Kapsch TrafficCom

IMAGINE

ANNUAL REPORT 2013/14 FOR NEW PERSPECTIVES.

always one step ahead

Overview
Fiscal Year 2013/14.

Key Aspects of the Fiscal Year from 1 April 2013 to 31 March 2014.

Financial performance

(+)
- EBIT increased by 23 % with stable revenue
- 9.2 million on-board units (OBUs) delivered

(−)
- Profit for the period decreased by 83 %
- Free cash flow negative due to ongoing projects
- Net debt significantly increased

Implementation of the 2016 strategy

(+)
- Organizational structure adjusted
- New portfolio structure defined
- Additional orders obtained in the new intelligent transportation systems (ITS) segments
- ITS expansion accelerated with Transdyn acquisition

Electronic toll system in Gauteng province, South Africa

(+)
- System went into operation in December 2013
- Delay of over 1.5 years now ended

(−)
- Payment rate far below the planned values
- Planned project profitability not yet reached due to circumstances

Market presence in North America

(+)
- First Kapsch system integrated in the U.S.A., in Texas
- Contract for OBU deliveries extended in Canada
- Maintenance for Golden Gate Bridge taken over
- Transdyn, Inc. acquired in the U.S.A.

Nationwide electronic toll system in Poland

(+)
- System went into operation 2.5 years ago
- High performance rate secures income for the state
- Project profitability is stable
- System expanded by another 450 km to 2,600 km

Market presence in Australia

(+)
- System started on M5 Motorway in Sydney
- New orders for system deliveries received

Nationwide electronic toll system in Belarus

(+)
- Commercial operation began in August 2013 according to plan
- First expansion to 933 km complete
- Planned project profitability achieved

(−)
- Further expansion proceeding more slowly than expected

New projects and markets

(+)
- Offer prepared for nationwide toll system in Russia

(−)
- Invitation to tender in Slovenia canceled
- Toll projects in Hungary and Belgium awarded to others
- New project in Denmark postponed
- Start of program in Brazil and of system in France delayed

Kapsch TrafficCom

Annual Report 2013/14

For New Perspectives.

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.

Imprint

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Select
Key Financial Data.

Earnings Data		2011/12	2012/13 (adjusted)	+/-	2013/14
Revenues	in million EUR	549.9	488.9	0 %	487.0
EBITDA	in million EUR	60.6	34.2	8 %	36.9
EBITDA margin	in %	11.0	6.7		7.6
EBIT	in million EUR	42.2	16.5	23 %	20.3
EBIT margin	in %	7.7	3.1		4.2
Profit before tax	in million EUR	36.3	17.0	-68 %	5.5
Profit for the period	in million EUR	27.5	16.8	-83 %	2.9
Earnings per share [1]	in EUR	1.62	0.75		-0.33
Free cash flow [2]	in million EUR	-49.7	48.3		-24.7
Capital expenditure [3]	in million EUR	13.1	20.2	-22 %	15.7
Employees [4]		2,705	3,013	10 %	3,308
On-board units delivered	in million units	11.15	9.28	-1 %	9.22

Business Segments		2011/12		2012/13 (adjusted)		+/-	2013/14	
Road Solution Projects (RSP)								
Revenues (share on total revenues)	in million EUR	229.9	(42 %)	128.3	(26 %)	3 %	132.0	(27 %)
EBIT (EBIT margin)	in million EUR	4.1	(1.8 %)	-51.7	(-40.3 %)	33 %	-34.6	(-26.2 %)
Services, System Extensions, Components Sales (SEC)								
Revenues (share on total revenues)	in million EUR	308.1	(56 %)	342.3	(70 %)	-3 %	331.8	(68 %)
EBIT (EBIT margin)	in million EUR	37.3	(12.1 %)	67.3	(19.7 %)	-20 %	53.8	(16.2 %)
Others (OTH)								
Revenues (share on total revenues)	in million EUR	12.0	(2 %)	18.3	(4 %)	27 %	23.1	(5 %)
EBIT (EBIT margin)	in million EUR	0.8	(6.5 %)	0.9	(5.1 %)	16 %	1.1	(4.7 %)

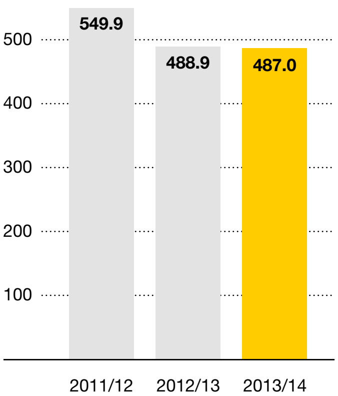
Regions		2011/12		2012/13		+/-	2013/14	
Austria [5]	in million EUR	32.8	(6 %)	38.0	(8 %)	-14 %	32.9	(7 %)
Europe [5]	in million EUR	341.4	(62 %)	288.9	(59 %)	4 %	300.1	(62 %)
Americas [5]	in million EUR	63.6	(12 %)	74.8	(15 %)	16 %	87.0	(18 %)
Rest of World [5]	in million EUR	112.1	(20 %)	87.2	(18 %)	-23 %	67.0	(14 %)

Balance Sheet Data		31 March 2012	31 March 2013 (adjusted)	+/-	31 March 2014
Total assets	in million EUR	557.7	567.2	0 %	566.8
Total equity [6]	in million EUR	256.2	236.7	-10 %	213.1
Equity ratio [6]	in %	45.9	41.7		37.6
Net debt	in million EUR	-74.4	-40.5	-131 %	-93.4
Capital employed	in million EUR	383.8	360.7	2 %	369.2
Net working capital	in million EUR	285.7	243.9	-16 %	205.4

Stock Exchange Data		2011/12	2012/13	+/-	2013/14
Number of shares [4]	in million	13.0	13.0	0 %	13.0
Free float [4]	in %	38.1	38.1		38.1
Closing price [4]	in EUR	63.5	37.0	8 %	40.0
Market capitalization [4]	in million EUR	825.5	481.3	8 %	519.9
Share performance	in %	1.6	-41.7		8.0
Dividend per share	in EUR	0.9	0.4		0.0 [7]

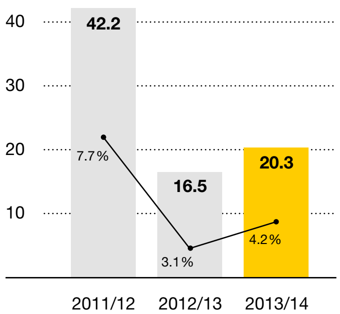
The renewed IAS 19 was applied beginning with the fiscal year 2013/14 retrospectively according to IAS 8 with effect from 1 April 2012 to provide comparable financial information.

Revenues
(in million EUR)



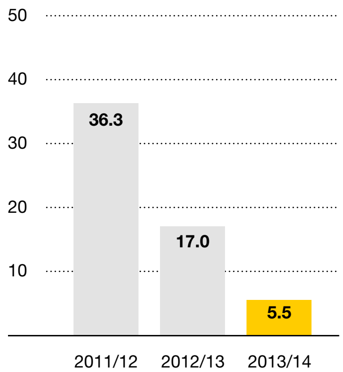
Revenues decreased by EUR 1.9 million to EUR 487.0 million.

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



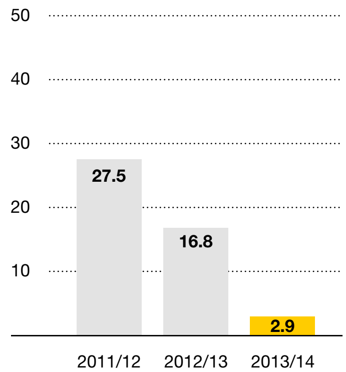
EBIT increased by 23 % to EUR 20.3 million, the EBIT margin was at 4.2 %.

Profit before tax
(in million EUR)



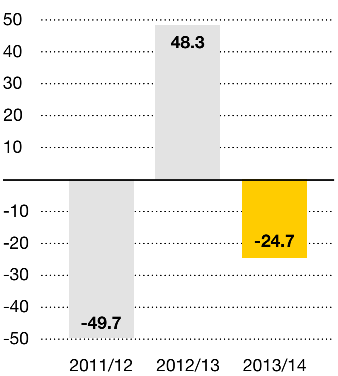
Profit before tax decreased by 68 % to EUR 5.5 million.

Profit for the period
(in million EUR)



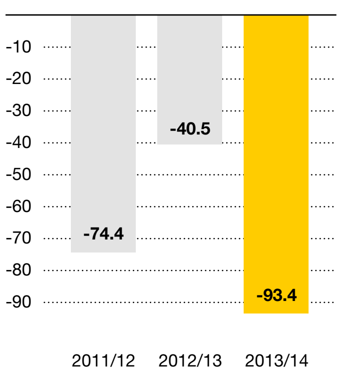
Profit for the period decreased by 83 % to EUR 2.9 million.

Free cash flow[2]
(in million EUR)



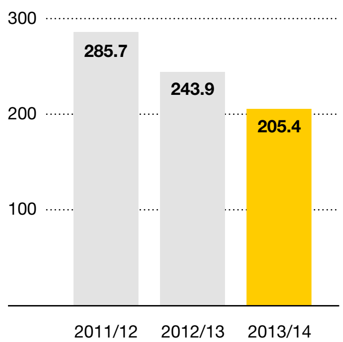
Free cash flow decreased from 48.3 million to EUR -24.7 million.

Net debt
(in million EUR)



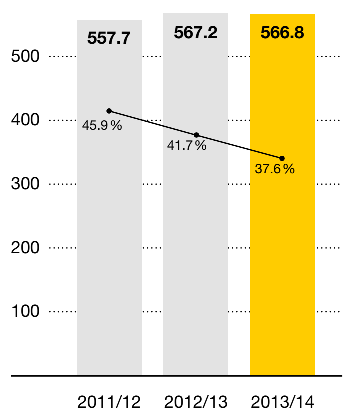
Net debt increased by 131 % to EUR -93.4 million.

Net working capital
(in million EUR)



Net working capital decreased by 16 % to EUR 205.4 million.

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



Total assets remained stable, the equity ratio was at 37.6 %.

1 Earnings per share 2013/14 and 2012/13 relate to 13.0 million shares, 2011/12 relate to a weighted average number of 12.74 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 on total revenues in %); Europe excl. Austria
6 Incl. minority interests
7 Proposal of the executive board subject to approval of the shareholders' meeting on 1 September 2014

Annual report of KapschTrafficCom AG 2013/14 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. On the marked pages you will find multimedia content with additional information.

Contents.

Our imagination helps us grow.

Our Creative Statement.

Use your imagination. Change your perspective. Take a second look. After all, a little imagination can open up new horizons.

This annual report is the start of a three-part series. We document here the results of the respective fiscal year and also want to send your imagination soaring with playful visualizations. Under the motto of “take a second look,” we want to show you that there is more behind Kapsch TrafficCom than might be apparent at first glance. For example, our sense of responsibility motivates us to focus not simply on developing individual products and services but rather on creating cooperative systems, enabling intelligent growth and building the infrastructure of the future.

We follow a clear strategy in pursuing our goals, but we also demonstrate new creativity every day in order to replace proven solutions with even better ones. Because we are convinced that sometimes the true value of things can only be understood by transcending the limits in our minds. We therefore regularly change our perspective on business fields and market conditions in order to perceive new opportunities and potential as they arise. After all, this power of imagination is exactly what allows us to stay that decisive step ahead.

Letter from the Chief Executive Officer.

Dear shareholders,

Kapsch TrafficCom traveled far in the 2013/14 fiscal year, and it is worth taking a closer look – including in this annual report. Progress was made in many areas both within the company and in our projects.

We did not achieve our 2013/14 growth targets.

At first glance, it might appear to have been a mediocre business year in which we were unable to achieve our growth targets. It was marked by postponements and cancellations of expected projects, and market growth in the area of electronic toll collection did not attain the predicted level as a result. The Kapsch TrafficCom Group was prepared for this growth. We had adapted our organizational structure and built up the necessary resources, which we are still holding ready. The figures we present here reflect all of this.

Nevertheless, the position of Kapsch TrafficCom is more solid than it was one year ago.

Take a second look. At the same time, the overall picture of the Kapsch TrafficCom Group has been significantly transformed. We not only enjoy a more solid position than we did one year ago, we are well prepared for the future.

Kapsch TrafficCom still numbers among the few major end-to-end providers in the market for intelligent transportation systems (ITS). In other words, our market presence has not lost any ground. At least a few of the expected projects will start later than originally planned, and our goal is to win as many of them for ourselves as we can.

The convergence in the ITS market that we have prepared for over the last 18 months is already under way. We are positioned to take advantage of this as we have developed in this time from an ETC (electronic toll collection) provider into a provider of ETC and select ITS applications. This can also be seen in the orders outside the toll system area that we have obtained during the reporting period in the U.S.A., Chile, Kazakhstan and Russia. Over the last business year, we have precisely defined and structured the ITS portfolio of the Kapsch TrafficCom Group; the acquisition of Transdyn, an accredited manufacturer of modern traffic management systems in the U.S.A., strengthened our ITS position. Our strategy and organizational structure have been planned with this future in mind, and we have brought them to life during the reporting period, adapting them along the way based on our initial practical experiences and the current market environment.

We also succeeded in significantly expanding our enduring revenue mainstays, the global business in on-board units and the ongoing operation of systems. Just three years ago, this area consisted primarily of two toll systems, one in Austria and one in the Czech Republic. Today, we can speak of seven important and recurring revenue sources. The systems in Austria and the Czech Republic have been joined by contracts with the North American E-ZPass Group, the Canadian toll authority Cantoll, the nationwide toll system in Poland and, since August 2013, the first expansion stage of the nationwide toll system in Belarus. In December 2013, we were also able to put the toll system in the South African province of Gauteng into operation after a delay of over one-and-a-half years.

Georg Kapsch,
Chief Executive Officer

We were able to further expand our operation projects during the reporting period, and the system in South Africa is now also in operation.

Projects and markets. With the commissioning of the system in South Africa, we have achieved a milestone in this major project that has until recently been plagued by many difficulties and was the main cause of the mediocre company result. The profitability cannot compete with other projects, but it still represents the first toll system for multi-lane free-flow traffic on the African continent – a milestone even for Kapsch TrafficCom. The number of registered on-board units has the potential to rise still further, as does the payment rate.

Our nationwide toll system in Poland has now been in operation for nearly three years. The high performance rate secures dependable revenue for the state of Poland, and the system also yields very satisfying results for Kapsch TrafficCom. During the reporting period, this system was expanded to 2,600 km and now exceeds the systems in Austria and in the Czech Republic in terms of length. The expansion will also continue further.

In our major project in Belarus, we also achieved tremendous progress in the 2013/14 fiscal year. The first expansion stage went into operation according to plan in the first quarter, and another stretch followed at the start of January 2014. As a result, the project is now supplying a positive revenue contribution. The further expansion is continuing – if somewhat more slowly than originally planned. Kapsch TrafficCom is financing each of the individual stages over a term of three years, meaning that the current status is always evident on our balance sheet.

Despite many new orders, new large installation projects have remained absent.

In North America, we were able to begin operation of a first stretch of the toll system in Texas, which will be further expanded and also includes an ITS component. This is the first system that we have integrated in the U.S.A. itself, and it therefore represents a valuable reference project for Kapsch TrafficCom in future invitations to tender. The toll software for the Golden Gate Bridge will also in future be maintained by Kapsch TrafficCom, and our contract for the delivery of on-board units in Canada for highway 407 ETR in the region around Toronto was extended. The acquisition of Transdyn has strengthened our presence in the U.S.A. since mid-January.

In Australia, the updated toll system on the M5 South Western Motorway in Sydney went into operation, and we also received new orders for system deliveries in Sydney and in Brisbane.

Kapsch TrafficCom can report a total of four new orders in Russia. We delivered an access system for the Olympic Winter Games in Sochi, we were contracted to install weigh-in-motion stations on a trunk road connection in the Republic of Tatarstan and we received two initial orders for the delivery of on-board units. These orders also attest to our ITS competence.

We were able to conclude multiple contracts, including in April 2014 as well, for the delivery of on-board units over the next four years, primarily in Europe. Our project in France, however, has been subject to postponements.

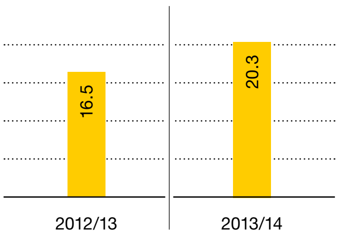
Other new projects that we expected were also either postponed, canceled or implemented differently than planned. This affected in particular the invitation to tender in Slovenia but also systems in Hungary, Belgium, Denmark and the delayed program for vehicle registration in Brazil, for which we entered into a partnership with the Brazilian provider Autofind in April 2014.

Asset, financial and earnings situation. The revenue in the 2013/14 fiscal year was EUR 487.0 million, which is in line with the previous year's level of EUR 488.9 million. As in the previous business year, major installation projects – in addition to the Belarus project – are still not producing revenue, and the most recently commissioned systems in South Africa and Belarus were not yet reflected to their full extent in the revenue and earnings.

We therefore had to bear the costs of the structures that we prepared for this growth and – within reason – additional investments in the future. As announced, we reduced these costs and the investment as far as possible in the 2013/14 fiscal year; at the same time, however, we saw fit to adapt the existing structures for the operation projects.

The operating result (EBIT) increased over the previous year by 23 % to EUR 20.3 million. This increase does not meet our target of a two-digit EBIT margin, but in view of the market environment and another one-time effect in the amount of EUR 8.5 million in connection with the project in South Africa in the third quarter, we still view it as an improvement. The structure cost savings took effect in the second half of the year and, together with the progress and expansions in our installation projects, led to an increase in earnings.

Improvement of the EBIT
(in million EUR)



Nevertheless, the profit for the period lies significantly below the previous year's value because the financial result declined as a result of largely unrealized currency losses – primarily in the South African rand. The earnings per share for the business year are therefore negative at EUR -0.33.

The balance sheet figures of the Kapsch TrafficCom Group as on the key date of 31 March 2014 reflect the current progress as well as the financing agreement for the project in Belarus. The net debt increased significantly in connection with this, while the net working capital was back below the previous year's value. The free cash flow is negative at EUR -24.7 million.

Dividend. Although we were able to report an improvement in terms of operating result, we will propose at the annual shareholders' meeting that, in consideration of the current earnings situation, no dividend be paid out for the 2013/14 fiscal year in order to retain the financial leeway for further growth.

Outlook. Kapsch TrafficCom has invested in the future during recent years and prepared its internal structures for the predicted market growth. We are also ready for the changes to arise from increasing ITS convergence. With our adapted strategy, we consider our position for the future to be stronger than ever.

We will continue to work concertedly on our existing projects in the 2014/15 fiscal year. The major project in Belarus will be expanded further, and we also expect expansions to the operation project in Poland. As the toll system in South Africa is now finally in operation, we will be working with our customer to further improve the revenue from the project. In Russia, we expect to learn the result of the invitation to tender for the nationwide toll system for trucks with over 12 tons total weight. We succeeded in prequalifying for participation along with our Russian partner JSC NIS in the 2013/14 fiscal year, and we prepared a bid.

We expect that some of the postponed projects as well as others will materialize in the current fiscal year.

We also expect that some of the postponed projects as well as others will materialize in the current fiscal year. In parallel to this, we continue to actively contact potentially interested parties for toll systems, an approach that has already proved successful in Belarus.

The new fiscal year of Kapsch TrafficCom AG begins with a reduced executive board – our colleague of many years, Erwin Toplak, has left the board as of the end of March. Not only was he with us for 23 years, he also contributed fundamentally to the development of Kapsch TrafficCom Group over this time. With his support, the toll systems division of Kapsch AG established in 1991 grew into the globally active, publicly listed Kapsch TrafficCom AG as it exists today. Mr. Toplak will remain associated with the group as a consultant. Nevertheless, I would like to take a moment to express my personal admiration and gratitude for his untiring pioneering work in the toll market as well as for his loyalty over the course of many years. We will continue to take advantage of his expertise in the future.

My thanks also go out to all the employees of the Kapsch TrafficCom Group around the world, without whose dedication and commitment the forward-looking vision and growth of the company would never be possible. I thank my colleague on the executive board, André Laux, and the supervisory board for the outstanding and productive collaboration, and I thank our customers and investors for their trust in our capabilities and their faith in a shared future.

Georg Kapsch
Chief Executive Officer

Our Group of Companies.

You see a peaceful journey to one of the most beautiful cities in the world?

We see a meeting of tradition and modernity, of people and technology.
Kapsch TrafficCom sees itself not just as a recognized partner on the global ITS market but above all as a bridge-builder. We connect people with modern technology, overcome barriers with innovative solutions and help the world come just a little bit closer together every day. One example: The maintenance and development of the software for the toll collection on the Golden Gate Bridge in San Francisco, California. A prestigious project that is representative of the broad service spectrum of the entire Kapsch TrafficCom Group.

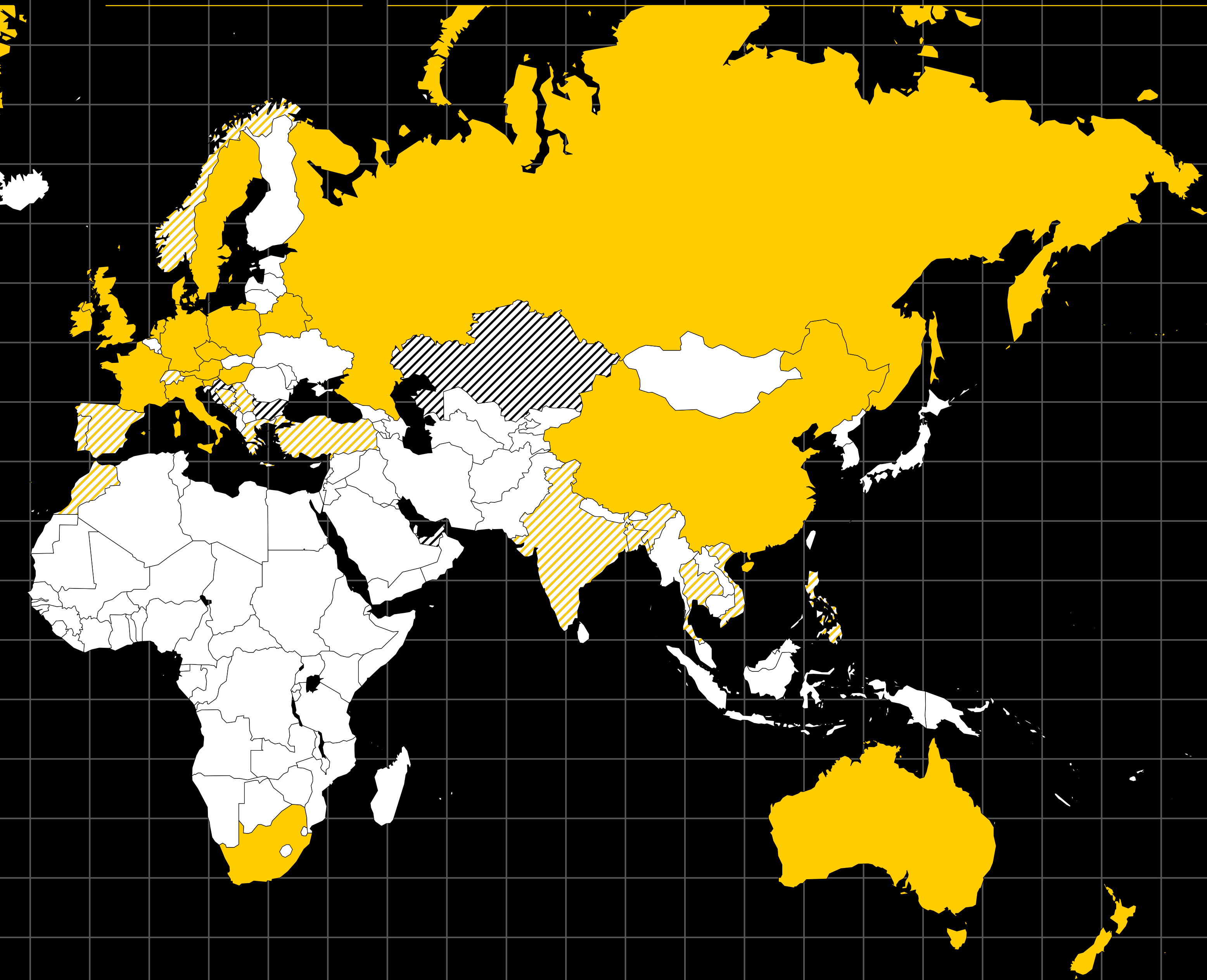
Our Profile.

