

EN

Corporate Governance Report

Fiscal Year 2011/12.

always one step ahead

Corporate Governance Report.

In June 2007, the executive board (*Vorstand*) and supervisory board (*Aufsichtsrat*) resolved to apply the rules of the Austrian Code of Corporate Governance (the Code) as far as they are consistent with the specific situation of the company. The Code as amended in January 2012 is available (together with the version as of January 2010, which was relevant for the past fiscal year) for download under www.corporate-governance.at. Compliance with the Code is evaluated by the compliance officer together with internal audit on an annual basis.

Corporate Governance Declaration.

In the fiscal year 2011/12 ended 31 March 2012, Kapsch TrafficCom AG complied with the L-Rules and C-Rules of the Code in the January 2010 version, with the exception of C-Rule 53 (the company does not intend to establish independence criteria that differ from the general requirement set forth in the Code as it believes such additional criteria are not required) and C-Rule 67 (due to the intense competition in the industry in which the company is active, it will not make available to all shareholders all information at the same time it may make available to financial analysts).

Executive Board.

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



Erwin Toplak, Chief Operating Officer

Georg Kapsch, Chief Executive Officer

André Laux, Executive Board Member

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

Name	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Telematic Services and Region North America	1959	2002	2014
Erwin Toplak (COO)	Sales Region 1 ¹ , Business Development, System Engineering, Research & Development and Technical Operations	1961	2002	2014
André Laux (Executive Board Member)	Sales Region 2 ¹ , Business Development, Product and Project Management	1962	2010	2013

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

Georg Kapsch was appointed CEO of Kapsch TrafficCom AG in December 2002 and also holds functions in some of its direct and indirect subsidiaries. Since October 2000, Georg Kapsch has also served as the CEO of KAPSCH-Group Beteiligungs GmbH. He has been a member of the executive board of Kapsch AG since July 1989 and was appointed as its CEO in October 2001. Georg Kapsch studied business administration at the Vienna University of Economics and Business Administration (*Wirtschaftsuniversität Wien*) and graduated in 1981. He has been the chairman of the Technical University of Applied Sciences Vienna (*Fachhochschule Technikum Wien*) since September 2002 and of the Austrian Electronic Association (*Österreichischer Elektronikverband*) since December 2002. He was the vice president of the Association of the Austrian Electrical and Electronics Industries (*Fachverband der Elektro- und Elektronikindustrie*) between January 2003 and June 2012. In December 2008, Georg Kapsch was appointed president of the Vienna Regional Group of the Federation of Austrian Industries (*Industriellenvereinigung Wien*) and on 21 June 2012 he was also elected president of the Federation of Austrian Industries (*Industriellenvereinigung Österreich*).

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

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

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

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

Remuneration. In the fiscal year 2011/12, the aggregate fixed and variable remuneration for the members of the executive board, including the cross-charge from Kapsch AG for the services of Georg Kapsch, amounted to EUR 1.82 million (fiscal year 2010/11: EUR 1.57 million).

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

Erwin Toplak. The remuneration of Erwin Toplak is based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 28 % of the base compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, Erwin Toplak is entitled to a severance payment that equals eleven times his monthly salary. Mr. Toplak is required to comply with a non-competition clause for one year following the termination of his executive board position (unless he terminates for cause). In addition, he has an individually defined pension scheme for which Kapsch TrafficCom AG pays approximately TEUR 14 annually to an outside pension fund. As of 31 March 2012, Erwin Toplak held 152,728 shares of Kapsch TrafficCom AG, corresponding to about 1.2 % of the share total of 13 million.

André Laux. The remuneration of André Laux is determined based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 34 % of the base compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, André Laux is required to comply with a non-competition clause for one year following termination of his executive board position (unless he terminates for cause). André Laux has an individually defined pension scheme for which Kapsch TrafficCom AG pays approximately TEUR 5 annually to an outside pension fund.

Executive board remuneration 2011/12 in TEUR	Fixed	Variable	Total
Georg Kapsch	444	578	1,022
Erwin Toplak	378	64	442
André Laux	285	74	359
Total	1,107	716	1,823

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

Supervisory Board.

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

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2013
Kari Kapsch	Deputy chairman	1964	2002	2013
Sabine Kauper	Member ^{1,2}	1968	2011	2014
Christian Windisch	Member ³	1963	2002	–
Claudia Rudolf-Misch	Member ³	1967	2010	–

¹ Member meeting the criteria of rule C-54 of the Code

² Since 22 August 2011 (until such date William Morton Llewellyn)

³ Delegated by the works council; without information on expiration since the works council may recall a member it has delegated at any time

Franz Semmernegg has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002. Since June 2005, he has been chairman of the supervisory board. Franz Semmernegg has been the CFO of KAPSCH-Group Beteiligungs GmbH since April 2005. He also serves as the CEO of Kapsch BusinessCom AG and has been a member of the executive board of Kapsch BusinessCom AG since March 2003. In addition, he has also been the CFO of Kapsch AG since October 2001 and was a member of the executive board of Schrack BusinessCom AG from 1999 to September 2001. In 1998, Franz Semmernegg was responsible for the successful management buy-out of Schrack BusinessCom AG from Ericsson Austria AG and was previously involved in management functions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997). He graduated with a degree in business administration (1992) and a Ph.D. (1997) from the University of Graz (*Karl-Franzens-Universität*).

