Kapsch Group

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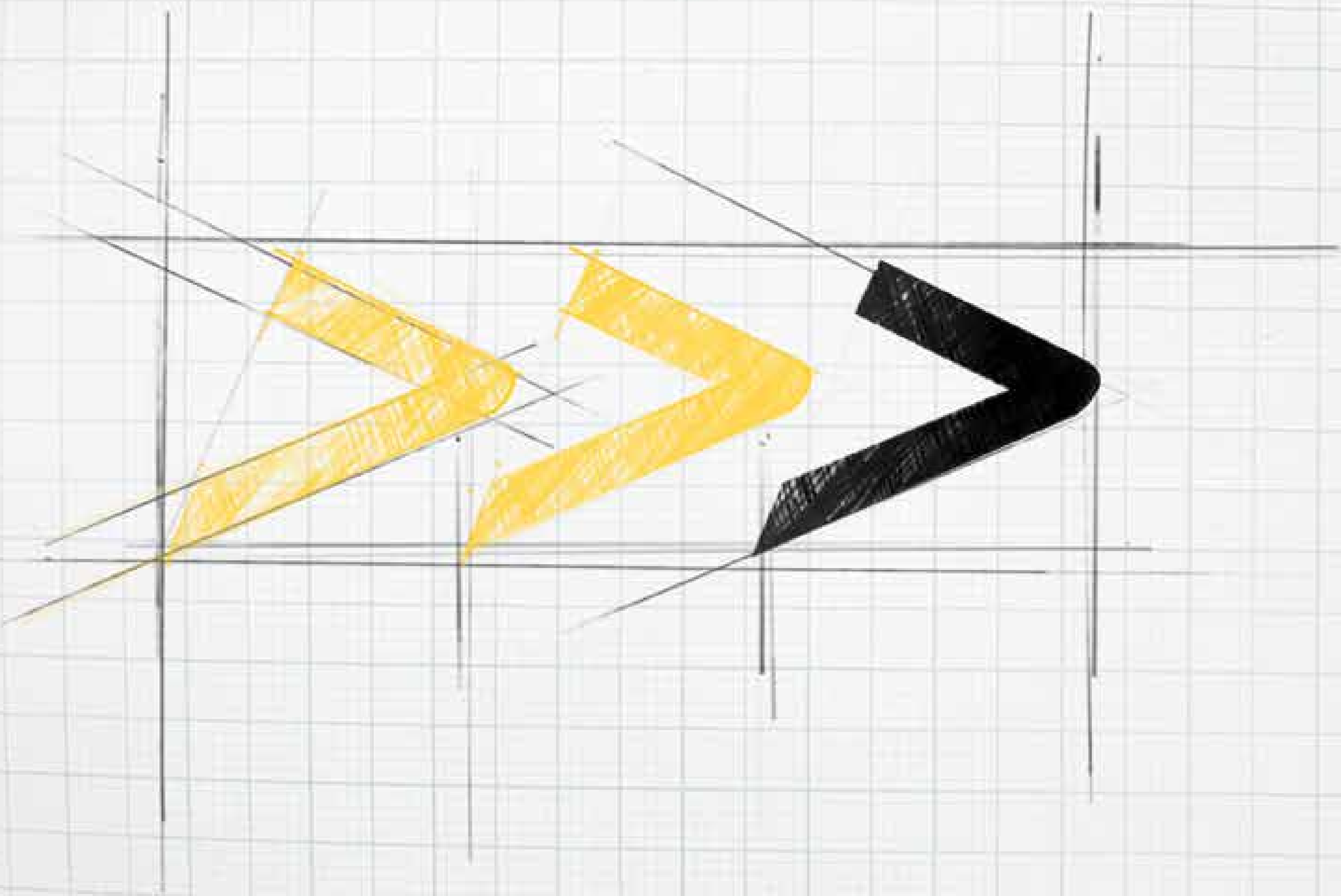
THINK

ANNUAL REPORT 2013/14 FOR NEW IDEAS.



always one step ahead

Overview
2013/14 Fiscal Year.