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

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 focus is on ITS that aims to ensure the security, availability and quality of the infrastructure – we call this operator/ infrastructure-related ITS. The addressees for this consists of governments and their authorities, road and toll system operators and concessionaires.

Our solutions include systems for road user charging as well as urban access and parking which we consider part of the segment electronic toll collection (ETC). We also have a wide range of forward-looking ITS solutions. Our systems help to provide funding for infrastructure projects, to increase traffic safety and security, to reduce congestion as well as further environmental pollution caused by road traffic, to increase vehicle and fleet productivity, and to enhance 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 design to the installation and operation of systems.



References and subsidiaries [1]

References without subsidiaries [1]

Subsidiaries [1] without references

No references or subsidiaries [1]

1 Including representative offices

References in 44 countries on all continents make us a recognized supplier of electronic toll collection worldwide. This includes five nationwide systems and a number of systems on individual road sections, including bridges and tunnels. Our ITS solutions are also already used in more than 10 countries on all continents.

Headquartered in Vienna, Austria, the Kapsch TrafficCom Group comprises subsidiaries and representative offices in 33 countries. The over 3,300 employees generated revenues of EUR 487 million in the fiscal year 2013/14. Two-thirds of these were generated in Europe, the rest was evenly distributed between the Americas and other parts of the world.

Our Corporate History.

	Company milestones	Business milestones
1991	Founding as part of the Kapsch Group, which dates back to 1892	
1995		► Contract for the realization of the Ecopoint System in Austria – the world's first emissions-based traffic management system
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 LSVA *(Leistungsabhängige Schwerverkehrsabgabe)* in Switzerland ► Installation of a single-lane electronic toll collection system on the Oresund and Storebælt bridges connecting Sweden and Denmark
2000	Acquisition of Combitech Traffic Systems AB, Sweden	
2002	Demerger of Kapsch TrafficCom AG 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 ► Starting 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	

In 1991, Kapsch TrafficCom was established 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.

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 and component portfolio.

In 2005, with the founding of Kapsch Telematic Services GmbH and the subsequent 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 2006, we have covered the entire value creation chain of our customers as a one-stop shop – from components and design to the installation and operation of systems.

Experience the multi-media world of Kapsch.

	Company milestones	Business milestones
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.	► Implementation of toll collection systems on three of the largest urban motorways in Bangkok, Thailand
2009	Purchase of a 20.47 % stake in Q-Free ASA, Norway	► The telematics platform and traffic management system in the Czech Republic prove themselves in the first full year of operation
2010	Acquisition of the Mark IV IVHS businesses in the United States, Canada and Mexico Acquisition of a majority stake in TMT Services and Supplies (Pty) Ltd., South Africa Corporate bond issuance	► Presentation of the first toll collection system based on the 5.9 GHz DSRC WAVE technology in the U.S.A.
2011	Capital increase	► Launch of the nationwide electronic toll collection system in Poland ► Conclusion of a ten-year technology and service contract with the E-ZPass Group in the U.S.A.
2012	Purchase of a 33 % stake in Simex Integración de Sistemas, S.A.P.I. de C.V., Mexico	► Contract award based on the global navigation satellite system (GNSS) technology in France
2013/2014	Acquisition of Transdyn, Inc., U.S.A.	► Launch of the nationwide electronic toll collection system in Belarus (Phase 1) ► Starting of the electronic toll collection system in the province of Gauteng, South Africa ► Starting of the first Kapsch-integrated system in North America on the North Tarrant Express in Texas ► Several contract awards for ITS systems in Chile, Kazakhstan, Russia and the U.S.A.

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. 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, Kapsch TrafficCom purchased a 20.47 % stake (31 March 2014: 19.76 %) in the Norwegian competitor Q-Free ASA.

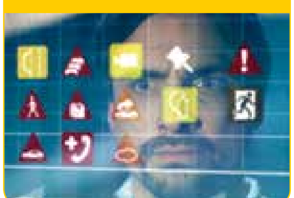
In 2010, a 51.43 % stake (31 March 2014: 62.91 %) in the South African TMT Services and Supplies (Proprietary) Limited was acquired.

In the 2013/14 fiscal year, Kapsch TrafficCom acquired the U.S. Transdyn, Inc., a provider and integrator of traffic management software programs and systems.

Our Company Vision.

Always looking into the future.

Always innovative.



Always one step ahead.

Our vision: Always one step ahead. Our company philosophy – always one step ahead – generates the impetus for superlative technical and economic accomplishments. Kapsch TrafficCom views its mission as assisting traffic participants around the world in arriving at their destinations safely, quickly, efficiently and with minimal environmental impact.

Kapsch is always looking into the future. With our 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 intelligent transportation systems (ITS) market, we are dedicated to consistently creating value for a better future – while always looking forward.

Kapsch is always innovative. Kapsch TrafficCom develops innovative and intelligent components, solutions and services for use around the world. Our range of solutions covers the entire value creation chain of our customers: from components and design to the installation and operation of systems – all from a single source. Holistic and flexible solutions allow us to stay always one step ahead.

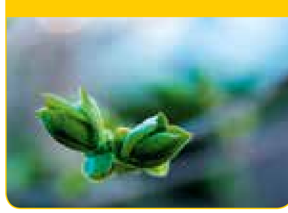
Kapsch is always striving for excellence. Kapsch TrafficCom develops products for the ITS market that offer outstanding performance and system reliability as well as high profitability. This can be seen, for example, in the average toll transaction rate of the truck toll system in Austria of roughly 99.8 % during 2013. In optimizing our processes, our employees strive ceaselessly for technological and business perfection to create value for our partners and customers.

Kapsch is always aware of its responsibilities. Increased road safety, improved traffic flows, timely identification of unusual incidents, reduced traffic jams and regulated access to cities are just a few of the many advantages offered by the mature traffic solutions of Kapsch TrafficCom. Our systems lower environmental impact, make use of natural resources and increase public safety.

Kapsch is always close to its customers. Wherever our customers need us, Kapsch TrafficCom is never far away, with branch offices around the globe. We already have subsidiaries and representative offices in 33 countries on all continents, and with more than 470 development engineers at nine research and development centers, we are hard at work on the solutions of tomorrow.

Always striving for excellence.

Always aware of our responsibilities.



Always close to our customers.

Our
Mission and Values.

We make traffic flow.

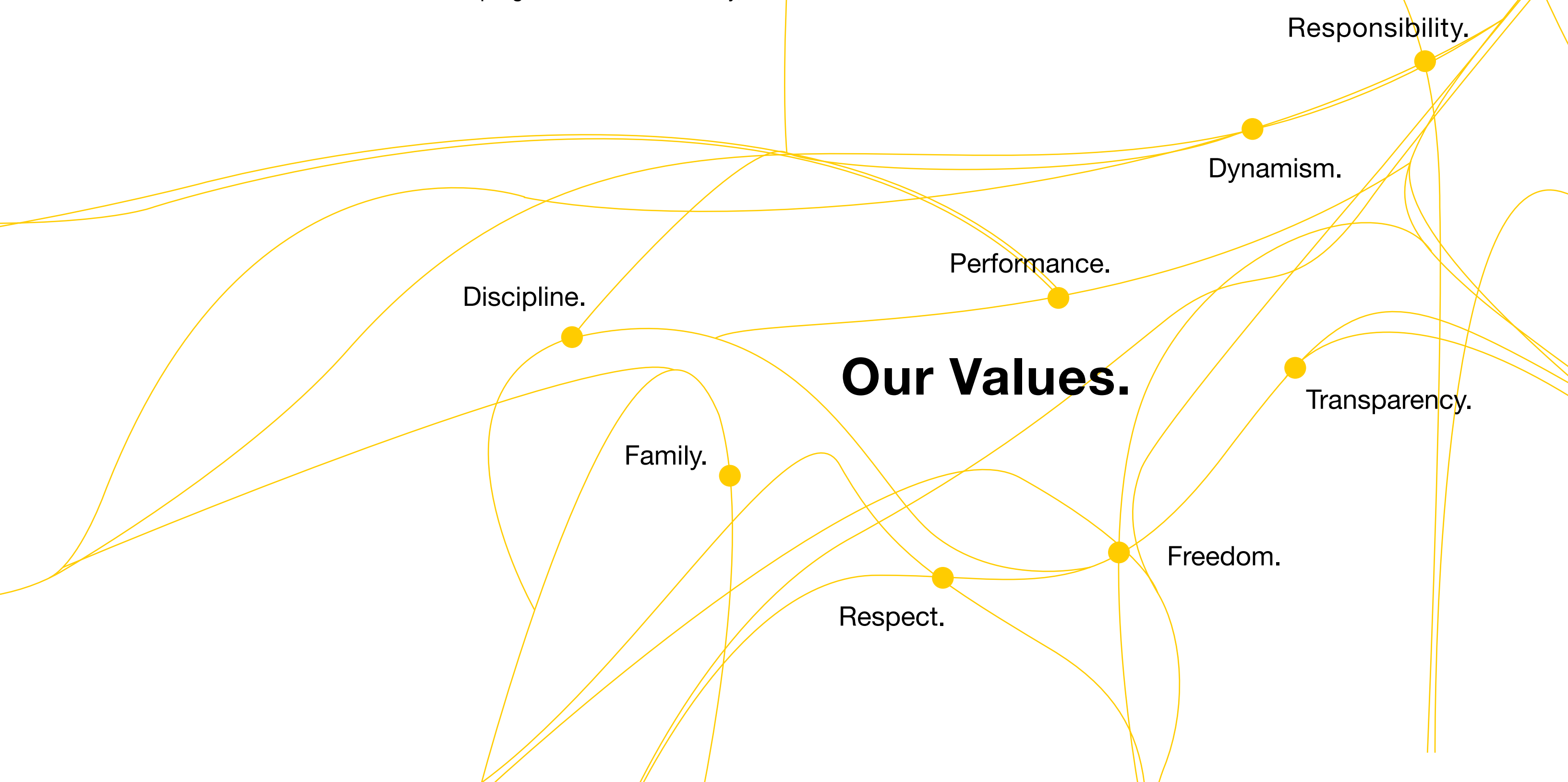
Better traffic control. Our toll systems intelligently control traffic around the world by increasing vehicle safety and reducing traffic obstructions. At the same time, they enable usage-based charging of tolls via pre-paid or post-paid models.

Higher quality of life in cities. Our solutions prevent traffic jams and unnecessary driving while reducing noise pollution. In urban areas, Kapsch TrafficCom regulates access and supports the collection of fees for road use.

Greater safety and environmental protection. Incident detection systems, intelligent systems that identify incidents as they happen, as well as multi-functional telematics platforms and video-based traffic sensors minimize risk on the road. Our solutions and systems allow existing infrastructure to be used more efficiently and help reduce environmental impact.

Creating and appreciating values.

Our corporate culture follows from our values. We actively contribute to enabling socially responsible progress within our society, and we create value for the future. All employees, managers and executives of Kapsch TrafficCom live and work according to these values.



Our Strategy.

In 2012, we defined our strategy up to 2016.

In 2012, we defined our strategy up to the year 2016 as a long-term expansion strategy. Our goals include significantly increasing our revenue as well as achieving a two-digit EBIT margin. Over the long term, we intend for roughly three-fourths of our business to consist of recurring revenue in order to reduce our exposure to the cash flow volatility arising from our project business. To make this possible, we strive for global quality and innovation leadership.

5-paths strategy. These goals have been reinforced by five strategy paths intended to guide our company in the coming years. The key strategic implication at the time lay in continuing growth and preparing for the expected convergence in the ITS market as well as the future topic of “connected vehicles in cooperative systems”. ETC was to remain the core business, but we had the goal of developing into a provider of both ETC and select additional ITS solutions.

Status 2012

We are	**5-paths strategy**	**We will become**
A provider of primarily electronic toll collection (ETC)	1. Fully 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 5. Expand the product business	A provider of electronic toll collection <u>and</u> select additional intelligent transportation systems (ITS)

Five strategy paths point the way for the coming years.

Firstly, we planned to participate in the predicted strong growth of the ETC market. There were a number of interesting possibilities around the world for the supply and operation of toll systems. We wanted to leverage the strong position of Kapsch TrafficCom to further expand our market share.

Secondly, we intended to enter into new regional markets. Kapsch TrafficCom was already active around the globe, but there were markets in which we were barely or not at all represented. In addition to the major operation projects in Europe, we saw particular potential in South America and Southeast Asia. We also viewed the U.S.A. as among these markets based on the acquisition of Mark IV IVHS in 2010.

Thirdly, we planned to enter into select additional segments of the ITS market – including with an eye toward convergence. To this end, we have developed a thoroughly forward-looking solutions portfolio that generates maximum synergies both for us and our customers.

Fourthly, we planned to prepare ourselves for the convergence of the ITS market in order to secure our long-term growth.

Fifthly, we intended to expand our product business and offer our products via a special sales organization as well as indirectly via partners such as system integrators or distributors.

By 2014, the situation has changed.

In the year 2014, and thereby half-way to the year 2016, many things look quite different than just two years ago. The predicted strong growth of the ETC market has not occurred, new projects were delayed or cancelled. On the other hand, the convergence we expected in 2012 has already become a reality, having developed more quickly than we foresaw. We are witnessing an increasing number of invitations to tender asking for integrated ITS solutions.

We have also accomplished a number of things in the meantime. For example, we have precisely defined and structured our ITS portfolio, implemented initial orders and acquired a leading provider of traffic management systems, Transdyn, Inc., in January 2014. As of 1 October 2012, we globally implemented a new organizational structure that brought more responsibility to the three sales regions, allowing us to act in a more distributed fashion as our size increases.

Status 2014

We were	5-paths strategy	We are
A provider of primarily electronic toll collection (ETC)	1. Fully exploit the growth potential of the ETC market 2. Enter new regional markets 3. Enter new ITS segments 4. Drive and capitalize on the convergence of the ITS market 5. From the highway into the city	A provider of electronic toll collection and select additional intelligent transportation systems (ITS)

We continue to follow our expansion strategy.

We continue to follow the long-term expansion strategy with regard to the goals we defined in 2012. These goals are still reinforced by five strategy paths, although somewhat adapted, that are intended to guide our company in the coming years.

The contents of the five strategy paths up to 2016 have been adapted.

Firstly, we will participate in the predicted growth of the ETC market, which will presumably occur on a lower level. 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 remain a technology leader.

Secondly, we will enter into new regional markets and also offer smaller systems for developing markets where traditional manual tolling is often still preferred but where ETC systems will eventually be introduced over the long term. We continue to see the largest potential in Europe, North and South America as well as Southeast Asia.

Thirdly, we will utilize the existing distribution channels, technologies and our project organization to open up additional new segments for our customers in the transition from today's conventional ITS systems to future-oriented ITS applications.

Fourthly, we will actively work to advance and selectively capitalize on the convergence that has already developed. Applications, platforms and technologies are growing ever closer together and will eventually merge completely. The future lies in cooperative systems for vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, collectively abbreviated as "V2X". We also view the automotive industry as a new target group.

Fifthly, we will put a focus on expanding our offering in the urban area to develop from the highway into the city. This focus appears more important to us than expanding the product business.

Our Solutions Portfolio.

Road User Charging ETC

- Free-Flow Satellite Tolling
- Free-Flow Terrestrial Tolling
- Plaza Tolling

Urban Access and Parking ETC

- Urban Road User Charging
- Limited Access Zone
- Low Emission Zone
- Dynamic Parking

Road Safety Enforcement ITS

- Red Light Enforcement
- Speed Enforcement
- Section Speed Enforcement
- Weight Enforcement
- Lane Enforcement
- Traffic Surveillance

Our solutions. We divide our portfolio into solutions for electronic toll collection (ETC) and intelligent transportation systems (ITS). Our ETC offering comprises road user charging as well as urban access and parking. Our ITS offering comprises road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems.

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. Addressing all types of road user charging schemes, we offer the best fit solutions for our customers, including complete migration paths from manual to electronic tolling, from single lanes to free-flow, from existing to new applicable system designs. Depending on the specific customer requirements, the solutions are based on different core technologies.

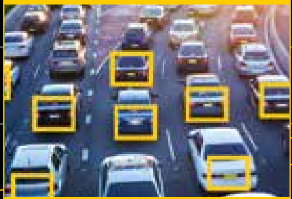
Urban access and parking. Our offering comprises end-to-end solutions which support a full range of charging policies, whether based on the time of the day, the length of the stay, the vehicle's pollution class or the traffic. Depending on the specific requirements, the solutions are based on different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

- Electronic Clearance
- Electronic Screening
- Electronic Inspection

Commercial Vehicle Registration ITS



- Vehicle Registration
- Vehicle Compliance
- Vehicle Monitoring

Traffic Management ITS

- Highway Traffic Management
- Tunnel Traffic Management
- Bridge Traffic Management
- Managed Lanes

V2X Cooperative Systems ITS

- In-vehicle Components
- Roadside Stations

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 highways, tunnels, bridges, as well as managed lanes 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, collectively 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.

Experience the multi-media world of Kapsch.

Our
Business Model.

Our end-to-end solutions.

We cover the entire value creation chain of our customers as a one-stop shop, from components and design to the installation and operation of systems.

Components		Design & Build			Operations
In-Vehicle Components	Integration	Roadside Stations	Integration	Complete Turnkey Systems	Consulting
Transceiver & Readers		Mobile Enforcement			Technical Operations
Cameras & Sensors		Central System			Commercial Operations

End-to-End Solutions as a One-Stop Shop

Components

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 distributors.

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.

We design and develop core components in our nine research and development centers on four continents. Our aim is to imbue our products with high configurability, standards-compliant interfaces, user-friendly operation and aesthetic yet robust design.

We produce the core components at two locations in Austria and Canada on state-of-the-art manufacturing systems and according to ISO standards and source from an external production as well. Maximum flexibility and customer satisfaction as well as environmentally sound production are of particular importance to us.

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.

In-vehicle components

5,8 GHz CEN DSRC OBU

5,9 GHz WAVE DSRC OBU

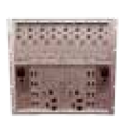
915 MHz Transponder

Hybrid GNSS/ DSRC OBU

Transceivers and readers

5,8 GHz CEN DSRC TRX

5,9 GHz WAVE DSRC TRX



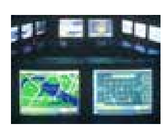
915 MHz Reader

Handheld Reader

Cameras and sensors

Vehicle Registration

Vehicle Detection



Smart Video Products

Vehicle Classification

Design & Build

The components are either integrated as subsystems which are sold individually, in combination or integrated to complete turnkey systems.

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.

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.

Operations

Operations encompass consulting as well as the technical and commercial operation of systems.

Within the consulting area, we analyze the parameters and develop a comprehensive concept. Our portfolio includes the analysis of local conditions, and the consideration of legal and political requirements. We develop technical and commercial concepts and we help optimize the existing organizations that are responsible for 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 money transfer, cash, credit card or fleet card.

Roadside stations

Mobile enforcement

Central system

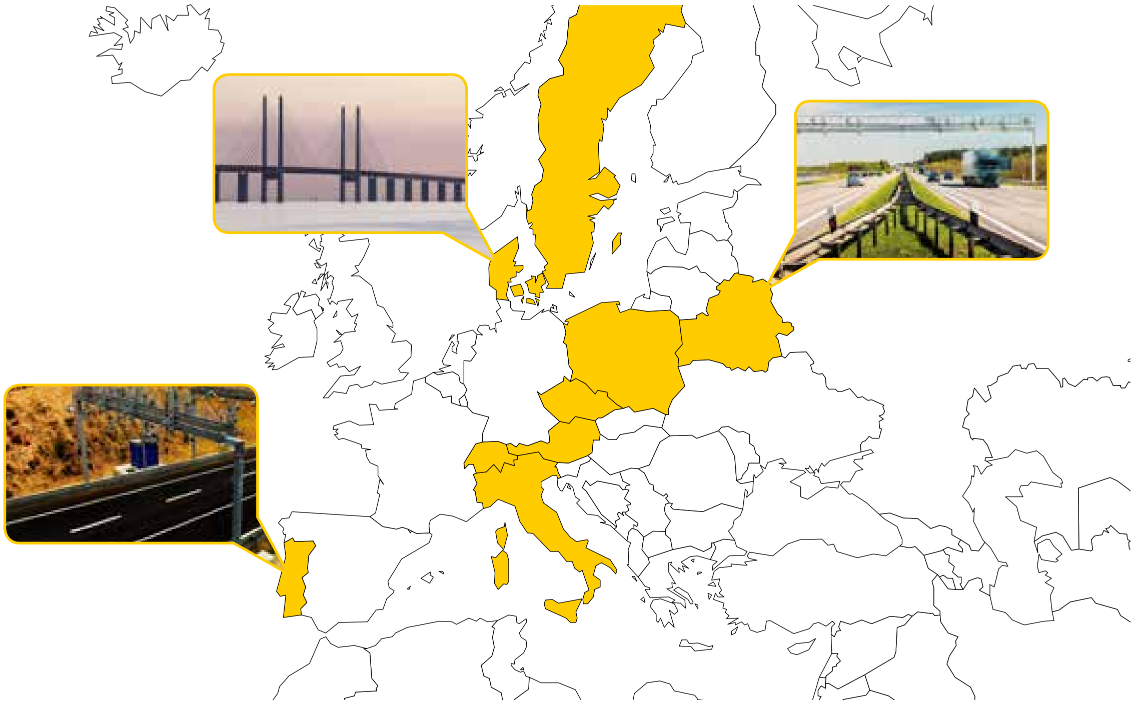
Our target groups.

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.

With our component business we address system integrators, distributors and the automotive industry.

With our operation business we address end users such as haulers or road users in those cases where we operate a system on behalf of our end customer.

Our Select Projects.



Europe.

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.

In 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 build of the system and since then have taken over the technical operation of the system, including maintenance.

In the Czech Republic, we were responsible for the design and build of the nationwide electronic toll collection system MyTo CZ 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 in 2007. Since then, we have taken over the technical and commercial operation of the system and added a telematics platform and a traffic management system.

In Switzerland, we implemented the nationwide infrastructure and enforcement systems for the truck system LSVA *(Leistungsabhängige Schwerverkehrsabgabe)* since 1999.

In Poland, we launched in 2011 the nationwide 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 to roughly 2,600 kilometers.

In Belarus, we launched the first phase of the nationwide electronic toll collection system BelToll for all vehicles above 3.5 tons as well as transit passenger cars and have extended the system to roughly 933 kilometers.

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

In Portugal, we implemented an electronic toll collection system on a road section for a concessionaire.

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.

In the U.S.A., the landmark ITS deployments include the interoperability between an electronic truck preclearance system and a toll collection system (PrePass System) 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. In 2013, we launched the first stretch of a managed lane system in North Texas. In the same year, we took over maintenance of the toll software for the Golden Gate Bridge. Transdyn, Inc., which was acquired in 2014, has installed over 30 traffic management systems in the U.S.A. and other countries.

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.

Rest of World.

In South Africa, we installed Africa's first electronic toll collection system on the Platinum Toll Highway in 2002. In 2013, we launched an electronic toll collection system for multi-lane free-flow traffic for all vehicles on 185 kilometers in the 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.

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

In India, we installed 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.

Our Shares.

You recognize the perfect place for a relaxing mid-day break?

We see sustainable and healthy growth, stability and respect.
In dynamic times when stock markets are subject to high volatility, some things are especially important: continuity, sustainability and trust. The Kapsch TrafficCom shares have never exhibited the wild, unchecked growth of a new shoot. They have instead always been firmly rooted in the Austrian economy, marked by sustainable growth and solidarity with the environment and society. In the end, this is what the Kapsch name stands for as a family company.

Our
Shares in Detail.

Stock Markets in the 2013/14 Fiscal Year.

The shares of Kapsch TrafficCom AG have been listed on the Vienna Stock Exchange since 2007.