In addition, Franz Semmernegg serves as a member of the executive board of CALPANA business consulting GmbH, Kapsch Smart Energy GmbH, Kapsch Cashpooling and Hedging GmbH as well as Kapsch IT Services for finance and industries GmbH. He also serves as a member of the advisory board of Kapsch Sp. z.o.o., Kapsch BusinessCom Kft., Kapsch BusinessCom s.r.o. (Prague), Kapsch s.r.o. (Bratislava), Kapsch S.R.L. and Enso GmbH.

Kari Kapsch has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and the deputy chairman since June 2005. He previously served as deputy chairman of the supervisory board from June 2002 to December 2002 and as chairman of the supervisory board from December 2002 to June 2005. Kari Kapsch has also been the COO of KAPSCH-Group Beteiligungs GmbH since December 2005. In addition, he is also the COO of Kapsch AG and CEO of Kapsch CarrierCom AG. He is involved in several industry-related associations and was the chairman of the executive board of Young Industry Vienna (*Junge Industrie Wien*) and deputy chairman of Young Industry Austria (*Junge Industrie Österreich*) from 1996 to 2002. Kari Kapsch graduated with a degree (1988) and a Ph.D. (1992) in physics from the University of Vienna (*Universität Wien*).

In addition, Kari Kapsch is a member of the executive board of Kapsch Immobilien GmbH, chairman of the board of Kapsch BusinessCom AG and as well a member of the advisory board of Kapsch Sp. z.o.o., Kapsch BusinessCom Kft., Kapsch BusinessCom s.r.o. (Prague), Kapsch s.r.o. (Bratislava) and Kapsch S.R.L.. Kari Kapsch is the brother of Georg Kapsch, the CEO of Kapsch TrafficCom AG.

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

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

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

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

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

Remuneration. The members of the supervisory board and its committees receive reimbursement of actual expenses, including reasonable travel expenses. In addition, the shareholders' meeting may provide for the annual remuneration of supervisory board members. On 24 June 2009, the annual shareholders' meeting resolved to grant William Morton Llewellyn remuneration of TEUR 3 per meeting. Remuneration of TEUR 8 was paid for the past fiscal year until his resignation on 22 August 2011. No other member of the supervisory board receives specific remuneration for such office; any remuneration for Sabine Kauper for the past fiscal year needs to be resolved upon by the annual general meeting on 24 August 2012.

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

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

Committees of the Supervisory Board.

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

The committee for executive board matters is responsible for the relationship between the company and the members of the executive board (including remuneration issues), except for the appointment or dismissal of members of the executive board. It consists of two members of the supervisory board elected by the shareholders' meeting, including the chairman of the supervisory board. The current members of the committee for executive board matters are Franz Semmerneegg (chairman) and Kari Kapsch. The committee for executive board matters held no meeting in the past fiscal year.

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

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

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

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

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

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

Report of the Supervisory Board.



Franz Semmerneegg, Chairman of the Supervisory Board

The Kapsch TrafficCom AG supervisory board held a total of four meetings during the fiscal year from 1 April 2011 to 31 March 2012. No member of the supervisory board attended less than half of all meetings. The supervisory board was informed by the executive board on an ongoing basis in writing and verbally as well as in the meetings held jointly with the executive board on the position, development and strategy of the company. It also monitored and advised the executive board during the period under review. The chairman of the supervisory board was in regular contact with the chairman of the executive board in order to discuss business development, strategy and risk management.

PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as independent auditor appointed by the general meeting has audited and issued an unqualified audit opinion on the annual separate financial statements and the annual consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2012 as well as the management report on the company and the group dated 30 May 2012, each as prepared by the executive board. The annual separate financial statements and the annual consolidated financial statements, the executive board's proposal for the distribution of profit, the auditors' reports (including the management letter) as well as the corporate governance report were discussed in detail with the executive board and the independent auditors at a meeting of the audit committee and subsequently presented to the supervisory board. The supervisory board reviewed such documents in accordance with Section 96 of the Austrian Stock Corporation Act (*Aktiengesetz*) and approved the annual separate financial statements in line with Section 96 para. 4 of the Austrian Stock Corporation Act (*Aktiengesetz*). The supervisory board concurs with the executive board's proposal for the distribution of profit.

The audit committee held a total of four meetings during the fiscal year from 1 April 2011 to 31 March 2012 and met the responsibilities as set out in section 92 para 4a of the Austrian Stock Corporation Act (*Aktiengesetz*).

The supervisory board extends its thanks to the members of the executive board and all employees of Kapsch TrafficCom AG for their work in fiscal year 2011/12.

Vienna, 11 June 2012

Franz Semmerneegg
Chairman of the Supervisory Board

Kapsch TrafficCom is a provider of high-performance intelligent transportation systems (ITS) in the application fields of toll collection, urban access management and traffic safety and security. Kapsch TrafficCom covers the entire value creation chain of its customers as a one-stop shop by providing products and components as well as subsystems as open market products, by integrating them into turnkey systems or by developing end-to-end solutions, including services for the technical and commercial operations of systems. Within its current core business of electronic toll collection (ETC), Kapsch TrafficCom designs, builds and operates primarily electronic toll collection systems, in particular for multi-lane free-flow traffic. With 280 references in 41 countries on all 5 continents and with almost 70 million on-board units delivered and about 18,000 lanes equipped, Kapsch TrafficCom has positioned itself among the internationally recognized suppliers of electronic toll collection worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 30 countries.

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

Investor Relations | Marcus Handl | Phone +43 50 811 1120 | Fax +43 50 811 99 1120 | Email ir.kapschtraffic@kapsch.net

Corporate Marketing | Alf Netek | Phone +43 50 811 1700 | Fax +43 50 811 99 1700 | Email alf.netek@kapsch.net