with the norms and frequently audited.

Employees.

The table below sets forth the allocation of employees within the Kapsch TrafficCom Group, each as of 31 March 2010, 2009, 2008 and 2007:

	31 March 2010	31 March 2009	31 March 2008	31 March 2007
Breakdown by function				
Intelligent transportation systems	879	785	647	553
Manufacturing and logistics (Kapsch Components KG)	144	161	177	221
Total by function	1,023	946	824	774
Breakdown by region				
Europe:				
Austria	528	519	497	475
Sweden	122	110	97	89
Western Europe	13	10	1	0
Central and Eastern Europe (excluding Austria)	152	148	128	108
Latin America	132	112	80	94
Asia and Africa	38	14	12	2
Australia and New Zealand	11	10	9	6
U.S.A.	27	23	0	0
Total by region	1,023	946	824	774

The average number of employees in the Kapsch TrafficCom Group in the fiscal year 2009/10 was 973, a 8.4 % increase against an average of 898 in the fiscal year 2008/09. As of 31 March 2010, 1,023 employees (974 salaried and 49 non-salaried) were employed.

External pension fund. Certain small contributions are paid to an external pension fund for employees of group entities in Austria under a defined contribution scheme, depending on the individual employee's income and the return on sales of the entity.

Profit participation plan. Kapsch TrafficCom is aware of the employees' contribution to its success and expresses this through an employee profit participation plan in which its employees participate in the profit of the Kapsch TrafficCom Group as a whole. The Kapsch TrafficCom Group rewards the commitment of its employees with a 5 % share in profit. Country-specific upper limits have been established to ensure that distribution is on par with purchasing power. The distribution is per capita and independent from the income.

Working environment. Our management believes that the core corporate values – dynamism, respect, responsibility, family, discipline, performance, transparency and freedom – contribute to a good working environment.

Social and Cultural Commitment.

In a firm awareness of its corporate social responsibility, the Kapsch Group – organized through Kapsch AG – supports a wide range of art and cultural organizations and projects, selected educational initiatives and social activities.

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. Kapsch 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 of the Kapsch Group. Young domestic and international artists in particular are supported by sponsorship campaigns. One example is the photo calendar that Kapsch has supported since 1994. The calendar is presented annually in late fall in a private exhibition.

Sports. Recently, Kapsch supported the sailor Norbert Sedlacek in the Vendée Globe 2008 regatta as partner and sponsor.

Educational institutions. As a company that is driven by technology and innovation, we are constantly interested in establishing contacts with the best talent in engineering at the earliest stage possible. Since 2005, the Kapsch Group has supported "*Universitäre Gründerservice Wien GmbH*" which aims to support and accompany young entrepreneurs to implement ideas relating to key business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting selected social projects at home and abroad. Examples of the numerous projects include Clinicclowns, St. Anna Children's Hospital and "wings for handicapped", as projects within Austria, and ICEP – the Institute for Cooperation in Development Projects – as a project abroad. With the specific advancement of migration and integration, Kapsch TrafficCom contributes to social justice, a positive development of the society and the safety in the long term.


Women are supported through a flexible working hour scheme with the objective to combine professional and private life. In addition, Kapsch TrafficCom cooperates with schools, universities and colleges with the objective to increase the female quota. It further engages in gender mainstreaming through specific programs such as "FIT" or "FemTech". A specific trainee program "Women into sales" has been established. A committee for gender mainstreaming is established within Kapsch TrafficCom.

For employees. Supporting the employees of the Kapsch TrafficCom Group when it comes to education and training has always been a key element in the corporate philosophy. In addition to technical training measures, Kapsch TrafficCom also offers programs for the development of personal skills as part of the "Kapsch University".

Environment. Kapsch TrafficCom already has valid quality and environmental certificates in line with ISO 14001. In the future, the Kapsch TrafficCom Group will continue to increase its social involvement: It is particularly important to use environmental resources in an increasingly sustainable and responsible manner.

Sustainability is a concern of Kapsch TrafficCom. With effect from 22 June 2009 the shares of Kapsch TrafficCom AG have been listed in the VÖNIX Sustainability Index. Sustainability is a factor for success in business nowadays. In Austria, listed companies that are considered leaders in the areas of social and ecological performance are therefore listed in the VÖNIX (VBV Austrian Sustainability Index).





Key component of a toll collection system: the on-board unit.

The multi-lane free-flow ETC system allows the collection of fees and tolls without disrupting the flow of traffic. Traffic jams that can turn the first day of a holiday into a nightmare become a thing of the past.

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.

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