International stock markets. The enormous national debts of important industrial nations continued to impact the developments on international stock markets in the year 2013. However, the start of an economic upswing together with the expected continuation of the expansive central bank policy and low interest rates over the long term led to enormous price gains, particularly on the large stock exchanges, and these gains were largely retained during the first quarter of 2014 as well. On the other hand, many smaller stock markets as well as the exchanges of newly industrialized countries exhibited declines or at best minor growth.

The Dow Jones Industrial achieved historic highs during the reporting period from 1 April 2013 to 31 March 2014. Despite the intense budget dispute that played out for a time, the U.S. stock index at the end of the fiscal year was 13 % above the level of the year previous. The Japanese Nikkei 225, the German DAX and the Euro Stoxx 50 also exhibited impressive gains in this period of around 20 %.

The price of the Kapsch TrafficCom shares increased by 8 % during the reporting period.

Vienna Stock Exchange. Price developments on the Vienna Stock Exchange were weaker overall than the European average. The leading index, ATX, suffered significant setbacks in May and June, although it subsequently recovered. After good price gains in January 2014, the increasingly uncertain situation in Ukraine negatively impacted developments in March. The ATX closed on 31 March 2014 at 2,523.82 points, 7 % above the previous year's value.

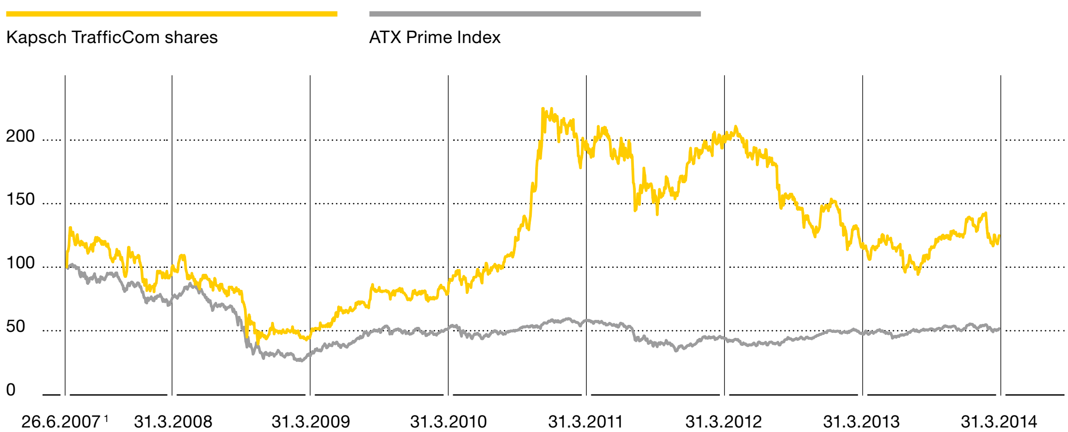
Our Shares in the 2013/14 Fiscal Year.

The shares of Kapsch TrafficCom AG have been listed since 26 June 2007 on the Vienna Stock Exchange in the prime market under ISIN AT000KAPSCH9. They are included in the ATX Prime index and in the Austrian sustainability index, VÖNIX. In May 2013, Kapsch TrafficCom was also included as one of the starting shares in the new index of the Vienna Stock Exchange, ATX Global Players.

The share capital of Kapsch TrafficCom AG is EUR 13.0 million and is divided among 13 million no par value shares. The share price exhibited high volatility during the reporting period. After a significant decline in the previous year to EUR 37.02 as on 31 March 2013, the price recovered in the first quarter of the 2013/14 fiscal year to over EUR 40. This was followed by a major price drop starting in mid-July that reached its low point on 28 August 2013 at EUR 30.16. The recovery that followed continued until February, and Kapsch TrafficCom attained its highest price during the reporting period on 25 February 2014 at EUR 45.69. The price fell then back again. At the end of the fiscal year on 31 March 2014, the Kapsch TrafficCom shares closed at EUR 39.99, up by 8 % over the closing price of the previous year. In general, the share price developed similarly to the wider Austrian environment over the last year – the ATX also gained 7 % during this time and the ATX Prime 10 %.

The price trend since the flotation of Kapsch TrafficCom in the year 2007 has been positive overall despite considerable fluctuations. While the Austrian benchmark index as well as the European index Euro Stoxx 50 have lost significant value since June 2007, Kapsch TrafficCom has achieved a price increase of 25 % over the past seven years. The U.S. Dow Jones Industrial index and the German DAX have demonstrated similarly good performance.

Development of Kapsch TrafficCom shares and the ATX Prime Index from 26 June 2007 to 31 March 2014



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

The market capitalization increased to EUR 520 million.

Based on the final price of the shares on 31 March 2014 of EUR 39.99, Kapsch TrafficCom had a market capitalization of EUR 519.9 million (31 March 2013: EUR 481.3 million). The average daily trading volume of the Kapsch TrafficCom shares on the Vienna Stock Exchange was approximately EUR 0.97 million, which is roughly 20 % below the previous year's value of EUR 1.22 million (double count).

Key shares data		**2011/12**	**2012/13 (adjusted)**	**2013/14**
Weighted average number of shares	in million	12.74	13.00	13.00
Earnings per share[1]	in EUR	1.62	0.75	-0.33
Dividend per share	in EUR	0.90	0.40	0.00[5]
Free cash flow per share	in EUR	-3.99	3.61	-2.04
Offer price per share[2]	in EUR	32.00	32.00	32.00
Share price[3]	in EUR	63.50	37.02	39.99
Price-to-earnings ratio[3]		39.29	49.17	-120.91
Market capitalization	in million EUR	825.50	481.26	519.87
Performance of shares	in %	1.60	-41.70	8.02
Performance of ATX Prime	in %	-24.59	8.37	10.01
Average daily trading volume[4]	in million EUR	1.04	1.22	0.97

1 Relating to the weighed average number of shares; earnings per share calculated from the profit for the period attributable to the equity holders of the company
2 On 26 June 2007
3 As on 31 March
4 Double count
5 Proposal of the executive board for approval at the shareholders' meeting on 1 September 2014

Dividend Policy.

The executive board proposes that no dividend be paid out for the reporting year.

Kapsch TrafficCom follows a dividend policy based on long-term considerations. According to this policy, dividend distribution averaged over the long term should correspond to roughly one-third of the group annual profit. In addition, the option of a continuous, absolute distribution amount remains under consideration when the long-term development of the company permits this. Due to the low earnings for the reporting period, the executive board will propose to the shareholders' meeting on 1 September 2014 that no dividend distribution take place for the 2013/14 fiscal year (2012/13: EUR 0.40 per share).

Shareholder Structure.

As on 31 March 2014, roughly 34.1 % of the shares were in free float. As at the close of the previous year, KAPSCH-Group Beteiligungs GmbH held roughly 61.9 % of the shares. Furthermore, to the company's knowledge, 4.0 % of the shares were held in managed portfolios by Schroders plc, its subsidiaries and affiliated companies (31 March 2013: 4.2 % Capital Research and Management Company).

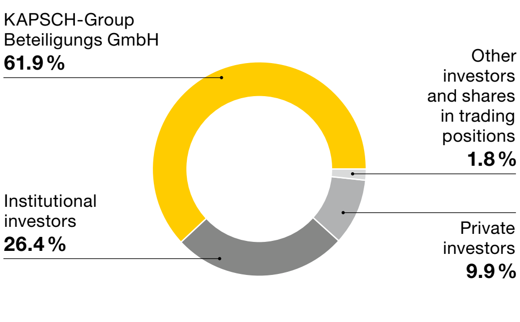
As core shareholder, KAPSCH-Group Beteiligungs GmbH holds roughly 61.9 % of the shares.

Core shareholder. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, the shares of which 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).

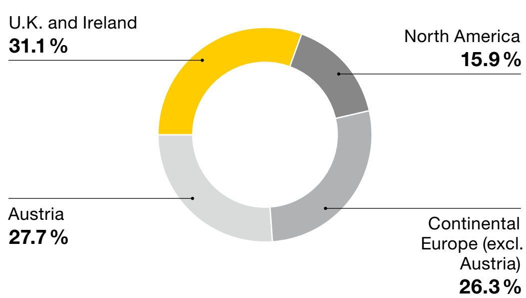
Free float. Kapsch TrafficCom AG has a widely diversified shareholder structure. In addition to the core shareholder KAPSCH-Group Beteiligungs GmbH, institutional investors dominate with 26.4 %, with the top ten investors holding in aggregate 63.9 % of that share. The share of private investors increased in comparison with the previous year. Based on information available to the company, private investors – including Erwin Toplak, Chief Operating Officer of Kapsch TrafficCom AG until 31 March 2014 – hold 9.9 % of the shares. The remaining 1.8 % is held by other investors, including shares in trading positions.

Of the institutional investors, the majority come from the Anglo-Saxon region of the United Kingdom and Ireland (30.1 %) as well as North America (15.9 %). Austrian institutional investors make up 27.7 % of this category, and the remaining 26.3 % is attributable to investors in continental Europe (excluding Austria). Classified by investor type, roughly 20.1 % of the institutional investors of Kapsch TrafficCom follow a growth or GARP strategy (growth at a reasonable price).

Shareholder structure on 31 March 2014



Geographic distribution of institutional investors



Corporate Bond.

The bond is listed in the new corporates prime segment on the Vienna Stock Exchange.

On 3 November 2010, Kapsch TrafficCom AG issued a 4.25 % corporate bond with a volume of EUR 75 million, a denomination of EUR 1,000 and a tenor of seven years until November 2017. The corporate bond is listed in the regulated market of the Vienna Stock Exchange under ISIN AT0000A0KQ52 and has been included in the new corporates prime segment for bonds on the Vienna Stock Exchange since 1 October 2013. Having met the inclusion criteria, Kapsch TrafficCom is hereby obligated to ensure increased transparency by providing additional information to bond investors.

The proceeds served to finance the acquisition of Mark IV IVHS at the end of the year 2010 and were also used to cover capital requirements of additional projects. The bond traded at EUR 105.15 at the end of the reporting period on 31 March 2014. 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.

Key bond data		**2011/12**	**2012/13 (adjusted)**	**2013/14**
Equity	in million EUR	256.2	236.7	213.1
Equity ratio	in %	45.9	41.7	37.6
Net debt	in million EUR	-74.4	-40.5	-93.4
Disencumbrance period (net debt/EBITDA)	in years	1.23	1.19	2.53
Interest expense	in million EUR	7.0	7.2	5.5
Interest coverage ratio 1 (EBIT/interest expense)	in %	6.01	2.30	3.70
Interest coverage ratio 2 (EBITDA/interest expense)	in %	8.64	4.77	6.74
Bond closing price	in EUR	103.49	106.75	105.15

The basis for calculation of the key bond data can be found in the select financial figures in the cover of this report as well as in the consolidated financial statements.

Investor Relations.

The Kapsch TrafficCom shares are currently covered by five institutes.

Kapsch TrafficCom highly values extensive communication with all our shareholders. The Investor Relations department therefore reports directly to the CEO, but its work is also integrated closely with the Finance and Accounting department. The overarching goal is to provide a comprehensive view of the company, thereby facilitating an appropriate valuation of the shares and the corporate bond.

The CEO and the investor relations team held numerous investor conversations in the 2013/14 fiscal year and participated in roadshows and investor conferences in Europe and the U.S.A. to actively share information about the company as well as its development and strategy.

Research Reports.

Regular analysis by domestic and international investment banks maintains the visibility of the Kapsch TrafficCom shares, supports the investor relations efforts and improves awareness on the financial market. Kapsch TrafficCom AG is currently covered by five institutes (in alphabetical order):

- Berenberg (London, UK)
- Deutsche Bank (Vienna, Austria)
- Erste Group (Vienna, Austria)
- Matelan Research (Bonn, Germany)
- Raiffeisen Centrobank (Vienna, Austria)

Kapsch TrafficCom AG has no rating.

Our Responsibility.

You see a sandy Caribbean beach that belongs to you alone?

We see that our actions always leave traces. Sustainability and social responsibility have always been among the most important principles of management at Kapsch TrafficCom. As a family company, we know that authentic entrepreneurship is about much more than facts and figures. We therefore see doing business fairly, thinking holistically and promoting equal opportunity, diversity, climate protection and resource conservation as decisive steps toward a better future.

Corporate
Governance Declaration.

Kapsch TrafficCom follows the Austrian Code of Corporate Governance. This is evaluated every year.

Corporate Governance Declaration.

In the fiscal year 2013/14 ended 31 March 2014, Kapsch TrafficCom AG complied with the L-Rules and C-Rules of the Austrian Code of Corporate Governance (the Code) in the July 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).

Code of Corporate Governance. In June 2007, the executive board *(Vorstand)* and supervisory board *(Aufsichtsrat)* resolved to apply the rules of 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.

Management and Oversight Structure.

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).*

l. to r.:
Erwin Toplak, Chief Operating Officer (former)
Georg Kapsch, Chief Executive Officer
André Laux, Executive Board Member

Our Executive Board.

Name	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch (CEO)	Finance & Administration, Mergers & Acquisitions, Investor Relations, Compliance, Strategy, Legal Services, International Subsidiaries & Management Systems, Human Resources, Marketing & Communications, Production & Logistics and Sales Region North America	1959	2002	2017
Erwin Toplak (COO)	Sales Region 1 [1], Business Development Electronic Toll Collection and Research & Development	1961	2002	2014 [2]
André Laux (Executive Board member)	Sales Region 2 [1], Business Development Intelligent Transportation Systems and Delivery & Operations	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

2 Erwin Toplak left the board as of 31 March 2014

In the 2013/14 fiscal year, the executive board consisted of three members.

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 Business Com 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 was a member of the executive board of Kapsch TrafficCom AG from June 2002 until 31 March 2014 and also held functions in certain of its direct and indirect subsidiaries. He was 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.

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

Executive board remuneration 2013/14 in TEUR

	Fixed	Variable	Total
Georg Kapsch	460	59	519
Erwin Toplak	413	38	451
André Laux	364	63	427
Total	**1,237**	**160**	**1,397**

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.

The compensation of the executive board consists of fixed and variable components.

Remuneration. In the fiscal year 2013/14, 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 1.40 million (fiscal year 2012/13: EUR 1.71 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. Until the resignation from the board, the remuneration of Erwin Toplak was based on a compensation system that, in addition to the base compensation, provided for annual variable compensation of up to 28 % of the base compensation. The variable compensation depended primarily on the achievement of certain predefined financial performance indicators. Erwin Toplak had an individually defined pension scheme based on contributions for which Kapsch TrafficCom AG paid approximately TEUR 14 annually to an outside pension fund. For the termination of the executive board contract at the end of the current term of office, Erwin Toplak received a severance payment of 412 TEUR. As of 31 March 2014, 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 determined 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.

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.

Our Supervisory Board.

The supervisory board is comprised of four members selected at the annual shareholders' meeting and two appointed by the works council.

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:

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 active in a number of associations. He has been a member of the executive board of the Vienna Regional Group of the Federation of Austrian Industries since 1999. Since 2012, he has been a member of the executive board of the University of Applied Sciences Technikum Wien as well as the Committee for a Safe Austria *(Kuratorium sicheres Österreich)* and a committee member of the Association of the Austrian Electrical and Electronics Industries. Since 2014, Kari Kapsch has also been a member of the scientific board of the Christian Doppler Research Association.

Sabine Kauper has been the CFO of SKW Stahl-Metallurgie Holding AG, Munich, since 1 January 2014, and also holds functions in certain of its direct and indirect subsidiaries. She has already been on the supervisory board of the company since 2009. Since January 2014, she is appointed managing director for restructuring of an international mechanical engineering company. 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. Thereafter, she completed a training

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2016
Kari Kapsch	Deputy chairman	1964	2002	2016
Sabine Kauper	Member[1]	1968	2011	2014
Harald Sommerer	Member[1]	1967	2013	2016
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

program to become a qualified supervisory board member with certification by Deutsche Börse AG. 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.

Harald Sommerer has been acting on his own initiative to establish an investment portfolio since December 2013. Before that, he was CEO and Chairman of the Management Board of Zumtobel AG between May 2010 and September 2013. He was born in Vienna in 1967, and received a Doctorate in Social and Economic Sciences from the University of Economics and Corporate Management in Vienna as well as a Master of Management from the J. L. Kellogg Graduate School of Management at Northwestern University. From 1997 to 2010 Harald Sommerer was a member of the Management Board of AT&S Austria Technologie & Systemtechnik AG, where he served as CFO from 1998 to 2005 and CEO from 2005 to January 2010.

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.

The compensation of the supervisory board members is decided at the annual shareholders' meeting.

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 and Harald Sommerer are 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 and on 12 September 2013, the annual shareholders' meeting resolved to grant Harald Sommerer a remuneration of TEUR 4 per meeting. Remuneration of TEUR 20 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.

The filling of open positions takes place with no consideration of gender. Women are represented in leadership positions and on the supervisory board.

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 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 been established a committee for non-discrimination.

Report 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 2013 to 31 March 2014. 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 2014 as well as the management report on the company and the group dated 27 May 2014, 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 1 September 2014 to approve not to pay a dividend for fiscal year 2013/14.

The audit committee held a total of four meetings during the fiscal year from 1 April 2013 to 31 March 2014 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 four meetings in the past fiscal year and addressed inter alia the extension of the appointment of Georg Kapsch as executive board member until 31 March 2017.

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 2013/14. In the name of the supervisory board, I would also like to extend particular thanks to Erwin Toplak, who left the executive board at the end of March, for his dedication and service to Kapsch TrafficCom. Over the past 23 years, he has made fundamental contributions to the development of the company. We are pleased that he will remain associated with the Kapsch TrafficCom Group as an advisor.

Vienna, 4 June 2014

Franz Semmernegg
Chairman of the supervisory board

Franz Semmernegg, Chairman of the supervisory board

Our Business Progress.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2014

You are reminded of an unforgettable yacht cruise along the Dalmatian coast?

We think of the great responsibility of steering our group with a sure hand. The ups and downs of the world economy require a global company like Kapsch TrafficCom to demonstrate high flexibility but also stability. We therefore pursue our strategic goals according to a clearly formulated plan, respond quickly to external influences and work together as a team – just like the crew of a sailing vessel – to be a step ahead every day.

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2014.

1 Economic climate.

1.1 General economic situation

Global economy

GDP growth	2013	2014e
World	3.0 %	3.6 %
U.S.A.	1.9 %	2.8 %
Japan	1.5 %	1.4 %

Source: IMF World Economic Outlook

In the year 2013, the world economy expanded by 3.0 %. Especially in the second half of the year the economy picked up significantly and on a global level 2013 was a period of consolidation. The macroeconomic pattern of growth, though, remained heterogeneous: some countries or regions – e.g. Canada, Great Britain, Brazil as well as Central and Eastern Europe – were able to further strengthen their positive economic development. Other economies, such as China, the United States or Russia, stagnated or even experienced a slowing-down in growth compared to 2012. In line with the global economic performance, world trade stabilised in 2013 and even displayed a slight upturn: the volume of internationally traded goods and services increased by 3.0 %, having grown by 2.8 % in 2012. A further expansion of the global economy is expected in 2014 – with continuing varied development in the different economic regions. The International Monetary Fund (IMF) forecasts global growth of 3.6 %. Overall, however, the vulnerability of the global economy with regard to crises and shocks will remain high in 2014. According to the IMF, the low inflation in the euro zone poses a challenge here that needs to be addressed. But also the recurrent abrupt capital outflows experienced in emerging economies and the related volatile development of their regional financial markets are regarded as problematic by the IMF.

U.S.A.

In the year 2013, U.S. economic growth decelerated to 1.9 %, compared to 2.8 % in 2012. Private consumption, in particular, was dampened due to the tightened fiscal policy of the U.S. government. Furthermore, the continuing budget dispute and the budgetary emergency which peaked in October 2013 caused uncertainty. Only the decision by the Congress to increase the debt limit, granting the U.S. a deferral until March 2015, eliminated the risk of a new budget crisis. This resulted in an improved climate among consumers and companies. Against this background, the IMF expects the pace of the U.S. economic growth to pick up in 2014, with a growth rate of 2.8 %.

Japan

Japan's economy expanded by 1.5 % in 2013 after growing by 1.4 % in 2012. The implementation of Prime Minister Abe's economic policy programme ("Abenomics") that promotes the relaxing of monetary policy and the expansion of fiscal policy had a positive impact overall. In the meantime, however, critical voices concerning this raft of economic measures have become increasingly audible and far-reaching structural reforms are called for. Although appropriate initiatives have been announced by the Japanese government, no significant progress has yet been made with their implementation. According to the IMF, a significant economic upturn is, therefore, unlikely in the near future: the economy is expected to grow by 1.4 % in 2014 and by a mere 1 % in 2015. The country's fiscal situation is viewed as critical: the government deficit amounted to 227 % of the total economic output in 2013.

Emerging Markets and Developing Economies

While the economic growth in these countries still lay at 6.3 % in 2011 and at 5 % in 2012, it further decreased slightly to 4.7 % in 2013. Hence, the impulses from the emerging economies for the global economic environment have lost some strength. However, the regional development varied considerably. Growth in the Commonwealth of Independent States (CIS) slowed to 2.1 % (3.4 % in 2012). The crucial factor for this decrease was the modest economic situation in Russia whose economic performance expanded only by 1.3 %. The current crisis in Crimea and Ukraine has serious economic consequences for Russia, too: in the first quarter of 2014 alone, capital outflows amounted to approximately 64 billion U.S. dollars. The U.S. and the European Union have said tougher sanctions could be used if the desired de-escalation of the conflict is not achieved. Investors are, therefore, likely to withdraw further capital. In line of this background, the country is likely to slide into recession. In a negative scenario, the World Bank expects a decrease in Russian economic performance by 1.8 % in 2014.

Having grown by 6.7 % in 2012, Asia's economic growth amounted to 6.5 % in 2013 according to the IMF. China, whose economy expanded by an average of 9.8 % per annum between 2000 and 2013, is expected to grow by 7.5 % in 2014 and thus nearly reach its 2013 rate of expansion. In the future, the Chinese economy is to be supported by a set of comprehensive measures and should reap the benefits of consistently high consumer spending. In addition to China, some other emerging markets failed to accelerate growth in 2013. The economic performance in India increased by 4.4 % having grown by 4.7 % in 2012, the ASEAN-5 (Indonesia, Malaysia, the Phillippines, Thailand and Vietnam) grew by 5.2 % (versus 6.2 % in 2012) and Latin America's (including the Carribean) growth rate was 2.7 % compared to 3.1 % in 2012. The MENA-Region (Middle East and North Africa, Afghanistan and Pakistan) and South Africa also followed the pattern of performing more poorly on the macroeconomic front in 2013.

In the last few months, the emerging markets have been repeatedly faced with abrupt capital outflows, whereas the withdrawal of investors has hitherto been limited to individual markets. However, due to the structural problems in these countries, experts recognise the risk that their growth dynamics will decrease further.

Europe

GDP growth	2013	2014e
EU-28	0.1 %	1.5 %
Eurozone	-0.4 %	1.2 %
Austria	0.4 %	1.7 %

Source: European Commission, WIFO

In 2013 Europe managed to come out of the recession which had lasted for almost two years, the GDP growth of the EU-28 was at 0.1 %. Positive signals have recently emerged, for instance, from exports to third countries like the U.S. Moreover, an upswing in several leading indicators has led to cautious optimism among economists in 2014, particularly the pick-up in consumer confidence and the strengthening of industrial activity. At the same time, the persistently difficult situation on the European labour market has given cause for concern. Throughout 2013 unemployment in the EU-28 remained above the 10 % mark. Companies not being so inclined to invest also weighed on the European economy, as did the lack of growth impetus from the public sector. Taking all these factors into consideration, the rating agency Standard & Poor's lowered the EU's long-term credit rating from AAA to AA+ in December 2013.

Economic recovery in the Euro area was even more subdued than in the EU as a whole in 2013. The main reason for that was the sluggish business activity in France and Italy. The troubled peripheral states, in contrast, have recently shown first signs of economic improvement thanks to continuous reform efforts. One major problem in these states that remains to be resolved is the high level of youth unemployment. Besides, there are growing concerns that the Southern European countries could slip into deflation. This, in turn, could unleash a new wave of political and social unrest.