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

Kapsch Group

▸ *Headcount at an all-time high.* The Kapsch Group presently employs 5,484 people. Compared to 31 March 2013, this corresponds to an increase of 4 %. Our representation in the U.S. saw the strongest growth with an addition of 179 employees. This was primarily driven by the expansion of Kapsch TrafficCom.

▸ *Focus on R&D activities.* With EUR 95.5 million, the Kapsch Group invested over 10 % of its revenues in research and development. We successfully introduced innovative products and solutions in all existing divisions and developed new business segments.

▸ *Revenues of the Kapsch Group.* Despite difficult underlying conditions, the Kapsch Group was still able to grow and to achieve revenues of EUR 923.3 million.

▸ *New business segments.* Kapsch Smart Energy, a subsidiary of the Kapsch Group founded in 2010, achieved new successes in the area of smart energy management, among these the delivery of 1,400 measuring devices to Wiener Netze GmbH for a smart metering pilot project.

Kapsch TrafficCom

▸ *Acquisition of Transdyn, Inc., U.S.A.* Kapsch TrafficCom closed a deal for the acquisition of Transdyn, Inc., one of the leading U.S. companies in manufacturing and integrating of traffic management software programs and systems, thereby enlarging its product portfolio.

▸ *Successfully implemented projects.* Among successfully implemented projects are the start of the nationwide electronic truck toll system in Belarus (Development Phase 1), the commissioning of a fully overhauled toll collection system on the M5 South Western Motorway in Sydney as well as the successful start of the toll collection system in South Africa.

Kapsch CarrierCom

▸ *Successful projects.* Commissioning for the integration of Openet Policy Manager in six operating companies in Eastern Europe by Telekom Austria Group, implementation of a telemetry solution for tramways in the city of Linz in order to reduce energy consumption and the building of a GSM-R infrastructure along a 450 km-long high-speed route between Mecca and Medina.

▸ *Acquisition of the ITM Group.* Through the acquisition of the ITM Group, a leading German system integrator, Kapsch CarrierCom has been able to strengthen its presence in Germany.

Kapsch BusinessCom

▸ *Successful collaborations.* Start of the partnership with Braintribe in order to enlarge the range of innovative IT solutions in the application segment for business customers. Further intensified cooperation with OMV with the opening of a new branch in Turkey.

▸ *Numerous new orders.* Realization of a video conferencing solution for 27 hospitals in Lower Austria, implementation of a fleet management system for the Czech Post, modernization of a call center for the Polish automobile association STARTER and commissioning for the management of all central IT services by Cross Industries.

Kapsch Group
Annual Report 2013/14
for New Ideas.

Imprint
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Place of publishing: Vienna, Austria

At this point we would like to thank all employees who have kindly allowed us to use their photos in this annual report.

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.

Three-Year Review of Key Data.

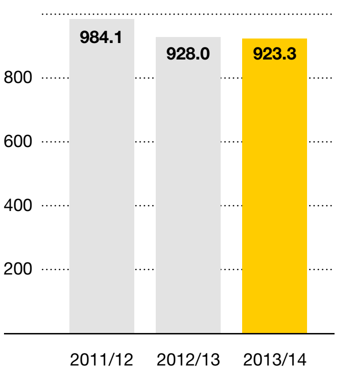
Earnings figures		2011/12	2012/13 (adjusted)	2013/14	+/-
Revenues	in million EUR	984.1	928.0	923.3	-1 %
EBITDA	in million EUR	99.6	61.9	57.5	-7 %
EBITDA margin	in %	10.1	6.7	6.2	
EBIT	in million EUR	67.0	29.0	25.2	-13 %
EBIT margin	in %	6.8	3.1	2.7	
Profit before tax	in million EUR	51.4	23.5	8.1	-65 %
Profit after tax	in million EUR	41.2	18.7	6.1	-67 %
Free cash flow	in million EUR	-33.7	42.0	-27.7	-166 %
Research & development	in million EUR	84.8	96.6	95.5	-1 %
Employees	as of 31 March	4,826	5,266	5,484	4 %