The European Central Bank (ECB) further committed itself to an accommodative monetary policy course in 2013 and took a number of steps to improve the situation on the financial markets. First and foremost, these steps include laying the groundwork for a central, ECB-led banking supervision body ("Single Supervisory Mechanism") as well as for a common framework for bailing out troubled banks ("Single Resolution Mechanism"). In order to provide support beyond the financial market too, the ECB lowered the prime interest rate to a record low of 0.25 % in November 2013. Economists assume that, with cheap money available, both investment and consumption will be stimulated, thus boosting the economy in the Euro area as a whole. The GDP forecast for 2014 is at +1.2 %.

The expansion of business activity in Central and Eastern Europe (CEE) was slightly stronger in 2013 than it was in Western Europe. Looking at the various countries in the region though, the picture was uneven: While Croatia and the Czech Republic, for instance, faced a recession, Latvia, Lithuania and Romania reported an increase in GDP of more than 3 %. As for 2014, experts predict that the CEE economy will gather pace. The main risk factor in this context is the conflict between Russia and Ukraine, not least due to pending cut-backs in foreign trade and foreign direct investment.

Austria

Austria's economic performance lost momentum in 2013 against the backdrop of a weak European economy, the GDP increased by 0.4 %. Unlike in the past, the exports of Austrian companies contributed only modestly to growth. As for 2014, economists expect the bounce-back of the European economy to boost Austrian exports, thus also stimulating business activity in general. More precisely, GDP is forecast to grow by 1.7 %.

The inclination of Austrian companies to invest was rather low in 2013, which can be explained by a high degree of uncertainty regarding future sales. Besides, it is worth mentioning that consumption did not have a stimulating effect on the Austrian economy for the first time in years. Despite an easing of inflationary pressures, the amount of money private households spent on consumption declined slightly. The main reasons for this include the precarious situation on the labour market and lacklustre growth in disposable income. The average annual inflation rate fell to 2 % in 2013. The latest forecasts for 2014 indicate a further decrease to just below 2 %.

The situation on the Austrian labour market was rather unsettling in 2013. The unemployment rate climbed from an average of 4.3 % in the preceding year to 4.9 % (according to Eurostat). 2014 is likely to witness an increase to above 5 %, owing to an expanding labour supply and subdued job creation. The Austrian national finances, in contrast, developed positively in 2013. The budget deficit receded to only 1.9 %. This improvement is largely due to one-off effects on the revenue side, though (e.g. the auctioning of mobile communication frequencies and new tax agreements with Switzerland and Liechtenstein). How the Austrian national finances develop in 2014 will primarily depend on the capital transfers required to wind down the crisis-ridden Hypo Alpe Adria Bank. Based on current projections, the budget deficit is set to rise to 3 %.

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

Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS).

Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). ITS employ information and communication technologies 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. Thus, the market comprises the following three 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) encompassing 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, and
- Advanced vehicle information systems (AVIS) transmitting traffic-related vehicle information to travelers before or during the trip or provide navigation services.

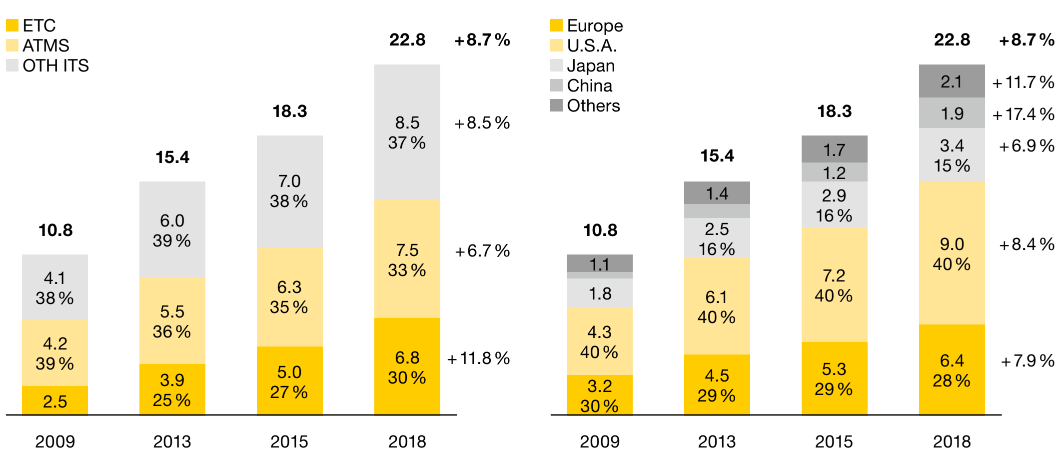
Market volume and growth

The global volume of the ITS market is estimated at USD 15.4 billion in 2013.

Global Industry Analysts (October 2012) estimated that the global volume of the ITS market amounted to USD 15.4 billion in 2013 and is expected to continue growing. The largest product segment in 2013 was ATMS, accounting for almost 36 % (USD 5.5 billion). Based on a worldwide volume of about USD 3.9 billion, ETC had an ITS market share of about 25 %. The largest geographic region for ITS in 2013 was the U.S.A. at 40 %, followed by Europe at 29 %.

The global 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 %.

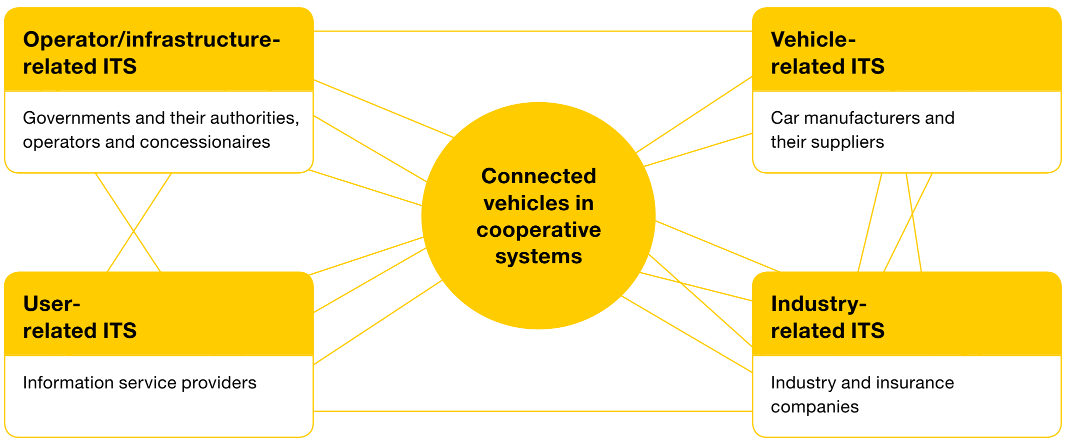
Global ITS Market by product segment and **by geographic regions** (in USD billion)



Customer segments

Kapsch TrafficCom has developed its own view of the ITS market for the definition of its market positioning.

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



The current focus aims at the operator/infrastructure-related segment of the ITS market.

Operator/infrastructure-related ITS encompasses both ETC and ATMS as well as applications for urban access and parking. The addressees are governments and their authorities, road and toll operators as well 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 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 manufacturers 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), collectively abbreviated as V2X, which Kapsch TrafficCom believes will be based on 5.9 GHz technology.

User-related 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-related vehicle information to travelers before or during the trip as well as navigation services. Addressees are information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices.

Industry-related ITS encompasses commercial applications designed to reduce the costs or maximize the yield of vehicle fleet operators, including public transportation companies (PVTMS). Example applications 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.

Market positioning

Kapsch TrafficCom intends to be a leading provider in the future area of "V2X" as well.

The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related segment of the ITS market. The goal is to become a leading provider of solutions and technologies in the future field of "Vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication – V2X". With this, Kapsch TrafficCom intends 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. The future focus will therefore also aim at vehicle-related and user-related ITS. The ongoing developments in industry-related ITS will be monitored as well.

Market situation and market drivers

Kapsch TrafficCom believes that the following six factors are the main drivers for the market which it currently addresses:

The market is influenced by economic as well as environmental and social aspects.

Funding for infrastructure projects. The worldwide increase in number of cars and the growing road traffic as a consequence of the global population growth require 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 and their authorities, road and toll operators as well as concessionaires that can be used for the expansion and maintenance of road infrastructure.

Urbanisation. The urbanisation is the second megatrend next to the global population growth driving the ITS market in the view of Metalan Research. In large conurbations and capital cities, 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, 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. 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).

Reducing congestion and further environmental pollution caused by road traffic. Efforts to reduce environmental pollution caused by 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.

Increasing traffic safety and security. Governments and their authorities, road and toll operators as well as concessionaires, are particularly engaged in improving the availability and quality of traffic infrastructure in a way that increases safety and security. Advanced traffic management systems (market segment ATMS) lower accident rates while also helping increase the probability of surviving accidents.

Enhancing vehicle and fleet productivity. Commercial applications for vehicle operators, including transportation companies (market segment PVTMS), provide support for fleet management and the collection of information on the logistics of large-scale vehicle operators.

Increased comfort expectations of travelers. Greater convenience and efficiency for users generally also means higher traffic safety. Model applications include vehicle information systems that forward traffic-relevant data to the vehicle driver before and during travel as well as navigation services. Information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices are all interested in the further development of such systems.

Technology

The communication standard 5.9 GHz WAVE is already designed with future applications in mind.

Depending on the requirements of the specific application, systems are used 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, electronic toll collection systems in North America are based on proprietary protocols in the 915 MHz band. 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.

Convergence on the ITS market

The product and customer segments of the ITS market are increasingly merging.

A common thread among all these market drivers and technologies is a convergence on the ITS market. Kapsch TrafficCom has realized that product and customer segments are becoming increasingly interconnected in view of future solutions and is convinced that applications, platforms and technologies will finally converge. In the view of Kapsch TrafficCom, the future lies in the interaction between vehicles (vehicle-to-vehicle; V2V) and vehicle to infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X. The driving forces in this convergence are governments and the automotive industry.

2 Economic situation of the group.

2.1 Business development

In fiscal year 2013/14, the Kapsch TrafficCom Group achieved a revenue of EUR 487.0 million, a slight decline of 0.4 % compared with the previous year. The segment of Services, System Extensions, Component Sales (SEC) accounted for 68.1 % of the revenue as the recurring portion of the business. The segment Road Solution Projects (RSP), which represents the project business, contributed a slightly higher share of revenue than in the previous year at 27.1 %.

In addition to existing major projects in Belarus, France and the U.S.A. that shaped the 2013/14 fiscal year, the following new projects were acquired and project progress made:

The fiscal year was marked by considerable project progress and new projects, including in the new ITS areas.

- On 18 June 2013, Kapsch TrafficCom received a five-year order from Canadian Tolling Company International Inc. (Cantoll). Kapsch TrafficCom will deliver the next generation of the TDMA V6 interior transponder – a special on-board unit – for highway 407 ETR in the metropolitan region of Toronto in the Canadian province of Ontario.
- On 20 June 2013, Kapsch TrafficCom was awarded an order for the implementation and operation of the new VMS system (variable message signs) in Chile. The order amounts to roughly EUR 0.7 million. The world's largest underground copper mine is located south of the capital, Santiago de Chile. More than 10,000 miners are brought to the mine under strict safety requirements on 500 buses via the only access road to the mine. While the buses are on the road, no trucks loaded with copper ore or other vehicles are permitted to drive there. The VMS system will in future ensure greater efficiency and safety here. The solution conceived by Kapsch TrafficCom can be easily integrated into a central traffic control system, which is planned for the second expansion phase.
- The electronic toll system installed by Kapsch TrafficCom in Belarus went into technical operation on 1 July 2013. Electronic toll collection and, with it, commercial operation followed on 1 August 2013, replacing the previously used manual system – in phase 1 on 815 km and since 1 January 2014 in phase 2a on an additional 118 km.
- In August 2013, Kapsch TrafficCom delivered and installed weigh-in-motion systems at four stations on two highways in Kazakhstan. The weigh-in-motion solution developed by Kapsch allows the weighing of vehicles even while traveling at full speed.
- OOO Kapsch TrafficCom Russia, the Russian subsidiary of Kapsch TrafficCom AG, has worked on four new projects in Russia since September 2013. For example the company delivered the access system for the traffic areas with restricted access at the Winter Olympics in Sochi. Additionally, also in September, two weigh-in-motion stations were installed on the Kasan–Samara trunk road connection. Two other projects encompass the delivery of 30,000 on-board units (OBUs) to the Russian road operator "Glavnaya Doroga" as well as 3,000 on-board units for the operator OOO United Toll Systems (OSSP).
- In October 2013, Kapsch TrafficCom took over the maintenance and development of the toll software for the Golden Gate Bridge in San Francisco, California. The contract with the Golden Gate Bridge, Highway and Transportation District, has a term of two years and covers the maintenance of the entire software for all toll lanes.
- In December 2013, Kapsch TrafficCom signed a framework agreement concerning the first-time delivery of on-board units to Norway for electronic toll collection by AutoPASS.
- On 19 December 2013, Kapsch TrafficCom was awarded an order for two electronic toll systems in Australia. Kapsch TrafficCom will be supplying multi-lane free-flow toll solutions (MLFF) for the Eastern Distributor toll road in Sydney and for the Legacy Way toll road in Brisbane. The MLFF single-gantry solution, which will be used in both projects, integrates the unique, stereoscopic vehicle detection and classification technology, identification of front and rear license plates and 5.8 GHz CEN DSRC communication with the on-board unit. The technology of Kapsch TrafficCom achieves a higher accuracy and makes it possible to improve safety and reduce traffic jams during heavy traffic conditions such as stop-and-go situations.

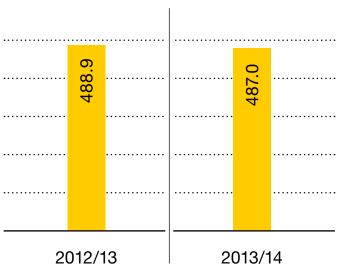
▸ On 18 February 2014, Kapsch TrafficCom received an order from North Tarrant Express (NTE) Mobility Partners Segments 3 LLC in Texas to deliver the toll collection, intelligent transportation and network communication systems for the NTE expansion project. The NTE expansion extends over roughly ten miles (16 kilometers) north of the city of Fort Worth. Kapsch TrafficCom will deliver ten electronic toll zones – including dynamic signage systems and road sensors that provide the data required for dynamic toll collection based on current traffic volumes. The order value amounts to USD 26 million (roughly EUR 19 million), and the first of two sections should go into operation in April 2016.

The following changes and events took place in the 2013/14 fiscal year:

On 16 January 2014, Kapsch TrafficCom acquired Transdyn, Inc., an accredited manufacturer of modern traffic management software and systems on the US market and maker of the impressive advanced traffic management software DYNAC ATMS®. The purchase price was USD 16 million (roughly EUR 12 million). Kapsch TrafficCom is now positioned to offer one of the broadest portfolios of intelligent transportation solutions to complete our product range in delivering electronic solutions to our customers. This contains ITS and advanced traffic management solutions to highway, bridge and tunnel authorities.

2.2 Earnings situation

Stable revenue development (in million EUR)



The revenues of the Kapsch TrafficCom Group reached EUR 487.0 million in the 2013/14 fiscal year, which is 0.4 % below the previous year's value of EUR 488.9 million. The segment Services, System Extensions, Components Sales (SEC) experienced a decline in revenue, while the segments Road Solution Projects (RSP) and Others (OTH) increased their revenue.

The operating result (EBIT) of the Kapsch TrafficCom Group was EUR 20.3 million, which exceeds the previous year's EBIT by 22.9 % (EUR 16.5 million). The EBIT margin was 4.2 % (previous year: 3.1 %).

Revenues and operating result (EBIT) by segment

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).

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 fiscal year 2013/14, revenue increased by 2.9 % to EUR 132.0 million (previous year: EUR 128.3 million). The largest single contribution to income in this segment during the period under report came from the implementation project in Belarus. In the past fiscal year, phases 1 and 2a were completed, with toll collection going into operation on 933 km of highways. The completion of construction works for phase 2b with a length of 241 km is planned for August 2014. The GNSS (Global Navigation Satellite System) project in France also exhibited a revenue increase over the previous year, despite the ongoing negotiations between the customer and the general contractor concerning the final start date. In the managed lane system project in Texas, U.S.A., the first (5 toll stations) of five total sections (23 toll stations) was successfully put into operation on 13 December 2013. The implementation of traffic management was also begun in this project, which also contributed an

The installation projects and cost savings enabled improved revenue and EBIT in the segment RSP.

increase in revenue alongside the continued project progress. A higher revenue contribution compared to the previous year was also realized in the M5 South Western Motorway project in Sydney, Australia, which is very close to completion.

The EBIT of the segment RSP was EUR -34.6 million (previous year: EUR -51.7 million). Despite the postponement of phase 2b to the next fiscal year, the installation project in Belarus supplied the largest revenue contribution, while the delayed commissioning of the French GNSS project resulted in cost increases. The contractually agreed expansion of the order volume and the integration of the former supplier Transdyn, Inc. brought about an additional positive contribution in the managed lane system project in the U.S.A. and created new value for the company. Overall, however, the expenditures for development and preparatory work for potential tenders as well as expenditures for ongoing tenders attributed to this segment, especially in the Eastern European and Asian regions, could not be fully covered.

Services, System Extensions, Components Sales (SEC). After the implementation, Kapsch TrafficCom typically takes 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, Kapsch TrafficCom also offers the commercial operation of systems. Kapsch TrafficCom reports all business activities aimed at continuous revenue streams in this segment.

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.

The revenue and EBIT of the segment SEC were weighed down heavily by the project in South Africa during the fiscal year.

In fiscal year 2013/14, revenue decreased by 3.1 % to EUR 331.8 million (previous year: EUR 342.3 million). The operation project in Poland and the ongoing expansions of this toll system by an additional 473 km of highways and expressways supplied a major revenue contribution. Additional revenue was also contributed by the technical and commercial operation project in Belarus, which went into operation as of the second quarter of the fiscal year. The technical and commercial operation of the nationwide system in the Czech Republic, the technical operation including maintenance of the nationwide system in Austria and the expansions and technical maintenance in Switzerland continued to provide stable revenue. In comparison with the previous year, the system in Gauteng province, South Africa, contributed significantly lower revenue, despite going into operation in December.

The number of on-board units sold was nearly at the same level as the previous year at 9.2 million units (previous year: 9.3 million units). The initial deliveries for the nationwide electronic toll system in Belarus took place in the past fiscal year. In addition to the first sales in Russia, the number of units sold increased in the countries of Spain, Portugal and Chile, among others. Lower sales numbers were experienced in North America, Turkey, Australia and Thailand.

The EBIT of the segment SEC was EUR 53.8 million (previous year: EUR 67.3 million), putting the EBIT margin at 16.2 % (previous year: 19.7 %). The earnings were supported by the stable contributions from the nationwide technical and commercial operation project in the Czech Republic, the technical operation including maintenance of the nationwide system in Austria, the technical and commercial operation project and ongoing expansions in Poland as well as, for the first time in this fiscal year, the technical and commercial operation project in Belarus. The commercial operation of the project in the South African province of Gauteng also began on 3 December 2013. However, differences of perspective in connection with the reimbursement of costs for maintaining operational readiness of the system until December 2013 significantly weighed down the result in this fiscal year.

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

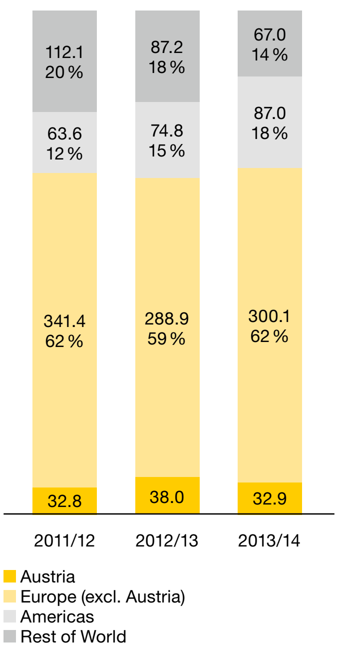
Revenue and EBIT of the segment OTH increased.

In fiscal year 2013/14, revenue increased by EUR 26.2 % to EUR 23.1 million (previous year: EUR 18.3 million). This increase can be attributed largely to the production and deliveries for the GSM-R projects of Kapsch CarrierCom. Furthermore, the revenues of Transdyn, Inc., U.S.A., acquired in January 2014, that are not relevant to the ETC and ITS business are also allocated to this segment. Transdyn, Inc. offers solutions, systems and services for operational monitoring of public transportation and environmental infrastructure. These solutions are utilized in the operation of subway and railway networks as well as water treatment plants. The revenue in the segment OTH amounted to 4.6 % of total revenue in the 2013/14 fiscal year (previous year: 3.7 %).

The EBIT of the segment OTH was EUR 1.1 million (previous year: EUR 0.9 million). This placed the EBIT margin at 4.7 % (previous year: 5.1 %).

Revenues by segment		**2011/12**		**2012/13 (adjusted)**		**+/-**	**2013/14**	
Road Solution Projects (RSP)								
Revenues (share of total revenues)	in million EUR	229.9	(42 %)	128.3	(26 %)	3 %	132.0	(27 %)
EBIT	in million EUR	4.1	(1.8 %)	-51.7	(-40.3 %)	33 %	-34.6	(-26.2 %)
Services, System Extensions, Components Sales (SEC)								
Revenues (share of total revenues)	in million EUR	308.1	(56 %)	342.3	(70 %)	-3 %	331.8	(68 %)
EBIT	in million EUR	37.3	(12.1 %)	67.3	(19.7 %)	-20 %	53.8	(16.2 %)
Others (OTH)								
Revenues (share of total revenues)	in million EUR	12.0	(2 %)	18.3	(4 %)	27 %	23.1	(5 %)
EBIT	in million EUR	0.8	(6.5 %)	0.9	(5.1 %)	16 %	1.1	(4.7 %)

Revenues by region
(in million EUR)



Revenues by region

The region of Europe once again had the largest share in total revenue in fiscal year 2013/14 at 61.6 %. The increase by EUR 11.2 million (3.9 %) can be attributed primarily to the increased revenues in France and Belarus. Sales in the Americas increased by EUR 12.2 million (16.2 %). This is due largely to the project progress in the implementation of the managed lane system in Texas as well as the higher revenues in the operations project and increased on-board unit sales in Chile. Sales in the rest of the world fell by EUR 20.1 million (-23.1 %). Factors influencing this decline include the lower revenue in South Africa, decreased revenue in the implementation projects in Australia and the weaker on-board unit sales in Thailand, Australia and Turkey. In Austria, revenue declined by EUR 5.2 million (-13.6 %) compared with the previous year, due primarily to fewer expansions and component sales as well as the granting of a rebate in kind.

The effects of the standardization of standards, processes and interfaces were felt in the area of staff costs as well.

Main positions of the consolidated statement of comprehensive income

The cost of material and other production services declined by EUR 29.6 million to EUR 228.0 million (previous year: EUR 257.6 million). Compared with the previous year, the share of costs for materials and other production services with respect to sales revenue fell from from 52.7 % to 46.8 %.

Staff costs increased by EUR 8.9 million to EUR 139.2 million (previous year: EUR 130.3 million). At the same time, the average number of employees grew by 375 persons, changing from 2,796 to 3,171 in the reporting period. Compared with the previous year, the staff cost ratio (staff costs in relation to total revenue) increased from 26.7 % to 28.6 %. The change in the organizational structure implemented in the previous year with the goal of establishing globally uniform standards, processes and interfaces also impacted the area of human resources; cost savings or at worst moderate cost increases were achieved as a result in the parent companies. The increases in comparison with the previous year are primarily attributable to the creation of the operation company in Belarus, the further expansion of the North American companies and the takeover of the U.S. company Transdyn, Inc.

Depreciation and amortization expenses decreased by EUR 1.1 million to EUR 16.6 million (previous year: EUR 17.7 million); this resulted primarily from the reduction in the depreciation of intangible assets.

Other operating expenses rose by EUR 4.4 million to EUR 92.2 million (previous year: EUR 87.8 million). Higher expenses were incurred under the remaining operating expense items as well as under legal and consulting expenses and leasing expenses.

The financial result decreased from EUR 0.2 million to EUR -14.9 million. The main reasons for the decrease in financial income were the sale of the minority shares in the Joint Venture LLC “United Toll Systems”, Russia, and the sale of securities in the comparison period of the previous year. The finance costs experienced an increase in the as yet unrealized foreign exchange losses. In the case of both the foreign currency gains and the foreign currency losses, the changes can be attributed to exchange rate fluctuations that negatively impacted primarily the conversion by the parent company of the group-internal financing measures of the subsidiaries in North America and South Africa as at the key date; however, these can be viewed as unrealized gains/losses.

The profit from joint ventures and associated companies was EUR 0.2 million (previous year: EUR 0.3 million) and resulted from the stake in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

The profit before taxes decreased by EUR 11.5 million to EUR 5.5 million (previous year: EUR 17.0 million). The increased operating result (EBIT) was not sufficient to compensate for the reduced financial revenue and increased financial expenses compared with the previous year.

The profit before taxes decreased by EUR 14.0 million to EUR 2.9 million (previous year: EUR 16.8 million), making the profit per share EUR -0.33 (previous year: EUR 0.75).

2.3 Assets and liabilities

The balance sheet total decreased slightly by EUR 0.4 million to EUR 566.8 million at the close of the period on 31 March 2014 (31 March 2013: EUR 567.2 million).

The equity fell by EUR 23.6 million to EUR 213.1 million (previous year: EUR 236.7 million). As a result, the equity ratio of the Kapsch TrafficCom Group decreased from 41.7 % on 31 March 2013 to 37.6 % on 31 March 2014.

The largest change in assets concerns the current assets, which declined from EUR 403.1 million in the previous year to EUR 330.5 million at the close of the reporting period. Both the decline in trade receivables and other current assets as well as the decline in inventories can be attributed to the project in Belarus. Non-current assets increased by EUR 72.2 million, largely due to the non-current share of the receivables from the Belarus installation project. In addition, the intangible assets from company mergers and the posting of the previous advance payments for external development of another central system under assets further increased this balance sheet item. On the other hand, the non-current assets were negatively impacted by the decline in other non-current financial assets and investments due primarily to the change in the fair value of the investment in Q-Free ASA, Norway.

The largest changes in the liabilities occurred in the area of current liabilities. These increased by EUR 17.7 million to EUR 206.3 million at the close of the reporting period on 31 March 2014 (31 March 2013: EUR 188.7 million). The most significant change under this item occurred in the current financial liabilities, which rose largely as a result of the financing for the installation of the nationwide electronic toll collection system in Belarus as well as the acquisition of the US company Transdyn, Inc.

2.4 Financial position

The net cash flow from operating activities amounted to EUR -10.9 million (previous year: EUR 67.2 million). This development can be attributed primarily to the increase in other non-current assets and the decrease in trade payables and other current liabilities. The higher operating result (EBIT) and the increases in trade receivables, other assets and inventories were not able to compensate for this.

The net cash flow from investment activities amounted to EUR -27.3 million (previous year: EUR -10.0 million) and was characterized during fiscal year 2013/14 primarily by payments for the purchase of Transdyn, Inc., U.S.A., the intangible assets in connection with this acquisition, the creation of the Belorussian company and the ongoing replacement investments in North America and Austria.

The net cash flow from financing activities was EUR 20.5 million (previous year: EUR -22.5 million). In contrast to the previous year, this figure was positive due to the increase in current and non-current financial liabilities in particular from project financing, which compensated for the dividends paid out.

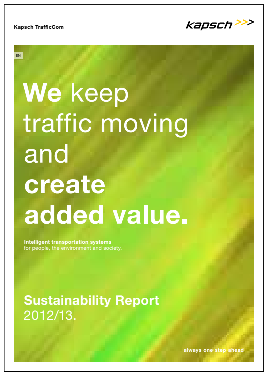
Cash and cash equivalents decreased as a result to EUR 57.7 million on 31 March 2014 (31 March 2013: EUR 79.0 million).

2.5 Non-financial performance indicators

Sustainability management

Kapsch TrafficCom sees itself as particularly committed to the central aspects of sustainability not least due to the business model of the company. The focus lies on achieving the efficient and sparing use of resources of all kinds, securing our profitability and innovative strength and ensuring equal opportunities and fairness with respect to all relevant interest groups. Securing the long-term stability of the company in consideration of all economic, environmental and social perspectives is our overarching goal.

Consistent sustainability orientation. Kapsch TrafficCom understands sustainability as a continuous process. In recent years, we have begun systematizing all the related agendas. One important milestone was reached with the publishing of the second sustainability report in late autumn of 2013, which is available at www.kapsch.net/ktc/investor_relations.



Experience the multi-media world of Kapsch.

The sustainability report satisfies the requirements of the Global Reporting Initiative, GRI Guideline G3.1 (Application Level C). It 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.

The report provides comprehensive information about the central fields of action, which are summarized below. Due to the broad nature of the topics, some are addressed in other sections of this annual report. Figures for success measurement as well as goals for the following period have been defined for each field of action. All such agendas are coordinated by a sustainability officer and reported to the executive board.

- ▶ Sustainably safeguarding the business success
- ▶ Innovative products with added value for the environment and society
- ▶ Transportation systems fit for the future
- ▶ Protecting the environment and resources
- ▶ Ensuring the necessary team competence
- ▶ Social responsibility

Innovative products with added value for the environment and society

An impressive 11 % of the total revenue is invested in research and development.

The innovative products and solutions for intelligent transportation systems from Kapsch TrafficCom make valuable contributions to climate protection. They allow road users to reach their destinations quickly, efficiently and with low environmental impact. In order that these ambitions can be realized as well as possible in the future, Kapsch TrafficCom invests heavily in research and development – in fiscal year 2013/14, the company spent roughly 11 % (previous year: approximately 12 %) of the total revenue in this area.

Comprehensive guidelines were created to ensure that environmental, economic, social, health and safety aspects are ideally taken into account in a structured fashion in the design of products. The contents of these guidelines must be integrated into the specifications and project invitations to tender. In fiscal year 2012/13, already 91.31 % of all products fulfilled these requirements.

Quality. Safeguarding the high standard of quality, safety and robust processes is a high priority in all units of the company. Kapsch TrafficCom AG defines its processes in an integrated HSSEQ management system (Health, Safety, Security, Environment, Quality). This system is based on certifications according to ISO 9001 Quality Management (since 2002) as well as OHSAS 18001 Occupational Health and Safety Management and ISO 14001 Environmental Management (since 2005). Kapsch TrafficCom has anchored the necessary measures for ensuring the associated standards into its internal processes and continuously monitors compliance. The certificate according to ISO 27001 defines the required information security management. A high service quality is ensured in the area of technical operation with ISO 20000 for IT service management. The HSSEQ Circle meets once per quarter to discuss the status of the goals and measures from the areas of health and safety, quality, the environment and information security and to optimize work processes and information sharing. These aspects are documented in a quarterly report to the executive board and the first management level.

Transportation systems fit for the future

The reliability of the systems is measured based on the toll transaction rate.

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 99.83 % in 2013 (2012: (99.80 %), the average transaction rate of the nationwide electronic toll collection system in the Czech Republic was approximately 99.6 % (2012: (99.6 %). Thus, both were reaching the high level of 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.

Protecting the environment and resources

Environmental impact should be reduced through energy efficiency and waste reduction.

Our business activities are associated with the consumption of raw materials and the emission of climate-relevant emissions. Kapsch TrafficCom works intensively on minimizing these impacts. The majority of the climate-relevant effects result from the business activities of the subsidiary Kapsch Components, which is responsible for production as well as the fleet of the entire Group. Through measures to increase energy efficiency, but also influenced by a lower production volume, Kapsch Components was able to reduce its energy consumption by more than 5 % in fiscal year 2012/13. While a reduction of CO2 emissions was not possible due to the expansion-related increase in the fleet size, the nitrogen consumption per ton of product was reduced by 17.3 % and the waste volume by 20.3 %. Paper consumption was also lowered by over one-third.

Ensuring the necessary team competence

More than half of all employees work outside of Europe for Kapsch TrafficCom.

Staff. The average number of employees in the Kapsch TrafficCom Group in fiscal year 2013/14 was 3,171, which is 13 % higher than the average of 2,796 in fiscal year 2012/13. As of 31 March 2014, the group had a workforce of 3,308 (3,120 salaried and 188 non-salaried employees), of which more than half were located outside of Europe – roughly 1,200 employees in South Africa only.

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.

Promoting opportunities for women is an active goal both in the company and within the scope of special programs.

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.

Social responsibility

The framework. 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 the website www.kapsch.net.

Additionally, within the scope of internal risk management, all business units over which Kapsch TrafficCom AG has primary influence are audited 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.

Social responsibility begins with ethically, morally and legally correct actions.

In accordance with the company values, the Kapsch TrafficCom Group accepts social responsibility that extends even beyond its scope of operation.

Educational institutions. Technical educational institutions are very important to Kapsch as a technology- and innovation-oriented group. The company is therefore interested in establishing contact as early as possible with students as well as graduates of technical education programs. Alongside the Vienna University of Technology and the UAS Technikum Wien, the Kapsch Group has also subsidized the *“Universitäre Gründerservice Wien GmbH”* since 2005. This organization aids young entrepreneurs in transforming ideas into sound business concepts.

Development support. One example of the many social projects supported in Austria and abroad is the institute *“Cooperation bei Entwicklungs-Projekten”* (ICEP, English: Cooperation in Development Projects). The goal of this organization is to fight poverty around the world through projects with dependable local partners in many countries. In addition, Kapsch TrafficCom provides funding to projects that promote the integration of marginalized groups through targeted measures, thereby contributing to social justice, positive social development and long-term safety and security.

Support of art and cultural institutions. The entire Kapsch Group – headed by Kapsch AG – supports many contemporary art and cultural institutions and projects and even initiates its own projects in this sector.

The Kapsch Group has participated in a general partnership with the Vienna Concert Hall *(Wiener Konzerthaus)* since 1992 under the motto of “It is an art to make money. It is an obligation to spend money on art.” The Vienna Concert Hall offers plenty of space for all culture of high quality. Unusual programs regularly interest new segments of the public without alienating long-term friends of the Concert Hall. The festival *“Wien modern”* – one of the most famous contemporary music festivals in the world has been supported since 1989.

In the area of visual arts, Kapsch is particularly interested in supporting artists who are still in need of wider recognition. Consideration is therefore given to young artists from Austria and abroad with sponsorship campaigns. The showcase project in this area is the art calendar that the Kapsch Group has published since 1994 and presents annually in late autumn to great fanfare.

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).

Risk management entails the analysis of risks and opportunities.

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, the audit committee of the supervisory board and the first management level 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.

High volatility in project orders creates risks and opportunities.

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), 2010/11 (implementation of an electronic toll collection system in the South African province of Gauteng) and 2011/12 (implementation of a nationwide electronic truck toll collection system in Poland). In fiscal year 2012/13 as well as 2013/14 sizeable revenues were generated 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).

Technical challenges and tight schedules produce typical project risks.

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

Continuous innovation is essential for maintaining and improving the global market position.

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.

Political risks must be monitored in global activities.

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

Financial risks arise from exchange rate fluctuations, interest and credit risks as well as maintaining liquidity.

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 as needed and secured. 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

IT risks are monitored and minimized by means of standards and certifications.

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 enterprise risk management approach of Kapsch TrafficCom AG not only addresses risks but also encompasses the regular identification, evaluation and management of opportunities. The goal of these efforts is to manage the strategic orientation of the product portfolio and market activities through the early identification of opportunities and to develop corresponding potential.

Market opportunities arise from the increasing need for infrastructure project financing and growth in the demand for traffic control.

Market opportunities exist in geographic diversification as well as increasing expansion of the customer and product portfolio, driven in part by the following factors:

Due to the increasing financing requirements of infrastructure projects and the growing need to relieve state budgets, there exists an opportunity to develop new markets, especially in emerging and developing countries, as well as an opportunity to expand our activities into already developed markets.

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of traffic management because measures such as toll collection, road pricing and the establishment of environmental zones or access restrictions are increasingly being employed as controlling instruments of environmental and traffic policy. In both the ETC and ITS segments, this is creating opportunities to further develop and market the portfolio according to the new requirements.

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up new opportunities for expanding the functionality of existing systems. Opportunities also exist to obtain new customers outside of the public sector, such as in the area of fleet management.

Other opportunities. Constant innovation and technical advancements create opportunities for the Kapsch TrafficCom Group to improve the efficiency and performance of customer systems as well as to gain a technological edge over competitors with regard to the performance and functionality of the offered systems.

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.

Internal control systems ensure reliable and functional processes in the most important business activities.

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.

Internal control systems are locally implemented and centrally monitored.

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.

The control systems were standardized at the group level in fiscal year 2013/14.

A group-wide initiative for uniform documentation of all controlling measures for achieving key controlling goals was undertaken in fiscal year 2013/14. The standardized tracking enables improved control of measures to increase the efficiency of the internal control system and serves as the basis for future audits of the performance of local internal control systems.

2.8 Research and development

The Kapsch TrafficCom Group has an international network of research and development centers in Vienna and Klagenfurt (Austria), Jonkoping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Mississauga (Canada), Kingston (U.S.), Cape Town (South Africa) and as new company acquisition Transdyn, Inc., in Duluth (U.S.). As of 31 March 2013, the Kapsch TrafficCom Group employed 517 engineers in its research and development activities.

Research and development (R&D) has a high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. The knowledge of new technologies based on national and international standards and the ability to implement it efficiently is essential for successful business.

During the last fiscal year one cost-intensive program of R&D was the implementation of a scalable, standardized and high-performance Back-Office-Solution that integrates all major back office tolling concepts from registration and enforcement until issuing on-board units within one common software platform. Also the new European Electronic Toll Service (EETS) standard and related business process are part of the new platform which enables interoperability of electronic toll systems. The aim is to apply this platform concept in all global customer projects generating a high reusability of basic components and ensuring lower maintenance effort during operation.

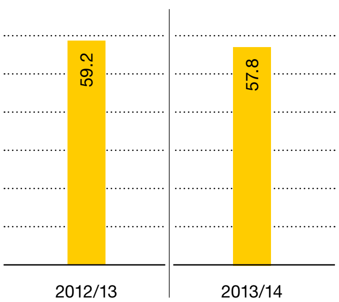
More than 470 employees work on the solutions of tomorrow at nine research and development centers.

Further major R&D activities were continuing prototyping of future Intelligent Transport Systems (ITS) solutions and participation in standardization activities for the European ITS-G5 and the U.S. WAVE technology regarding V2X communication (vehicle-to-vehicle, vehicle-to-infrastructure). Pilot and demonstration projects like "Testfeld Telematik" in Austria and I-94 Truck Parking in US were successfully finalized. Participation in the first pre-deployment project European Corridor for co-operative ITS started recently. The project prepares first pre-commercial end-to-end system deployment in the European Corridor connecting Netherlands, Germany and Austria providing C-ITS services based on V2X technology. The new developed scalable V2X in-vehicle platform enabled cooperation projects with OEMs and Tier-1s providing them customized ITS G5 and WAVE solutions. 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 product portfolio has also been extended by 915 MHz RFID solutions.

One important initiative includes development of a new vehicle detection and classification sensor based on stereoscopic camera technology. This was an enabler in going from double to single gantry installations for the electronic toll collection (ETC) market. Additional improvements are more flexibility and highly reduced installation and maintenance cost. The first instance of this single gantry technology was installed on the M5 Motorway, Sydney, Australia which was opened for traffic during 2013.

In the GNSS (Global Navigation Satellite Systems) area focus has been on development of a GNSS solution for truck tolling in France. This development of a GNSS transponder based solution including adaptions for the French market enables Kapsch TrafficCom to deliver the first GNSS based ETC system with ITS functionality. North American R&D activities included a number of component and system development projects. The largest product development was for the Road Side Equipment (RSE), specifically the launch of a single protocol reader, the factory acceptance test and ongoing enhancement of the Multiprotocol Reader 2 (MPR2). In addition there was project funded work on the ruggedized MPR reader specifically for the project in Texas. In terms of on-board devices, OBUs, the most significant product development effort was on the TDMA V6 OBU replacement, TRP-8100, which when qualified will result in guaranteed sales over a period of four years. Other OBU development was related to 5.9 GHz. Development work at the system level was primarily devoted to the North American Roadside and Maintenance On Line Management System enhancements for both general and Mexico applications.

Investment in research and development (in million EUR)



Research costs are basically 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. With the external development of another central system, the advance payments made to date have been allocated to intangible assets.

In fiscal year 2013/14, the Kapsch TrafficCom Group invested approximately EUR 57.8 million in research and development (previous year: EUR 59.2 million), representing approximately 11 % (previous year: approximately 12 %) 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 2014, approximately 38.1 % of the shares of Kapsch TrafficCom AG were in free float (including approximately 4,0 % of Schroders plc and its fellow subsidiaries and affiliates). As of 31 March 2014, 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 2014, 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

Kapsch TrafficCom has invested in the future during recent years and prepared its internal structures for the expected market growth. The company is also ready for the changes to arise from increasing ITS convergence. With the adapted strategy, the executive board considers the company’s position for the future to be stronger than ever.

Concerted work will continue on existing projects in the 2014/15 fiscal year. The major project in Belarus will be expanded further, and Kapsch TrafficCom also expects expansions to the operation project in Poland. Now that the toll system in South Africa has been in operation since December 2013, the company plans to work with its customer to further improve the revenue from the project. The result of the invitation to tender for the nationwide toll system in Russia is expected soon.

Kapsch TrafficCom also expects that some of the postponed projects as well as others will materialize in the current fiscal year. In parallel to this, the company continues to actively contact potentially interested parties for toll systems, an approach that has already proved successful in Belarus.

2.11 Material events after the balance sheet date

No major events occurred after the balance sheet date.

Vienna, 27 May 2014

Georg Kapsch
Chief Executive 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, 27 May 2014

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Our Results.

Consolidated Financial Statements as of 31 March 2014

You recognize formulas and unsolvable problems from math class?

We think of our corporate responsibility to be transparent and open.
Even if people are at the focus of our actions, it is facts and figures that matter in the end to investors. With our consolidated financial statements, we want to show everyone interested in our company how the past fiscal year developed and where the future should lead. With us, transparency, precision and trust are factors on which you can depend.

Consolidated Financial Statements as of 31 March 2014.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2013/14	2012/13 (adjusted)
Revenues	(1)	**486,966,886**	**488,937,192**
Other operating income	(2)	15,227,104	15,944,925
Changes in finished and unfinished goods and work in progress	(3)	-5,975,736	4,715,407
Other own work capitalized		141,383	280,792
Cost of materials and other production services	(4)	-228,043,730	-257,567,332
Staff costs	(5)	-139,192,569	-130,319,468
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-16,590,897	-17,671,090
Other operating expenses	(7)	-92,255,847	-87,823,624
Operating result		**20,276,594**	**16,496,801**
Finance income	(8)	5,541,619	14,115,415
Finance costs	(8)	-20,488,627	-13,916,175
Financial result	(8)	**-14,947,009**	**199,240**
Results from associates and joint ventures	(14)	158,443	327,203
Result before income taxes		**5,488,028**	**17,023,244**
Income taxes	(9)	-2,631,956	-212,038
Result for the period		**2,856,072**	**16,811,206**
Result attributable to:			
Equity holders of the company		-4,299,498	9,787,032
Minority interests		7,155,570	7,024,174
		2,856,072	**16,811,206**
Earnings per share from the result for the period attributable to the equity holders of the company (in EUR)	(30)	**-0.33**	**0.75**
Other comprehensive income for the period:			
Items that may be reclassified to the result for the period:			
Currency translation differences		-3,947,156	-2,900,791
Currency translation differences from net investments in foreign operations		-643,594	0
Available-for-sale financial assets		-7,814,018	-10,693,827
Income tax relating to items that may be reclassified to the result for the period		52,059	429,995
Total items that may be reclassified to the result for the period		**-12,352,709**	**-13,164,623**
Items that will not be reclassified to the result for the period:			
Actuarial gains/losses according to IAS 19		-464,660	-2,034,252
Income tax relating to items that will not be reclassified to the result for the period		36,794	512,787
Total items that will not be reclassified to the result for the period		**-427,866**	**-1,521,465**
Other comprehensive income for the period net of tax	(10)	**-12,780,575**	**-14,686,089**
Total comprehensive income for the period		**-9,924,503**	**2,125,117**
Total comprehensive income attributable to:			
Equity holders of the company		-15,902,406	-3,757,023
Minority interests		5,977,903	5,882,139
		-9,924,503	**2,125,117**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 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 2014	31 March 2013 (adjusted)
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	23,447,039	24,675,617
Intangible assets	(13)	89,567,390	79,170,076
Interests in associates and joint ventures	(14)	1,596,106	1,694,269
Other non-current financial assets and investments	(15)	28,506,061	38,085,392
Other non-current assets	(16)	71,112,851	941,573
Deferred tax assets	(22)	22,109,558	19,527,167
		236,339,005	**164,094,095**
Current assets			
Inventories	(17)	58,107,757	66,428,176
Trade receivables and other current assets	(18)	209,720,873	253,176,701
Other current financial assets	(15)	4,924,111	4,505,087
Cash and cash equivalents	(19)	57,731,290	79,022,460
		330,484,031	**403,132,425**
Total assets		**566,823,037**	**567,226,520**
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		72,291,120	94,079,623
		202,799,891	**224,588,395**
Minority interests		**10,310,208**	**12,114,574**
Total equity		**213,110,099**	**236,702,968**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	109,494,268	104,371,856
Liabilities from post-employment benefits to employees	(23)	22,152,563	22,601,739
Non-current provisions	(26)	1,302,519	1,370,050
Other non-current liabilities	(24)	3,659,711	1,765,834
Deferred income tax liabilities	(22)	10,777,965	11,751,531
		147,387,027	**141,861,011**
Current liabilities			
Trade payables		67,388,050	80,220,031
Other liabilities and deferred income	(25)	62,809,928	52,520,345
Current tax payables		1,190,660	8,030,529
Current financial liabilities	(21)	46,559,523	19,658,281
Current provisions	(26)	28,377,749	28,233,354
		206,325,911	**188,662,540**
Total liabilities		**353,712,938**	**330,523,551**
Total equity and liabilities		**566,823,037**	**567,226,520**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 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 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 01 April 2012 (as previously reported)	**13,000,000**	**117,508,771**	**14,681,954**	**97,416,280**	**13,639,537**	**256,246,542**
IAS 19 Adjustment			-2,561,587			-2,561,587
Carrying amount as of 01 April 2012 (adjusted)	**13,000,000**	**117,508,771**	**12,120,367**	**97,416,280**	**13,639,537**	**253,684,955**
Dividend for 2011/12				-11,700,000	-7,407,103	-19,107,103
Result for the period				9,787,032	7,024,174	16,811,206
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			-10,263,832			-10,263,832
Actuarial gains/losses according to IAS 19			-1,521,465			-1,521,465
Carrying amount as of 31 March 2013 (adjusted)	**13,000,000**	**117,508,771**	**-1,423,687**	**95,503,311**	**12,114,574**	**236,702,969**
Effects from increase in shares of subsidiaries			-878,482		-692,359	-1,570,840
Effects from deconsolidation of subsidiaries					718	718
Dividend for 2012/13				-5,200,000	-6,898,246	-12,098,246
Result for the period				-4,299,498	7,155,570	2,856,072
Other comprehensive income for the period:						
Currency translation differences			-3,059,801		-1,370,050	-4,429,851
Fair value gains/losses on available-for-sale financial assets			-7,922,858			-7,922,858
Actuarial gains/losses according to IAS 19			-427,866			-427,866
Carrying amount as of 31 March 2014	**13,000,000**	**117,508,771**	**-13,712,693**	**86,003,813**	**10,310,208**	**213,110,099**

Share capital. 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 includes those reserves that have not been established from results of prior periods.

Other reserves. Other reserves contain 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 and actuarial gains/losses according to IAS 19.

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

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

The effects from the increase in shares result from the acquisition of further shares in TMT Services and Supplies (Pty) Ltd., Capetown, South Africa.

Consolidated cash flow statement.

All amounts in EUR	Note	2013/14	2012/13 (adjusted)
Cash flow from operating activities			
Operating result		20,276,594	16,496,801
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	16,590,897	17,671,090
Increase/decrease in obligations for post-employment benefits	(23)	-1,778,223	-137,794
Increase/decrease in other non-current liabilities and provisions	(24, 26)	1,397,031	407,522
Increase/decrease in other non-current receivables and assets		-1,254,172	4,235,033
Increase/decrease in trade receivables (non-current)	(16)	-64,919,991	3,126,137
Increase/decrease in trade payables (non-current)	(24)	-384,989	-2,060,803
Other (net)		-10,451,455	-4,055,119
		-40,524,306	**35,682,867**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(18)	54,331,561	34,773,487
Increase/decrease in inventories	(17)	8,333,735	-17,529,301
Increase/decrease in trade payables and other current payables		-22,548,447	20,634,294
Increase/decrease in current provisions	(26)	144,395	9,702,578
		40,261,244	**47,581,057**
Cash flow from operations		**-263,062**	**83,263,924**
Interest received	(8)	1,450,169	1,418,235
Interest payments	(8)	-5,504,166	-7,166,594
Net payments of income taxes		-6,582,573	-10,337,741
Net cash flow from operating activities		**-10,899,634**	**67,177,824**
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-10,571,546	-12,686,263
Purchase of non-current intangible assets	(13)	-5,111,623	-7,547,597
Purchase of securities, investments and other non-current financial assets	(15)	-575,700	-71,017
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(28)	-11,957,526	0
Payments for the acquisition of minority shares		-1,570,840	0
Payments for the acquisition of shares in companies consolidated at equity	(14)	0	-1,702,325
Proceeds from the disposal of property, plant and equipment and intangible assets		1,923,980	1,357,267
Proceeds from the disposal of securities and other financial assets		557,154	10,657,490
Net cash flow from investing activities		**-27,306,102**	**-9,992,444**
Cash flow from financing activities			
Dividends paid to company shareholders		-5,200,000	-11,700,000
Dividends paid to minority shareholders of group companies		-6,898,246	-7,407,103
Increase in other non-current financial liabilities	(21)	26,175,745	36,968,117
Decrease in other non-current financial liabilities	(21)	-720,000	-19,781
Increase in current financial liabilities	(21)	19,398,093	5,321,641
Decrease in current financial liabilities	(21)	-12,239,851	-45,636,936
Net cash flow from financing activities		**20,515,741**	**-22,474,063**
Net decrease/increase in cash and cash equivalents		**-17,689,995**	**34,711,317**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	79,022,460	44,929,361
Net increase/decrease in cash and cash equivalents		-17,689,995	34,711,317
Exchange gains/losses on cash and cash equivalents		-3,601,176	-618,218
Cash and cash equivalents at end of year	(19)	**57,731,290**	**79,022,460**

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 further shares and other transactions (mainly sale of shares in the fiscal year ending 31 March 2012), KAPSCH-Group Beteiligungs GmbH has a current share of 61.92 %. 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 entities are part of the consolidated group:

Austria
- Kapsch TrafficCom AG, Vienna
- Kapsch Components GmbH & Co KG, Vienna
- Kapsch Components GmbH, Vienna
- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Jibesoev GmbH, Vienna
- Kapsch Telematic Services GmbH, Vienna

Europe (excl. Austria)
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria
- Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark
- Kapsch Telematic Services GmbH Deutschland, Berlin, Germany

- Kapsch TrafficCom France SAS, Paris, France
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy
- Kapsch TrafficCom B.V., Amsterdam, Netherlands
- Kapsch Telematic Services sp. z o.o., Warsaw, Poland
- Kapsch Road Services sp. z o.o., Warsaw, Poland **)
- OOO Kapsch TrafficCom Russia, Moscow, Russia
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus

America

- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom do Brasil, Sao Paulo, Brazil
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom Canada Inc., Mississauga, Canada
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico
- Kapsch TrafficCom Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom Holding II US Corp., McLean, U.S.A.
- Kapsch TrafficCom U.S. Corp., McLean, U.S.A.
- Kapsch TrafficCom Inc., Carlsbad, U.S.A.
- Kapsch TrafficCom IVHS Technologies Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom IVHS Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom IVHS Inc., McLean, U.S.A.
- Transdyn Inc., Duluth, U.S.A. *)

Rest of the World

- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan
- 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
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa
- VTI Industrial Electronics (Proprietary Limited) (South Africa), Germiston, South Africa
- Transport Telematic Systems – LLC, Abu Dhabi, United Arab Emirates

*) Acquisition in the fiscal year 2013/14
**) in foundation

In the fiscal year 2013/14, TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa, and Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark were liquidated.

Kapsch-Busi S.p.A. con socio unico, Bologna, Italy was merged into Kapsch TrafficCom S.r.l a socio unico, Milan, Italy, as the receiving company.

The following entities are accounted for using the equity method:

Associates

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

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 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of 31 March 2014 are prepared under the historical cost convention, with the exception of available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date. Pertinent explanations can be found within the scope of the corresponding accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date 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 25.

For ease of presentation, amounts have been rounded and, unless indicated otherwise, are presented in thousands of 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 2013/14

IAS 19, 'Employee Benefits', was amended in June 2011. The amendment of IAS 19 means that the previously permissible accrual and deferral of actuarial gains and losses according to the corridor approach – recognition of actuarial gains and losses through profit or loss will only be permissible if they exceed 10 % of the higher amount of the obligation and the fair value of plan assets – will no longer be possible. Actuarial gains and losses are now recognized immediately in other comprehensive income. In addition, the group has applied the new pertinent reporting provisions.

Within the scope of the revised IAS 19, net interest expense and income will now be recognized as part of the financial result and not, as previously, as part of staff costs. This is the currently applicable reporting method, which increases comparability with other financial statements.

Pursuant to IAS 8, the revised IAS 19 and the new presentation of the interest effect will be applied retrospectively with effect as from 1 April 2012 for the purpose of immediately providing comparative information.

The effects of IAS 19 revised on the consolidated balance sheet as of 1 April 2012, as of 31 March 2013 and as of 31 March 2014 are represented as follows:

All amounts in TEUR	1 April 2012		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Consolidated retained earnings	97,416	0	97,416
Other reserves	14,682	-2,562	12,120
Total equity	**256,247**	**-2,562**	**253,685**
Liabilities from post-employment benefits to employees	16,704	3,418	20,122
Deferred income tax liabilities	18,316	-857	17,459
Total equity and liabilities	**557,695**	**0**	**557,695**

All amounts in TEUR	31 March 2013		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Consolidated retained earnings	95,399	104	95,503
Other reserves	2,659	-4,083	-1,424
Total equity	**240,682**	**-3,979**	**236,703**
Liabilities from post-employment benefits to employees	17,289	5,313	22,602
Deferred income tax liabilities	13,086	-1,335	11,752
Total equity and liabilities	**567,227**	**0**	**567,227**

All amounts in TEUR	31 March 2014		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Consolidated retained earnings	85,687	317	86,004
Other reserves	-9,202	-4,511	-13,713
Total equity	**217,304**	**-4,194**	**213,110**
Liabilities from post-employment benefits to employees	16,658	5,494	22,153
Deferred income tax liabilities	12,078	-1,300	10,778
Total equity and liabilities	**566,823**	**0**	**566,823**

The effects of IAS 19 revised on the consolidated statement of comprehensive income for the reporting period and the previous period are as follows:

All amounts in TEUR	2012/13		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Expenses for termination benefits and pensions	-1,461	1,235	-225
Staff costs	**-131,555**	**1,235**	**-130,319**
Operating result	**15,261**	**1,235**	**16,497**
Interest expense from liabilities from post-employment benefits to employees	0	-1,096	-1,096
Financial result	**1,296**	**-1,096**	**199**
Result before income taxes	**16,884**	**139**	**17,023**
Income taxes	-177	-35	-212
Result for the period	**16,707**	**104**	**16,811**
Actuarial gains/losses of liabilities from post-employment benefits to employees	0	-2,034	-2,034
Taxes on gains/losses recognized directly in equity	0	513	513
Other comprehensive income for the period	**-13,165**	**-1,521**	**-14,686**
Total comprehensive income for the period	**3,542**	**-1,417**	**2,125**

All amounts in TEUR	2013/14		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Expenses for termination benefits and pensions	-1,428	1,185	-243
Staff costs	**-140,377**	**1,185**	**-139,193**
Operating result	**19,092**	**1,185**	**20,277**
Interest expense from liabilities from post-employment benefits to employees	0	-901	-901
Financial result	**-14,046**	**-901**	**-14,947**
Result before income taxes	**5,205**	**283**	**5,488**
Income taxes	-2,561	-71	-2,632
Result for the period	**2,643**	**213**	**2,856**
Actuarial gains/losses of liabilities from post-employment benefits to employees	0	-465	-465
Taxes on gains/losses recognized directly in equity	0	37	37
Other comprehensive income for the period	**-12,353**	**-428**	**-12,781**
Total comprehensive income for the period	**-9,709**	**-215**	**-9,925**

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; instead, they 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 standard is adopted prospectively. The group made the additional related disclosures. This change did not have any significant effects on the measurement of the assets and liabilities of the group.

IFRS 7, ‘Financial Instruments: Disclosures’, will provide for additional disclosures in the notes with regard to the offsetting of financial assets and financial liabilities. The amendment is applied retrospectively. The group has not entered into any corresponding agreements, which means that the application of additional disclosures in the notes does not have any effect on the disclosures made on the amounts recognized in the consolidated financial statements.

IAS 1, ‘Presentation of Financial Statements’, includes changes which aim at clarifying the presentation of the increasing number of items under other operating income. In the future, a differentiation will only be made between items of other operating income which may be reclassified to profit or loss and items which will never be reclassified. The income taxes incurred with respect to these items of other operating income are to be allocated to them. The group applied the revised standard retrospectively, and the items of other comprehensive income have been adjusted accordingly.

In addition, IAS 1 includes a clarification with respect to minimum comparative information and additional comparative information which may be recorded. The criteria regarding the requirement of a third balance sheet are clarified such that the presentation of a third balance sheet is mandatory if accounting policies are applied retrospectively or if balance sheet items are adjusted or reclassified retrospectively. Furthermore, such retrospective amendment, adjustment or reclassification must have a material impact on the third balance sheet. It is also clarified that disclosures in the notes do not have to be made with respect to the third balance sheet.

In the current fiscal year, the group applied one revised standard (IAS 19R). For reasons of materiality, the balance sheet at beginning of the previous reporting period (1 April 2012) according to IAS 1.40A was not reported.

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.

IAS 36, 'Impairment of Assets', includes corrections of disclosure requirements. It applies to impaired assets with respect to which the recoverable amount was used as a basis for the fair value less costs to sell. Previously, the recoverable amount was to be stated irrespective of any impairment. The correction restricts the disclosure requirements to cases of actual impairment, with the required disclosures being extended however. The standard is applicable for fiscal years beginning on or after 1 January 2014. There are no significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

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 fiscal years beginning on or after 1 January 2013 and does not affect 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

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 group'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 in 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 2018. 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 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. There are no significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group´s presentation as the group currently has no shares in “joint operations” or in “joint ventures”.

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 as well as IAS 28 in one standard. The group will apply IFRS 12 in the accounting period beginning on 1 April 2014. Due to IFRS 12 the group will extend its disclosures related to shares in subsidiaries and in investments accounted for using the equity method.

IAS 32, ‘Financial Instruments: Presentation’, complements the principles for setting off financial assets and financial liabilities. Setting off 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.

IAS 27, ‘Separate Financial Statements’, will in the future only include requirements for separate financial statements in accordance with IFRS and will 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.

IAS 39, ‘Financial Instruments’, was supplemented by a relief provision. The amendment aims at preventing that a hedging relation is triggered as a result of a hedging instrument being novated (novation meaning the contractual replacement of an existing obligation by creating a new one) with a central counterparty. The change is to be applied to reporting periods of a fiscal year beginning on or after 1 January 2014 and will not have any impact on the group.

Amendments to IFRS 10, IFRS 12 and IAS 27, ‘Investment Entities’, introduce an exception to the consolidation obligation for subsidiaries pursuant to IFRS 10 ‘Consolidated Financial Statements’, applicable to entities which meet the definition of an investment entity. The change has to be applied in fiscal years beginning on or after 1 January 2014. At present, the group does not expect these amendments 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 14, ‘Regulatory Deferral Accounts’ is to be applied only by entities which apply IFRS for the first time.

IFRIC 21, ‘Levies’, defines the triggering point of provisions for taxes levied by government agencies in accordance with IAS 37 whose payment time or amount are still uncertain. It also defines how to account for corresponding liabilities, i.e. in instances in which both payment time and amount are already known. Income taxes within the meaning of IAS 12, however, are excluded from the scope of application. The application of this interpretation may result in a levy payment obligation being recognized at a different time than previously – specifically in instances in which the payment obligation arises only if certain conditions apply at a certain point in time. The group will apply this amendment in the fiscal year beginning on 1 April 2014. At present, the group does not expect IFRIC 21 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.

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.

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 result 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 is 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.

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 more closely 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 in the acquiree – plus
- The fair value of the acquirer's previously held equity interest in the acquiree if the combination is achieved in stages – less
- The net amount (in general of the fair values) of the identifiable assets acquired and liabilities assumed.

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

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 hyperinflationary 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 subsidiaries.

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	
Exchange rates to the Euro	**2013/14**	**2012/13**	**2013/14**	**2012/13**
AUD	1.440	1.251	1.494	1.231
CAD	1.414	1.296	1.523	1.302
CZK	26.421	25.277	27.442	25.740
PLN	4.216	4.168	4.172	4.180
SEK	8.739	8.612	8.948	8.355
USD	1.338	1.292	1.379	1.281
ZAR	13.617	10.946	14.588	11.820

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 2014, 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, and not the Belorussian ruble (BYR), is the functional currency, the classification of the Republic of Belarus as a hyperinflationary economy has no impact on the accounting of the Belorussian subsidiary and thus also does not affect the present consolidated financial statements. IAS 29 is therefore not 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 which 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.

This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations as part of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold. In the fiscal year 2013/14, two USD loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the management board does not plan for a redemption of these loans in the foreseeable future and since such redemption is not likely to occur. As from beginning of the third quarter of fiscal year 2013/14, any exchange rate differences from these loans were thus directly recognized in other comprehensive income and amounted to TEUR 483 (2012/13: TEUR 0) after taxes.

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 2014 (31 March 2013) had changed by the percentage rate (‘volatility’) stated below, the result 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	
		2013/14	**2012/13**
AUD	10 %	274	364
CAD	10 %	1,680	1,987
CZK	10 %	71	337
EUR	10 %	-2,629	-3,436
PLN	10 %	207	933
SEK	10 %	567	533
USD	10 %	3,181	3,192
ZAR	10 %	1,334	2,506

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.

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 half of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2014, 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 deemed to be 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 group policies limit the amount of its credit exposure to individual financial institutions, 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	2013/14	2012/13
Other non-current financial assets and investments	28,506	38,085
Other non-current assets	71,113	942
Current securities	4,924	4,505
Trade receivables and other current assets	209,721	253,177
Cash and cash equivalents	57,731	79,022
	371,995	**375,731**

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 an adequate scope of unutilized credit lines at any time.

e) Equity price risk

The group is exposed to equity securities price risk resulting from a material investment, since a Norwegian investment (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 Q-Free ASA investment is dealt on the Oslo Stock Exchange.

The table below summarizes the impact of increases/decreases in the stock price of Q-Free ASA on the equity. The analysis is based on the assumption that the stock price increases/decreases by 10% with all other variables held constant.

Index	Volatility	Impact on equity in TEUR	
		2013/14	**2012/13**
NO0003103103	+10 %	2,375	3,200
NO0003103103	-10 %	-2,375	-3,200

f) Commodity price risk

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

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 long-term development of the group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. The Kapsch TrafficCom 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 for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. Due to these circumstances and especially due to the pre-financing agreements from the Belorussian project the gearing ratio at 31 March 2014 was outside the target range.

In the medium-term the management expects to be able to decrease the gearing ratio accordingly.

In the reporting year, all external capital requirements resulting from the project financing of the nationwide truck toll collection system in the Republic of Belarus 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	2013/14	2012/13 (adjusted)
Non-current financial liabilities	109,494	104,372
Current financial liabilities	46,560	19,658
Total financial liabilities	**156,054**	**124,030**
Cash on hand and at banks	57,731	79,022
Current securities	4,924	4,505
Net assets /Net debt	**-93,398**	**-40,503**
Equity	213,110	236,703
Net gearing	**44 %**	**17 %**

7 Fair value measurement.

Historical cost is based on the fair value as at the acquisition date. The fair value has been defined as the price that would be received to sell an asset or paid to transfer a liability in an regular transaction between market participants at the measurement date (IFRS 13.9). When it comes to the fair value measurement of an asset or a liability, the group takes into account the assumptions that a market participant would use when pricing the asset or liability at the measurement date (IFRS 13.11).

To the greatest extent possible, the group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of three levels in the following fair value hierarchy:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

8 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 requires 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 2013/14, none of the assets recognized by the group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

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

9 Property, plant and equipment.

Property, plant and equipment are 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 generally 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.

10 Intangible assets.

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred for the acquisition beyond the group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the acquisition date. If the acquisition costs are less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the statement of comprehensive income.

Goodwill impairment reviews are undertaken at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a rule, the group carries out the annual goodwill impairment review in the fourth quarter. In addition, the group carries out impairment tests during the year if a triggering event occurs that may cause the asset to be impaired.

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

The carrying value of goodwill is compared to the recoverable amount, which is the higher of the 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 rates and on external studies on the future medium-term market development.

The fair value less costs to sell is determined using an appropriate valuation model which is based on the medium-term planning of the respective cash generating unit. The valuation is made in line with the discounted cash flow calculations and verified through suitable multiples, if available.

Write-ups on goodwill are not made.

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 for 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 opportunity to use or sell the intangible asset;
d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
e) adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense. 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 as 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.

11 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 net selling price and its 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 subsequent reporting date.

The difference between the net disposal proceeds of assets 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.

12 Financial assets.

Financial assets are subdivided into the following categories:
- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Available-for-sale financial assets
- Loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

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 or loss.

Available-for-sale securities and financial assets at fair value through profit or 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 or 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 through profit or 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 such impairment, and the amounts of the available-for-sale financial assets previously recognized in equity are removed from equity and recognized through profit or loss in the statement of comprehensive income. The 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 is directly related to an event occurring after the impairment was recognized through profit or loss in the statement of comprehensive income, the group reverses the impairment loss. In the case of debt instruments (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 stand-alone derivatives (i.e. as independent transactions and not as hedging transactions). Therefore they qualify 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 the financial result, depending on the derivative financial instrument's purpose.

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

d) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (e.g. trade receivables, other receivables, cash on hand and at banks) are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for bad debts.

13 Leases.

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

Leasing agreements in which the group as the lessee bears 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. 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 all 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 as rental expense to the statement of comprehensive income on a straight-line basis over the period of the lease.

14 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 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.

15 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. The net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

16 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. Depending on maturity the balance is recognized either under non-current assets, current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

17 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 is 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.

18 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.

19 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 incurred for defects to be rectified under the warranty for products sold before the balance sheet date.

Provisions for onerous contracts are recognized if the expected benefit to be derived from the contract is less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the amount from the fulfillment of the contract or any compensation payments in case of nonperformance, whichever is lower. The recognition of impairment losses on assets dedicated to such "onerous" contracts is, however, established prior to the recognition of the provisions for onerous contracts.

20 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.

The projected unit credit method is used for the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19. According to this method, post-employment costs for employee benefits are recognized in the statement of comprehensive income in such a way that scheduled costs are spread over the employees' years of service on the basis of an expert opinion by a qualified actuary, who completely re-measures the schemes annually. The obligations for 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 are charged to other comprehensive income in the period in which they arise.

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

For the calculation of liabilities arising from obligations for anniversary bonuses in accordance with IAS 19, the projected unit credit method is used. Anniversary bonuses are special lump-sum payments stipulated in the Collective Agreement and dependent on compensation and years of service. Eligibility is determined by a certain number of service years. The calculation of liabilities arising from obligations for anniversary bonuses is performed in a similar way as the calculation for liabilities arising from termination benefits.

21 Current and deferred income tax.

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

The current income tax charge is calculated on the basis of the tax laws applicable at the balance sheet date in the countries where the subsidiaries and associates operate and generate taxable income.

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. In addition, it is to be assumed that such temporary differences will be reversed in the foreseeable future.

The carrying value of deferred income tax assets is reviewed annually at the balance sheet date and impaired if it is no longer likely that sufficient taxable income will be available to realize such assets partially or in full.

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

Deferred 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.

Taking into account the corresponding terms, 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.

22 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 initially recognized 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.

23 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 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.

24 Revenue recognition.

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

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.

25 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. At the balance sheet date 31 March 2014 the amounts due from customers for contract work amounted to TEUR 92,102 (2012/13: TEUR 96,709) and the amounts due to customers for contract work amounted to TEUR 14,756 (2012/13: TEUR 12,333). The 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 the executive board indicate that the operating result would fluctuate by EUR 8.9 million and the total comprehensive income for the period would fluctuate by EUR 6.7 million if the actual margin of the significant projects deviated by 10 % from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been 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. Sensitivity analyses of the assumptions made by management in connection with inventories, deferred income tax assets/liabilities and provisions indicate that no material effect will arise if the actual final outcomes were to differ from the estimates made by 10 %.

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

26 Segment information.

The reporting on operating segments is 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 disclosure notes are presented in euro thousands (TEUR) unless otherwise stated.

1 Segment Information.

Operating segments

The group reports three 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 2014 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenues	132.0	331.8	23.1	487.0
Operating result	-34.6	53.8	1.1	20.3

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

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenues	128.3	342.3	18.3	488.9
Operating result	-51.7	67.3	0.9	16.5

The segment assets and liabilities as of 31 March 2014 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	209.4	226.0	16.5	452.0
Investments in associates and joint ventures	0.1	1.5	0.0	1.6
Liabilities	60.6	116.8	9.4	186.9
Capital expenditure	3.9	11.8	0.0	15.7
Depreciation and amortization	2.4	13.8	0.4	16.6
Other non-cash-effective positions	0.2	0.2	0.0	0.4

The segment assets include property, plant and equipment, intangible assets, other non-current assets, inventories as well as trade receivables and other current assets.

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

The segment assets and liabilities as of 31 March 2013 (adjusted) 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 associates and joint ventures	0.1	1.6	0.0	1.7
Liabilities	73.0	117.5	4.2	194.7
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

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):

	2013/14			2012/13		
	Revenues	Road Solution Projects	Services, System Extensions, Components Sales	Revenues	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	86.1		x	82.5		x
Customer 2	76.1	x	x	67.0	x	
Customer 3	69.8		x	85.3	x	x
Customer 4	55.9	x	x	57.9	x	x

Information by region

Revenues are segmented by the location of the customer and balance sheet figures by the location of the company.

The figures for the fiscal year ended 31 March 2014 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	America	Rest of World	Consolidated Group
Revenues	32.9	300.1	87.0	67.0	487.0
Non-current non-financial assets	18.9	29.4	61.7	3.1	113.0

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

	Austria	Europe (excl. Austria)	America	Rest of World	Consolidated Group
Revenues	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

Revenues per category

Revenues are classified into the following categories:

	2013/14	2012/13
Sales of goods	160,312	148,225
Sales of services	310,125	236,967
Sales of maintenance	35,486	34,064
Accrued/deferred sales, license sales and discounts on invoiced sales	-18,956	69,681
	486,967	**488,937**

2 Other operating income.

	2013/14	2012/13
Income from the sale of non-current assets	24	89
Income from costs recharged	199	156
Exchange rate gains from operating activities	5,410	5,146
Sundry operating income	9,594	10,554
	15,227	**15,945**

Sundry operating income mainly relates to research tax credits 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 in the fiscal year 2012/13 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.

	2013/14	2012/13
Change in unfinished goods and work in progress	5,261	194
Change in finished goods	-11,237	4,522
	-5,976	**4,715**

4 Costs of materials and other production services.

	2013/14	2012/13
Cost of materials	87,359	94,063
Cost of purchased services	140,685	163,505
	228,044	**257,567**

5 Staff costs.

	2013/14	2012/13 (adjusted)
Wages, salaries and other remunerations	113,162	106,373
Expenses for social security and payroll-related taxes and contributions	21,984	22,052
Expenses for termination benefits (see Note 23)	230	216
Expenses for pensions (see Note 23)	14	9
Contributions to pension funds and other external funds (see Note 23)	772	424
Fringe benefits	3,032	1,246
	139,193	**130,319**

As of 31 March 2014, the number of staff amounted to 3,308 persons (31 March 2013: 3,013 persons) and averaged 3,172 persons in the fiscal year 2013/14 (2012/13: 2,796).

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

	2013/14	2012/13
Depreciation of property, plant and equipment	8,715	8,440
Amortization of intangible assets	7,876	9,231
	16,591	**17,671**

7 Other operating expenses.

	2013/14	2012/13
Rental expenses	12,228	11,479
Legal and consulting fees	11,733	9,561
Marketing and advertising expenses	9,505	9,140
Communication and IT expenses	9,323	9,269
Exchange rate losses from operating activities	8,572	9,485
Travel expenses	8,030	9,425
License and patent expenses	6,244	5,528
Automobile expenses	5,088	5,099
Insurance costs	3,658	3,696
Maintenance	3,152	2,867
Office expenses	2,724	2,706
Training costs	2,282	2,244
Taxes and charges	1,984	1,627
Transport costs	1,241	915
Commissions and other fees	361	1,462
Allowance and write-off of receivables	322	930
Adjustment of provision for warranties	-97	765
Losses on disposal of non-current assets	81	37
Other	5,823	1,587
	92,256	**87,824**

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

8 Financial result.

	2013/14	2012/13 (adjusted)
Interest and similar income:		
Interest income	1,355	1,286
Income from securities	95	132
Income from interest accretion of non-current receivables	2,696	647
Gains from the disposal of financial assets	8	8,337
Income from other investments	0	7
Exchange rate gains from financing activities	1,388	3,706
	5,542	**14,115**
Interest and similar expenses:		
Interest expense	-5,504	-7,167
Expense from interest accretion of non-current payables	-814	-252
Exchange rate losses from financing activities	-13,269	-5,401
Interest expense from liabilities from post-employment benefits to employees	-901	-1,096
	-20,489	**-13,916**
	-14,947	**199**

In fiscal year 2013/14 the translation of intercompany financing of subsidiaries in North America and South Africa led to exchange rate fluctuations which are included in exchange rate losses from financing activities and are not yet realized. Gains from the disposal of financial assets in fiscal year 2012/13 resulted mainly from the sale of the joint-venture LLC United Toll Systems, Moscow, which had been founded with 2 partners, to the majority shareholder Mostotrest for EUR 6 million.

9 Income taxes.

	2013/14	2012/13 (adjusted)
Current taxes	-10,421	-13,490
Deferred taxes (see Note 22)	7,789	13,278
Total	**-2,632**	**-212**
Thereof income/expense from group taxation	-4,976	-680

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:

	2013/14	2012/13 (adjusted)
Result before income taxes	5,488	17,023
Arithmetic tax expense based on a tax rate of 25 % (2012/13: 25 %)	-1,372	-4,256
Unrecognized deferred tax assets on current losses	-3,176	-1,961
De-recognition of deferred tax assets recognized on prior year losses	-1,471	0
Utilization of previously unrecognized tax losses	0	323
Different foreign tax rates	2,615	709
Tax allowances claimed and other permanent tax differences	-407	810
Income and expenses not subject to tax and other differences	1,576	1,836
Adjustment in respect to prior year	-396	2,326
Recognized tax expense	**-2,632**	**-212**

The adjustment compared to prior year in fiscal year 2012/13 results from an amended profit allocation for tax purposes in the Polish subsidiary in connection with the toll collection project completed in the fiscal year 2011/12 and affects both current and deferred taxes.

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

10 Other comprehensive income.

2013/14	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-7,814	-109	-7,923
Actuarial gains/losses according to IAS 19	-465	37	-428
Currency translation differences	-3,947		-3,947
Currency translation differences from net investments in foreign business	-644	161	-483
Fair value changes recognized in equity	**-12,869**	**89**	**-12,781**

2012/13 (adjusted)	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 result for the period	-2,440	610	-1,830
Actuarial gains/losses according to IAS 19	-2,034	513	-1,521
Currency translation differences	-2,901		-2,901
Fair value changes recognized in equity	**-15,629**	**943**	**-14,686**

11 Additional disclosures on financial instruments by category.

	2013/14	2012/13
Available-for-sale financial assets:		
Other non-current financial assets and investments	27,413	35,692
Other current financial assets	4,924	4,505
	32,338	**40,197**
Loans and receivables:		
Other non-current assets	72,205	3,335
Trade receivables	137,885	72,048
Cash and cash equivalents	57,731	79,022
	267,821	**154,406**
Financial liabilities at (amortized) cost:		
Non-current financial liabilities	109,494	104,372
Other non-current liabilities	3,660	1,766
Trade payables	67,388	80,220
Current financial liabilities	46,560	19,658
	227,102	**206,016**

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

	2013/14	2012/13 (adjusted)
Available-for-sale financial assets	103	8,477
Loans and receivables	-7,830	238
Financial liabilities at (amortized) cost	-7,220	-8,515
	-14,947	**199**

12 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Prepayments	Total
Carrying amount as of 31 March 2012	**4,301**	**7,410**	**1,261**	**8,875**	**0**	**21,847**
Currency translation differences	-3	54	6	-168	0	-112
Reclassification	4	496	-698	198	0	0
Additions	326	5,872	2,763	3,724	0	12,686
Disposals	0	-9	-1,241	-56	0	-1,306
Scheduled depreciation	-807	-4,404	0	-3,229	0	-8,440
Carrying amount as of 31 March 2013	**3,821**	**9,419**	**2,091**	**9,344**	**0**	**24,676**
Acquisition/production cost	8,006	46,897	2,091	23,378	0	80,372
Accumulated depreciation	-4,185	-37,478	0	-14,034	0	-55,697
Carrying amount as of 31 March 2013	**3,821**	**9,419**	**2,091**	**9,344**	**0**	**24,676**
Currency translation differences	-35	-754	-154	-694	0	-1,637
Reclassification	0	1,000	-1,071	71	0	0
Additions from the acquisition of companies	16	1	0	93	0	110
Additions	984	3,821	1,410	4,285	71	10,572
Disposals	-3	-308	-869	-378	0	-1,558
Scheduled depreciation	-823	-4,030	0	-3,862	0	-8,715
Carrying amount as of 31 March 2014	**3,961**	**9,150**	**1,407**	**8,859**	**71**	**23,447**
Acquisition/production cost	8,831	47,411	1,407	25,297	71	83,017
Accumulated depreciation	-4,870	-38,262	0	-16,439	0	-59,570
Carrying amount as of 31 March 2014	**3,961**	**9,150**	**1,407**	**8,859**	**71**	**23,447**

13 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayment	Total
Carrying amount as of 31 March 2012	**63**	**30,338**	**49,979**	**0**	**0**	**80,379**
Currency translation differences	0	-25	499	0	0	475
Additions	0	3,503	780	0	3,264	7,548
Disposals	0	0	0	0	0	0
Scheduled amortization	-60	-9,171	0	0	0	-9,231
Carrying amount as of 31 March 2013	**3**	**24,646**	**51,258**	**0**	**3,264**	**79,170**
Acquisition/production cost	9,199	59,178	51,258	0	3,264	122,899
Accumulated amortization	-9,196	-34,533	0	0	0	-43,729
Carrying amount as of 31 March 2013	**3**	**24,646**	**51,258**	**0**	**3,264**	**79,170**
Currency translation differences	0	-71	-863	-1	0	-934
Additions from the acquisition of companies	0	8,967	5,553	0	0	14,520
Additions	0	725	715	1,158	2,514	5,112
Disposals	0	0	0	-424	0	-424
Scheduled amortization	-3	-7,874	0	0	0	-7,876
Carrying amount as of 31 March 2014	**0**	**26,393**	**56,663**	**734**	**5,778**	**89,567**
Acquisition/production cost	8,586	61,775	56,663	734	5,778	133,536
Accumulated amortization	-8,586	-35,383	0	0	0	-43,969
Carrying amount as of 31 March 2014	**0**	**26,393**	**56,663**	**734**	**5,778**	**89,567**

The addition to the goodwill in the fiscal year 2013/14, amounting to TEUR 715, results from the final subsequent earn-out payments for the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, which is still accounted for under the rules of IFRS 3 (2004).

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 Solutions Projects, Intelligent Transportation Systems	Services, System Extensions, Components Sales, Electronic Toll Collection	Services, System Extensions, Components Sales, Intelligent Transportation Systems
31 March 2014				
The carrying amount of goodwill allocated to the CGU	38,416	5,553	11,961	733
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	0	0	0	0
31 March 2013				
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, Poland and the Republic of Belarus, demand for toll collection systems will increase, in particular as a result of tight public budgets.
- The planning for the CGU “Road Solution Projects, Electronic Toll Collection” is based on projects in the Republic of Belarus, America, France and Australia as well as the fact that tenders in several countries are already in the pipeline or in progress.
- 4 years of detailed planning
- 11.5 % (2012/13: 11.6 %) 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 % (2012/13: 2.0 %) 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 11.5 % (2012/13: 18.1 %).

Cash-generating unit “Road Solution Projects, Intelligent Transportation Systems”:

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that after the successful implementation of intelligent transportation systems, in particular in South Africa, in the Czech Republic, North America and Australia, demand for intelligent transportation systems will continue to rise.
- The planning for the CGU “Road Solution Projects, Intelligent Transportation Systems” is based especially on road safety and traffic monitoring systems in South Africa, the Czech Republic, Poland, North America and Australia.
- 4 years of detailed planning
- 11.3 % (2012/13: not applicable) 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 % (2012/13: not applicable) 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 213.0 % (2012/13: not applicable).

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.

- The planning for the CGU “Services, System Extensions, Components Sales, Electronic Toll Collection” is based on ongoing maintenance for existing toll collection systems in Austria, Switzerland, the Czech Republic, Australia, South America, South Africa, Poland and the Republic of Belarus, on the commercial operation in the Czech Republic, South Africa, Poland and the Republic of Belarus. 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 % (2012/13: 11.6 %) 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 % (2012/13: 2.0 %) 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 58.0 % (2012/13: 59.2 %).

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 CGU “Services, System Extensions, Components Sales, Intelligent Transportation Systems” is based especially on road safety and traffic monitoring systems in South Africa, the Czech Republic, Poland and North America.
- 4 years of detailed planning
- 11.6 % (2012/13: 11.6 %) 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 % (2012/13: 2.0 %) 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 233.5 % (2012/13: 79.9 %).

Capitalized development costs

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 2013/14 amounted to EUR 57.8 million (2012/13: EUR 59.2 million). In the fiscal year 2013/14, EUR 26.3 million thereof (2012/13: EUR 27.4 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 31.5 million (2012/13: EUR 31.8 million) was recognized as an expense.

14 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2013/14	2012/13
Carrying amount as of 31 March of prior year	**1,694**	**0**
Currency translation differences	-257	-8
Addition from foundation and acquisition	0	1,547
Disposal	0	-172
Share in result	158	327
Carrying amount as of 31 March of fiscal year	**1,596**	**1,694**

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 2013, total assets of SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico amounted TEUR 16,430 (31 December 2012: TEUR 9,987), liabilities amounted to TEUR 12,207 (31 December 2012: TEUR 5,895), revenue amounted to TEUR 15,366 (31 December 2012: TEUR 10,878) and the profit for the year amounted to TEUR 477 (31 December 2012: TEUR 738).

15 Current and non-current financial assets.

	2013/14	2012/13
Other non-current financial assets and investments	28,506	38,085
Other current financial assets	4,924	4,505
	33,430	**42,590**

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 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**
Currency translation differences	0	0	-138	-138
Additions	576	0	1,126	1,701
Disposals	-621	0	-2,289	-2,910
Change in fair value	16	-8,249	0	-8,233
Carrying amount as of 31 March 2014	**3,655**	**23,758**	**1,093**	**28,506**

Other current financial assets	Available-for-sale securities	Other	Total
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**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	419	0	419
Carrying amount as of 31 March 2014	**4,924**	**0**	**4,924**

As of 31 March 2014, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of 31 March 2014, 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 loan from SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico to the group in the fiscal year 2013/14 (2012/13: TEUR 0). In fiscal year 2012/13 the other non-current financial assets related to a fixed-term investment amounting to TEUR 2,394.

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:

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.

The classification of current and non-current financial assets are as follows:

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2013/14
Non-current financial assets				
Available-for-sale securities	2,906	749	0	3,655
Available-for-sale investments	23,753	0	0	23,753
	26,659	**749**	**0**	**27,409**
Current financial assets				
Available-for-sale securities	4,924	0	0	4,924
	4,924	**0**	**0**	**4,924**
Total	**31,583**	**749**	**0**	**32,333**

In the fiscal year 2013/14, other non-current financial assets amounting to TEUR 1,097 are recognized at amortized cost.

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

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

16 Other non-current assets.

	2013/14	2012/13
Project in the Republic of Belarus	68,937	0
Truck toll collection system Czech Republic	2,171	940
Other	5	1
	71,113	**942**

Other non-current assets include amounts due from customers for contract work for the installation of the truck toll collection system in the Republic of Belarus (2012/13: TEUR 68,717 were shown under position “current receivables”) as well as 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 – 5.66 % (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:

	2013/14	2012/13
Up to 2 years	52,847	847
Between 2 and 3 years	23,259	139
More than 3 years	2,236	1
	78,342	**986**

Amounts due from customers for contract work (non-current) are as follows:

	2013/14	2012/13
Construction costs incurred plus recognized gains	66,386	0
Accumulation of non-current receivables	2,552	0
Less total amounts invoiced and advance payments received	0	0
	68,937	**0**

17 Inventories.

	2013/14	2012/13
Purchased parts and merchandise, at acquisition cost	30,997	33,393
Unfinished goods and work in progress, at production cost	15,439	10,177
Finished goods, at production cost	11,550	22,787
Prepayments on inventories	122	71
	58,108	**66,428**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 16,632 (2012/13: TEUR 14,048).

18 Trade receivables and other current assets.

	2013/14	2012/13
Trade receivables	138,305	72,426
Allowance for bad debts	-421	-378
Trade receivables – net	137,885	72,048
Amounts due from customers for contract work	23,165	96,709
Amounts due from customers for service and maintenance contracts	7,781	31,296
Receivables from tax authorities (other than income tax)	13,217	17,374
Other receivables and prepaid expenses	27,673	35,749
	209,721	**253,177**

Allowance for bad debt developed as follows:

	2013/14	2012/13
Balance as of 31 March of the prior year	**-378**	**-410**
Addition	-239	-184
Utilization	106	5
Disposal	87	204
Currency translation differences	4	8
Balance as of 31 March of the reporting year	**-421**	**-378**

Maturity structure of trade receivables and other current assets:

	2013/14	2012/13
Not yet due	193,301	237,490
Overdue, but not impaired:		
Less than 60 days	6,923	8,053
More than 60 days	9,917	8,012
	210,142	**253,554**

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, Poland and the Republic of Belarus), 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 2,169 (2012/13: TEUR 983) and to the operation and maintenance of the system amounting to TEUR 24,748 (2012/13: TEUR 22,312) 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 19,347 (2012/13: TEUR 9,042). Trade receivables (current) relating to the installation of the truck toll collection system of the Republic of Belarus amounting to TEUR 39,921 (2012/13: TEUR 0) and to the operation of the system amounting to TEUR 1,985 (2012/13: TEUR 0) are due from BelTol.

Trade receivables amounting to TEUR 4,472 (2012/13: TEUR 15,387) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work are as follows:

	2013/14	2012/13
Construction costs incurred plus recognized gains	324,075	166,706
Less amounts billed and prepayments received	-300,910	-69,997
	23,165	**96,709**

As of 31 March 2014, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 8,189 (2012/13: TEUR 6,585), in France amounting to TEUR 8,996 (2012/13: TEUR 4,656) as well as extensions to the toll collection system in Poland amounting to TEUR 0 (2012/13: TEUR 11,136).

Revenues from construction contracts amount to TEUR 136,949 (2012/13: TEUR 92,702).

19 Cash and cash equivalents.

	2013/14	2012/13
Cash on hand	34	67
Deposits held with banks	57,697	78,955
	57,731	**79,022**

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.

	2013/14	2012/13
Carrying amount as of 31 March of fiscal year	**13,000**	**13,000**

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.

	2013/14	2012/13
Current		
Loans for project financing	20,333	5,833
Other current loans	26,226	13,825
	46,560	**19,658**
Non-current		
Corporate bond	74,301	74,125
Loans for project financing	34,833	29,167
Other non-current loans	360	1,080
	109,494	**104,372**
Total	**156,054**	**124,030**

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:

	2013/14	2012/13
Carrying amount	**156,054**	**124,030**
Fair value	**159,981**	**130,479**
Gross cash flows:		
Up to 1 year	50,964	24,311
Between 1 and 3 years	42,840	27,095
Between 3 and 5 years	75,988	87,851
	169,792	**139,257**

The classification of financial liabilities is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2013/14
Corporate bond	78,863	0	0	78,863
Other financial liabilities	0	81,118	0	81,118
Total	**78,863**	**81,118**	**0**	**159,981**

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2012/13
Corporate bond	80,063	0	0	80,063
Other financial liabilities	0	50,416	0	50,416
Total	**80,063**	**50,416**	**0**	**130,479**

The fair value of the other financial liabilities (level 2) was derived through discounting the gross cash flows over the contracted term at a risk-adjusted interest rate.

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

	2013/14	2012/13
Total financial liabilities:		
Carrying fixed interest rates	78,910	79,046
Carrying variable interest rates	77,144	44,984
	156,054	**124,030**
Average interest rates:		
Current loans	0.97 – 3.31 %	1.10 – 3.21 %
Loans for project financing	5.46 %	5.23 %
Corporate bond	4.54 %	4.54 %
Other	2.90 %	1.59 – 2.90 %

Trade receivables (current) amounting to TEUR 4,472 (2012/13: TEUR 15,387) were pledged as collateral for bank guarantees and loans.

For project financing of the Belorussian toll collection system, with an outstanding amount of TEUR 55,167 as of 31 March 2014 (2012/13: TEUR 35,000), Kapsch TrafficCom AG obtained a guarantee of a bill of exchange of the Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) as well as a participation guarantee G4 of OeKB. The claims of the participation guarantee G4 have been assigned as security to 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.

	2013/14	2012/13 (adjusted)
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	12,933	8,134
Deferred tax assets to be recovered within 12 months	9,176	11,393
	22,110	**19,527**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	5,699	3,377
Deferred tax liabilities to be recovered within 12 months	5,079	8,375
	10,778	**11,752**
Deferred tax assets net (+) / deferred tax liabilities net (-)	**11,332**	**7,776**

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 26,702 (2012/13: TEUR 20,104) 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 2012 (adjusted)	Additions from the acquisition of companies	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2013 (adjusted)
Deferred tax assets						
Tax loss carry-forwards	13,524	0	-7,672	0	-177	5,675
Provisions disallowed for tax purposes	9,062	0	-445	513	-65	9,065
Depreciation disallowed for tax purposes	1,112	0	397	0	3	1,512
Other	4,503	0	3,893	430	-25	8,800
	28,200	**0**	**-3,826**	**943**	**-264**	**25,052**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	351	0	98	0	7	456
Construction contracts	23,583	0	-16,538	0	-91	6,955
Gains from recognition at fair value	8,523	0	-2,050	0	0	6,473
Other	2,012	0	1,386	0	-6	3,393
	34,470	**0**	**-17,104**	**0**	**-89**	**17,277**
Total change	**-6,270**	**0**	**13,278**	**943**	**-175**	**7,776**

	31 March 2013 (adjusted)	Additions from the acquisition of companies	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2014
Deferred tax assets						
Tax loss carry-forwards	5,675	0	2,586	0	-639	7,623
Provisions disallowed for tax purposes	9,065	0	-2,090	37	-36	6,976
Depreciation disallowed for tax purposes	1,512	0	-333	0	-16	1,163
Construction contracts	0	0	804	0	0	804
Other	8,800	0	-3,487	52	-262	5,103
	25,052	**0**	**-2,520**	**89**	**-953**	**21,669**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	456	0	209	0	-93	572
Construction contracts	6,955	0	-6,955	0	0	0
Gains from recognition at fair value	6,473	3,497	-2,152	0	0	7,818
Other	3,393	0	-1,412	0	-35	1,946
	17,277	**3,497**	**-10,309**	**0**	**-128**	**10,337**
Total change	**7,776**	**-3,497**	**7,789**	**89**	**-825**	**11,332**

23 Liabilities from post-employment benefits to employees.

Amounts recognized in the balance sheet:

	2013/14	2012/13 (adjusted)
Termination benefits	8,790	9,064
Pension benefits	13,363	13,537
	22,153	**22,602**

Termination benefits
Termination benefits include legal and contractual entitlements to one-off payments to employees of the group which result from events such as dismissal by the employer, amicable termination of the employment, retirement or death of the employee. For termination benefits the group bears the risk of inflation due to compensation increases. The obligations from termination benefits mainly result from the Austrian entities of the group.

Retirement benefits
Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on the final salary, are granted as fixed monthly pension payments 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). For retirement benefits the group bears the risk of longevity and inflation due to pension increases.

Termination benefits obligations were valued based on an interest rate of 3.60 % (2012/13: 3.75 %), pension benefit obligations were valued based on an interest rate of 3.20 % (2012/13: 3.75 %) and compensation increases based on a rate of 2,0 % (2012/13: 2.0 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2012/13: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 1.7 % (2012/13: 3.1 %).

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

	2013/14	2012/13 (adjusted)
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**9,064**	**8,220**
Remeasurements (actuarial gains/losses)	37	207
Current service cost	230	216
Interest expense	403	501
Payments	-944	-80
Carrying amount as of 31 March of fiscal year	**8,790**	**9,064**
Total, included in the staff costs (Note 5)	230	216
Total, included in the financial result (Note 8)	403	501

Actuarial gains/losses are attributable to the following positions:

	2013/14	2012/13 (adjusted)
Actuarial gain/loss from changes in demographic assumptions	0	83
Actuarial gain/loss from changes in financial assumptions	91	219
Actuarial gain/loss from other changes (experience adjustments)	-54	-95
Total	**37**	**207**

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 % pt.	370	-346
Expected annual interest expenses (IC)	± 0,5 % pt.	-31	28
Expected annual service costs (CSC)	± 0,5 % pt.	11	-10
Impact of changes in **salary increases**			
Defined benefit obligation (DBO)	± 0,5 % pt.	-334	353
Expected annual interest expenses (IC)	± 0,5 % pt.	-12	13
Expected annual service costs ((CSC)	± 0,5 % pt.	-11	12
Impact of changes in **fluctuation**			
Defined benefit obligation (DBO)	± 5 %	2	-2
Expected annual interest expenses (IC)	± 5 %	0	0
Expected annual service costs (CSC)	± 5 %	0	0

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

	2013/14	2012/13 (adjusted)
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**13,537**	**11,902**
Remeasurements (actuarial gains/losses)	428	1.827
Current service cost	14	9
Interest expense	498	595
Payments	-850	-837
Currency translation differences	-265	41
Carrying amount as of 31 March of fiscal year	**13,363**	**13,537**
Total, included in the staff costs (Note 5)	14	9
Total, included in the financial result (Note 8)	498	595

Actuarial gains/losses are attributable to the following positions:

	2013/14	2012/13 (adjusted)
Actuarial gain/loss from changes in demographic assumptions	-18	0
Actuarial gain/loss from changes in financial assumptions	365	1,624
Actuarial gain/loss from other changes (experience adjustments)	81	203
Total	**428**	**1,827**

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 % pt.	593	-547
Expected annual interest expenses (IC)	± 0,5 % pt.	-41	37
Expected annual service costs (CSC)	± 0,5 % pt.	0	0
Impact of changes in **pension increases**			
Defined benefit obligation (DBO)	± 0,5 % pt.	-555	596
Expected annual interest expenses (IC)	± 0,5 % pt.	-18	19
Expected annual service costs (CSC)	± 0,5 % pt.	0	0

24 Other non-current liabilities.

	2013/14	2012/13
Truck toll collection system Czech Republic	1,207	778
Other	2,453	988
	3,660	**1,766**

Other non-current liabilities relate to trade payables (non-current) amounting to TEUR 1,207 (2012/13: TEUR 778) 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 loans to minority shareholders of TMT Services and Supplies (Pty) Ltd., Capetown, South Africa amounting to TEUR 1,481 (2012/13: TEUR 0) and to the non-current portion of a contingent payment obligation amounting to TEUR 409 (2012/13: TEUR 394) from the acquisition of the “Mobility Solutions” business of TechnoCom Corporation, Encino, U.S.A.

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

	2013/14	2012/13
Less than 2 year	1,078	872
Between 2 and 3 years	1,934	406
More than 3 years	970	667
	3,982	**1,945**

25 Other liabilities and deferred income.

	2013/14	2012/13
Amounts due to customers for contract work	14,756	12,333
Prepayments received	248	113
Non-current employee liabilities	18,503	17,150
Liabilities to tax authorities (other than income tax)	9,910	3,766
Liabilities from tax compensation to the tax group leader	5,058	748
Other liabilities and deferred income	14,335	18,409
	62,810	**52,520**

Amounts due to customers for contract work detail as follows:

	2013/14	2012/13
Construction costs incurred plus recognized gains	-62,777	-139,101
Less amounts billed and prepayments received	77,533	151,434
	14,756	**12,333**

As of 31 March 2014, amounts due to customers for contract work mainly relate to toll collection projects in North America (2012/13: toll collection project in South Africa), particularly coming from projects in Transdyn.

26 Provisions.

	2013/14	2012/13
Non-current provisions	1,303	1,370
Current provisions	28,378	28,233
	29,680	**29,603**

The provisions changed as follows:

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

	31 March 2013	Additions from the acquisition of companies	Addition	Utilization	Disposal	Reclassi-fication	Currency translation differences	31 March 2014
Obligations from anniversary bonuses	1,182	0	162	-11	-213	0	0	1,120
Other	188	0	249	0	0	-173	-81	183
Non-current provisions, total	**1,370**	**0**	**411**	**-11**	**-213**	**-173**	**-81**	**1,303**
Warranties	1,910	134	327	-573	-225	173	-109	1,637
Losses from pending transactions and rework	18,514	0	0	-2,326	0	0	13	16,201
Legal fees, costs of litigation and contract risks	2,524	0	2,149	-506	-110	5	10	4,071
Other	5,286	0	13,468	-12,040	-33	-5	-209	6,468
Current provisions, total	**28,233**	**134**	**15,944**	**-15,444**	**-368**	**173**	**-295**	**28,378**
Total	**29,603**	**134**	**16,354**	**-15,455**	**-581**	**0**	**-376**	**29,680**

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 3.60 % (2012/13: 3.75 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2012/13: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 2.0 % (2012/13: 2.0 %). In the position “Addition” interest effects amounting to TEUR 38 (2012/13: TEUR 42) are included.

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, outstanding credit notes 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:

	2013/14	2012/13
Contract, warranty, performance and bid bonds		
Toll collection system South Africa, Gauteng	79,161	98,202
Toll collection system North America (thereof from acquisition of Transdyn 2013/14: TEUR 33,195)	62,284	21,225
Toll collection system Poland	7,115	9,194
Truck toll collection system Austria	8,500	8,500
City Highway Sydney and Melbourne	6,439	2,775
Truck toll collection system Czech Republic	1,448	2,494
Tender Slovenia	0	2,000
Toll collection system Portugal	573	1,820
Other	2,009	2,842
	167,530	**149,052**
Bank guarantees	**1,774**	**1,780**
Sureties	**62**	**64**
	169,365	**150,896**

For details of securities for above-mentioned contingent liabilities and other commitments, see Note 15 and Note 21. Furthermore, assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 10,146 (2012/13: TEUR 10,772) were pledged in favor 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:

	2013/14	2012/13
Up to 1 year	13,216	12,641
Between 1 and 5 years	27,565	28,486
Over 5 years	18,063	20,528
	58,844	**61,655**

Rental and lease payments recognized as expenses in the reporting period:

Payments from operating leases recognized as expenses of the reporting period are as follows:

	2013/14	2012/13
Rent	10,162	7,366
Motor vehicle leases	1,620	1,259
IT leases	3,161	2,809
Other	856	1,043
	15,798	**12,478**

28 Business combination.

Transdyn, Inc.

On 15 January 2014, effective 16 January 2014 the Group acquired through its subsidiary Kapsch TrafficCom IVHS Inc., McLean, U.S.A. all shares in Transdyn, Inc., Duluth, U.S.A., incorporated under the law of Delaware, from Powell Industries Inc., Houston, U.S.A.

Consideration paid	12,067
Less fair value of net assets acquired	6,514
Goodwill	**5,553**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Property, plant and equipment	110	110
Intangible assets	8,967	0
Inventories	13	13
Receivables and other assets	16,509	16,509
Cash and cash equivalents	110	110
Deferred tax liabilities	-3,497	0
Amounts due to customers for contract work	-11,591	-11,591
Liabilities, other liabilities and deferred income	-4,106	-4,106
Net assets acquired	**6,514**	**1,045**

The acquired company contributed revenue of TEUR 3,854 and a net income of TEUR 459 to the group's result for the period from 16 January 2014 to 31 March 2014. If the acquisition had occurred on 1 April 2013, the group's revenue would have been higher by TEUR 17,438 and the profit of the group would have been higher by TEUR 2,157.

29 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 2013/14 amounted to TEUR 511 (2012/13: TEUR 501). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the group amounting to TEUR 22 (2012/13: 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. The assumed guarantees have expired in the fiscal year 2013/14 (2012/13: EUR 26.9 million). The annual fee for the assumption of the liabilities was 0.5 % of the guaranteed amounts. Expenses incurred by the group in the fiscal year 2013/14 amounted to TEUR 86 (2012/13: TEUR 257).

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 also members. Accordingly, all 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 2013/14 amounted to TEUR 2,330 (2012/13: TEUR 2,327).

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 2013/14 amounted to TEUR 2,018 (2012/13: TEUR 2,224).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the executive 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 2013/14 amounted to TEUR 1,228 (2012/13: TEUR 1,355).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the group in the fiscal year 2013/14 amounted to TEUR 603 (2012/13: TEUR 492). In addition Kapsch Aktiengesellschaft maintains a softwaretool and invoiced TEUR 70 (2012/13: TEUR 70) to the group for this service.

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 2013/14 amounted to TEUR 2,362 (2012/13: TEUR 2,293).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 8 (2012/13: TEUR 14).

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 2013/14 amounted to TEUR 1,125 (2012/13: TEUR 1,173).

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 4,395 in the fiscal year 2013/14 (2012/13: TEUR 6,499).

The company provides IT, data processing and telephone services to the group amounting to TEUR 5,021 (2012/13: TEUR 4,431), as well as other services amounting to TEUR 354 (2012/13: TEUR 482).

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 2013/14 totaled TEUR 32 (2012/13: TEUR 14).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 74 (2012/13: TEUR 72) and other services amounting to TEUR 27 (2012/13: TEUR 122).

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 2013/14 amounted to TEUR 29 (2012/13: TEUR 28).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 788 (2012/13: TEUR 880), manufacturing services for GSM-R amounting to TEUR 4,659 (2012/13: TEUR 2,753) and provides the company with other deliverables and performances amounting to TEUR 132 (2012/13: TEUR 347).

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 12,380 (2012/13: TEUR 9,542) and provides the company with other deliverables and performances amounting to TEUR 136 (2012/13: TEUR 153).

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 2013/14 totaled TEUR 3,759 (2012/13: TEUR 1,978). Furthermore, the company provided public relations services amounting to TEUR 94 in the fiscal year 2013/14 (2012/13: TEUR 98) and other services amounting to TEUR 138 (2012/13: TEUR 87).

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 2,181 in the fiscal year 2013/14 (2012/13: TEUR 2,733).

Kapsch Immobilien GmbH, Vienna

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

The company provides services in the area of motor vehicle management and automotive services amounting to TEUR 140 (2012/13: TEUR 123) in the fiscal year 2013/14.

Other related parties transactions

Lease income of the group resulting from the sub-lease to related parties in the fiscal year 2013/14 totaled TEUR 518 (2012/13: TEUR 438). 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 in the respective fiscal years as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2013/14	2012/13
Parent company		
Revenues	0	0
Expenses	619	779
Affiliated companies		
Revenues	18,876	14,396
Expenses	24,738	25,320
Other related parties		
Revenues	148	1,426
Expenses	1,265	2,690

	2013/14	2012/13
Parent company		
Trade receivables and other assets	867	563
Trade payables and other payables	6,135	1,053
Affiliated companies		
Trade receivables and other assets	4,205	2,246
Trade payables and other payables	4,646	11,544
Other related parties		
Trade receivables and other assets	126	102
Trade payables and other payables	290	291

30 Earnings per share.

Earnings per share (basic earnings) are calculated by dividing the result 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 2014, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2013/14	2012/13 (adjusted)
Result for the period attributable to equity holders of the company (in EUR)	-4,299,498	9,787,032
Weighted average number of ordinary shares	13,000,000	13,000,000
Earnings per share (in EUR)	**-0.33**	**0.75**

31 Events after the balance sheet date.

No material events have occurred after balance sheet date.

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, 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 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, 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 2013/14 was 2,973 salaried employees and 199 waged earners (2012/13: 2,579 salaried employees and 217 waged earners).

Expenses for the auditor

The expenses for the auditor amount to TEUR 147 (2012/13: TEUR 130) and are broken down as follows:

	2013/14	2012/13
Audit of the consolidated financial statements	55	56
Other assurance services	57	54
Tax advisory services	0	0
Other services	34	20
	147	**130**

Compensation and other payments to members of the executive and the supervisory board
In the fiscal year 2013/14, the following persons served on the executive board:

Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak (until 31 March 2014)
André Laux

The compensation paid to members of the executive board is shown below:

Executive board remuneration in TEUR	**Fix 2013/14**	**Variable 2013/14**	**Total 2013/14**	**Total 2012/13**
Georg Kapsch	460	59	519	834
Erwin Toplak	413	38	451	491
André Laux	364	63	427	382
Total	**1,237**	**160**	**1,398**	**1,707**

Expenses for termination benefits after use of provision for members of the executive board amount to TEUR 59 (2012/13: TEUR 64). Erwin Toplak left the executive board as of 31 March 2014, for the termination of his contract Erwin Toplak received a termination benefit of TEUR 412.

Individual pension agreements are granted to André Laux and Erwin Toplak. TEUR 24 (2012/13: TEUR 20) were paid by Kapsch TrafficCom AG to an external pension fund.

In the fiscal year 2013/14, the following persons served on the supervisory board:

Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy-Chairman)
Sabine Kauper
Dr. Harald Sommer (since 12 September 2013)

Delegated by the works council:
Claudia Rudolf-Misch
Ing. Christian Windisch

Remunerations paid to supervisory board members amounted to TEUR 20 (2012/13: TEUR 28) in total.

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.

Authorized for issue:
Vienna, 27 May 2014

Georg Kapsch	André Laux
Chief Executive Officer	Executive board member

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 2013 to 31 March 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2014, 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 2014, 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 2014 and of its financial performance and its cash flows for the fiscal year from 1 April 2013 to 31 March 2014 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 2014

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:
Peter Pessenlehner
Austrian Certified Public Accountant

Our Services.

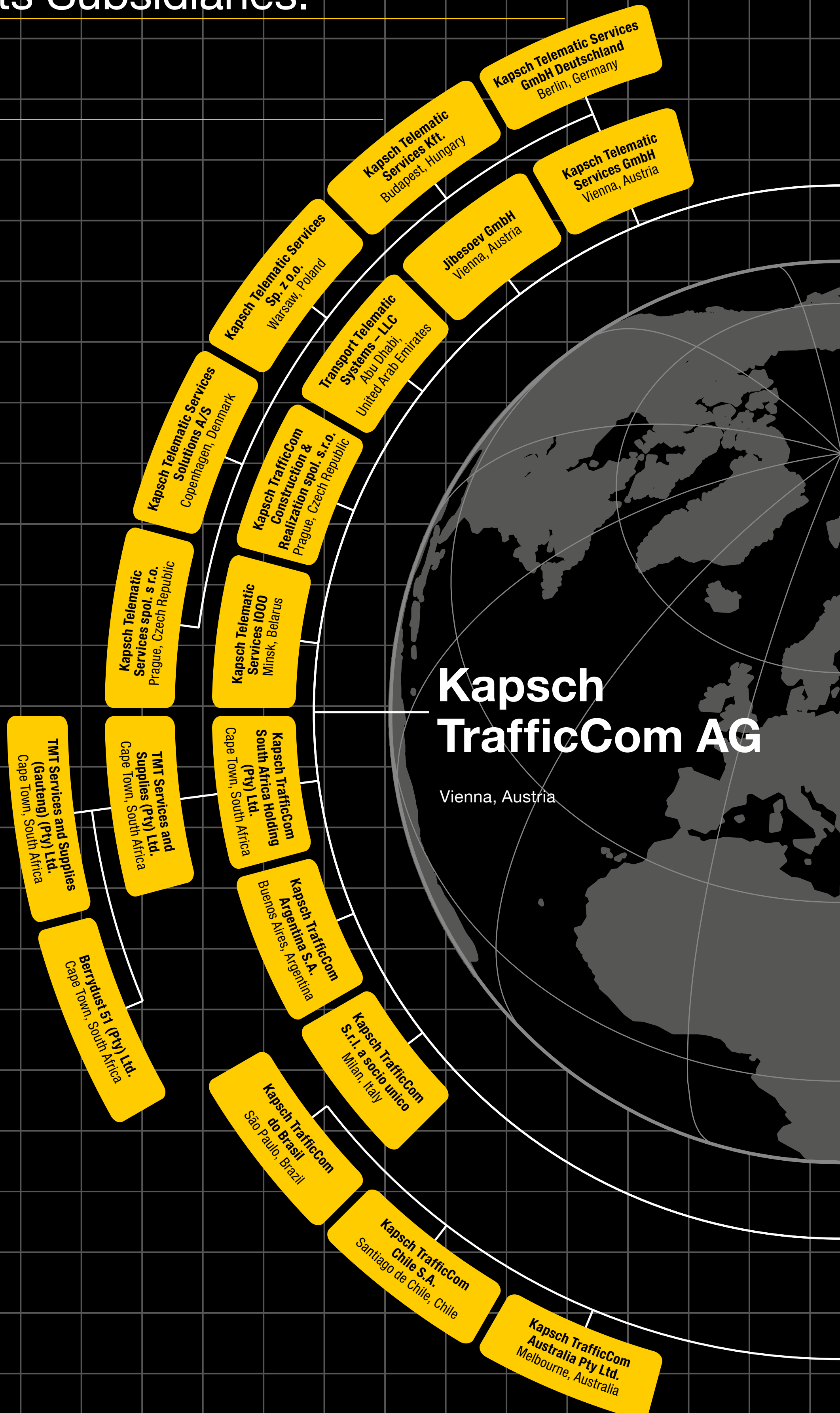
You are reminded of pirate films, sea battles and secret treasure maps?

We think of the responsibility of helping you find your orientation.
From Sweden to New Zealand, from Argentina to Vietnam: Kapsch TrafficCom is active around the entire world and in all directions. For this reason, it is important to us that we help the readers of our annual report to orient themselves among our locations and subsidiaries. You will therefore discover a quick and clear overview of the entire group and find contact persons and additional information that will aid you in reading our annual report.

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.




Kapsch TrafficCom IVHS, S.A. de C.V.
Mexico City, Mexico
Kapsch TrafficCom Canada Inc.
Mississauga, Canada
Kapsch TrafficCom B.V.
Amsterdam, Netherlands
Kapsch TrafficCom Holding II US Corp.
McLean, U.S.A.
Kapsch Components GmbH & Co KG
Vienna, Austria
Kapsch TrafficCom IVHS Technologies Holding Corp.
McLean, U.S.A.
Kapsch TrafficCom U.S. Corp.
McLean, U.S.A.
Kapsch TrafficCom Holding Corp.
McLean, U.S.A.
Kapsch Components GmbH (General Partner of Kapsch Components GmbH & Co KG)
Kapsch TrafficCom Inc.
Carlsbad, U.S.A.
Kapsch TrafficCom IVHS Holding Corp.
McLean, U.S.A.
ArtiBrain Software Entwicklungs-gesellschaft mbH
Vienna, Austria
Kapsch TrafficCom AB
Jonkoping, Sweden
Kapsch TrafficCom France SAS
Paris, France
Kapsch TrafficCom IVHS Inc.
McLean, U.S.A.
Kapsch TrafficCom Kazakhstan LLC
Almaty, Kazakhstan
Kapsch TrafficCom Limited
Auckland, New Zealand
Transdyn, Inc.
Duluth, U.S.A.
Kapsch TrafficCom Ltd.
Manchester, United Kingdom
Kapsch TrafficCom (M) Sdn Bhd
Kuala Lumpur, Malaysia
OOO Kapsch TrafficCom Russia
Moscow, Russia
Kapsch TrafficCom South Africa (Pty) Ltd.
Johannesburg, South Africa
VTI Industrial Electronics (Proprietary Limited, ZA)
Germiston, South Africa
Kapsch TrafficCom d.o.o.
Ljubljana, Slovenia
Kapsch Telematik Technologies Bulgaria EAD
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Financial Calendar.

August 20, 2014	Interim report for fiscal year 2014/15 Q1
September 1, 2014	Ordinary Shareholders' Meeting for fiscal year 2013/14
September 8, 2014	Deduction of dividends for 2013/14 (ex-day)
September 15, 2014	First day of payment for 2013/14 fiscal year dividends
November 26, 2014	Interim report for fiscal year 2014/15 Q2
February 25, 2015	Interim report for fiscal year 2014/15 Q3
June 24, 2015	Results of fiscal year 2014/15
September 9, 2015	Ordinary Shareholders' Meeting for fiscal year 2014/15
September 16, 2015	Deduction of dividends for 2014/15 (ex-day)
September 23, 2015	First day of payment for 2014/15 fiscal year dividends

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on the Kapsch TrafficCom Shares.

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ISIN	AT000KAPSCH9
Trading Symbol	KTCG
Reuters	KTCG.VI
Bloomberg	KTCG AV

About Kapsch Group.

Kapsch is one of Austria's most successful technology corporations, specialized in the future-oriented market segments of Intelligent Transportation Systems (ITS), Railway and Public Operator Telecommunications as well as Information and Communications Technology (ICT). Kapsch is organized as a group company with the entities Kapsch TrafficCom, Kapsch CarrierCom and Kapsch BusinessCom. As a family-owned company headquartered in Vienna, Kapsch has been dedicated to the continuous development and implementation of new technologies for the benefit of its customers since 1892. With a wide range of innovative solutions and services, Kapsch makes a valuable contribution toward responsible approaches to a mobile and networked world. The companies of the Kapsch Group employ about 5,000 people at subsidiaries and branch offices around the world.

For additional information: www.kapsch.net | Follow us on Twitter: twitter.com/kapschnet

Ten-Year Review
of Key Data.

Earnings Data[1]		2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 (adjusted)	2013/14
Revenues	in million EUR	121.9	116.2	198.6	185.7	200.3	216.0	388.6	549.9	488.9	487.0
EBITDA	in million EUR	18.7	21.0	30.8	39.0	35.0	32.0	62.5	60.6	34.2	36.9
EBITDA margin	in %	15.4	18.1	15.5	21.0	17.5	14.8	16.1	11.0	6.7	7.6
EBIT	in million EUR	13.0	17.3	26.9	34.9	29.0	24.5	48.9	42.2	16.5	20.3
EBIT margin	in %	10.7	14.9	13.5	18.8	14.5	11.4	12.6	7.7	3.1	4.2
Profit before tax	in million EUR	13.5	17.8	27.0	42.8	21.9	43.9	41.3	36.3	17.0	5.5
Profit for the period	in million EUR	14.2	12.3	20.3	32.1	16.4	36.5 (22.5)[8]	28.4	27.5	16.8	2.9
Earnings per share[2]	in EUR	1.43	1.24	2.04	2.60	1.06	2.64 (1.49)[8]	1.81	1.62	0.75	-0.33
Free cash flow[3]	in million EUR	11.5	14.8	-40.9	-13.4	21.6	41.8	-19.4	-49.7	48.3	-24.7
Capital expenditure[4]	in million EUR	3.0	1.3	2.3	4.0	22.2	4.8	8.3	13.1	20.2	15.7
Employees[5]		572	569	774	824	946	1,023	2,167	2,705	3,013	3,308

Business Segments		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13 (adjusted)		2013/14	
Road Solution Projects (RSP):																					
Revenues (% of Revenues)	in million EUR	30.0	25%	18.7	16%	105.0	53%	47.0	25%	56.8	28%	45.8	21%	158.9	41%	229.9	42%	128.3	26%	132.0	27%
EBIT (EBIT margin)	in million EUR	2.2	7.2%	2.7	14.5%	11.6	11.0%	6.3	13.4%	-1.7	-2.9%	-20.9	-45.6%	0.1	0.1%	4.1	1.8%	-51.7	-40.3%	-34.6	-26.2%
Services, System Extensions, Components Sales (SEC):																					
Revenues (% of Revenues)	in million EUR	78.0	64%	76.2	66%	80.6	41%	128.8	69%	135.6	68%	161.9	75%	223.3	57%	308.1	56%	342.3	70%	331.8	68%
EBIT (EBIT margin)	in million EUR	11.5	14.7%	13.5	17.7%	15.8	19.6%	29.1	22.6%	31.7	23.4%	45.3	28.0%	48.3	21.6%	37.3	12.1%	67.3	19.7%	53.8	16.2%
Others (OTH):																					
Revenues (% of Revenues)	in million EUR	13.9	11%	21.3	18%	13.0	7%	10.0	5%	8.0	4%	8.3	4%	6.4	2%	12.0	2%	18.3	4%	23.1	5%
EBIT (EBIT margin)	in million EUR	-0.6	-4.5%	1.1	5.2%	-0.5	-3.7%	-0.4	-4.3%	-1.0	-12.6%	0.2	1.9%	0.4	6.7%	0.8	6.5%	0.9	5.1%	1.1	4.7%

Regions		2004/05		2005/06		2006/07		2007/08		2008/09		2009/10		2010/11		2011/12		2012/13		2013/14	
Austria[6]	in million EUR	51.0	42%	57.9	50%	47.3	24%	36.6	20%	37.8	19%	42.4	20%	37.5	10%	32.8	6%	38.0	8%	32.9	7%
Europe[6]	in million EUR	27.7	23%	29.4	25%	122.9	61%	105.2	57%	122.8	61%	117.1	54%	182.0	47%	341.4	62%	288.9	59%	300.1	62%
Americas[6]	in million EUR	23.8	20%	9.4	8%	15.4	8%	18.8	10%	14.0	7%	12.1	6%	27.6	7%	63.6	12%	74.8	15%	87.0	18%
Rest of World[6]	in million EUR	19.4	16%	19.5	17%	13.0	7%	25.2	14%	25.6	13%	44.5	21%	141.5	36%	112.1	20%	87.2	18%	67.0	14%

Balance Sheet Data		31 March 2005	31 March 2006	31 March 2007	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013 (adjusted)	31 March 2014
Total assets	in million EUR	133.5	131.9	227.2	298.4	324.5	295.1	450.1	557.7	567.2	566.8
Total equity[7]	in million EUR	37.4	39.1	45.6	133.4	134.2	168.2	191.5	256.2	236.7	213.1
Equity ratio[7] (in %)	in %	28.0	29.6	20.1	44.7	41.4	57.0	42.5	45.9	41.7	37.6
Net assets (+)/debt (-)	in million EUR	29.4	37.2	-12.5	28.4	5.0	35.3	-47.2	-74.4	-40.5	-93.4
Capital employed	in million EUR	47.8	48.6	78.2	161.3	193.4	187.5	288.7	383.8	360.7	369.2
Net working capital	in million EUR	42.5	43.2	56.8	131.4	122.3	104.6	175.9	285.7	243.9	205.4

The renewed IAS 19 was applied beginning with the fiscal year 2013/14 retrospectively according to IAS 8 with effect from 1 April 2012 to provide comparable financial information.

1 Only continuing operations
2 Earnings per share 2013/14 and 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

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 design to the installation and operation of systems. The solutions of Kapsch TrafficCom help to finance infrastructure, 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 44 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 3,300 employees revenues of EUR 487.0 million in fiscal year 2013/14.

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