Statement of financial position figures		31 March 2012	31 March 2013 (adjusted)	31 March 2014	+/-
Total assets	in million EUR	955.8	950.1	952.5	0 %
Total equity	in million EUR	371.9	337.8	317.4	-6 %
Equity ratio	in %	38.9	35.6	33.3	
Return on equity	in %	18.0	8.6	8.0	
Financial liabilities	in million EUR	221.0	215.6	248.0	15 %
Net debt (-)/assets (+)	in million EUR	-122.8	-108.1	-167.7	55 %
Gearing	in %	33.0	32.0	52.8	
Capital employed	in million EUR	592.8	553.5	565.4	2 %
Net working capital	in million EUR	406.8	358.4	329.1	-8 %

Business segments		2011/12		2012/13 (adjusted)		2013/14		+/-
Traffic								
Revenues (share in revenues)	in million EUR	549.9	(56 %)	488.9	(53 %)	487.0	(53 %)	0 %
EBIT (EBIT margin)	in million EUR	42.2	(8 %)	16.5	(3 %)	20.3	(4 %)	23 %
Employees (share in group)	as of 31 March	2,705	(56 %)	3,013	(57 %)	3,308	(60 %)	10 %
Carrier								
Revenues (share in revenues)	in million EUR	219.3	(22 %)	189.1	(20 %)	170.2	(18 %)	-10 %
EBIT (EBIT margin)	in million EUR	17.7	(3 %)	5.3	(1 %)	0.4	(0 %)	-93 %
Employees (share in group)	as of 31 March	736	(15 %)	715	(14 %)	740	(13 %)	3 %
Enterprise								
Revenues (share in revenues)	in million EUR	251.6	(26 %)	297.2	(32 %)	309.5	(34 %)	4 %
EBIT (EBIT margin)	in million EUR	4.5	(1 %)	5.3	(1 %)	2.5	(1 %)	-53 %
Employees (share in group)	as of 31 March	1,302	(27 %)	1,438	(27 %)	1,322	(24 %)	-8 %

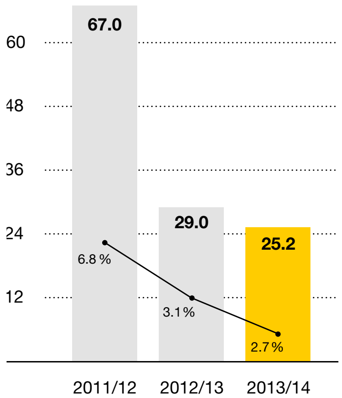
Regions		2011/12		2012/13		2013/14		+/-
Revenues (share in revenues)								
Austria	in million EUR	252.3	(26 %)	271.5	(29 %)	274.1	(30 %)	1 %
Central and Eastern Europe	in million EUR	377.4	(38 %)	343.6	(37 %)	343.7	(37 %)	0 %
Western Europe	in million EUR	147.7	(15 %)	120.3	(13 %)	129.9	(14 %)	8 %
Americas	in million EUR	68.7	(7 %)	80.5	(9 %)	88.0	(10 %)	9 %
Rest of World	in million EUR	138.1	(14 %)	112.1	(12 %)	87.6	(9 %)	-22 %
Employees (share in group)								
Austria	as of 31 March	2,034	(42 %)	2,206	(42 %)	2,136	(39 %)	-3 %
Central and Eastern Europe	as of 31 March	845	(18 %)	950	(18 %)	983	(18 %)	3 %
Western Europe	as of 31 March	431	(9 %)	434	(8 %)	460	(8 %)	6 %
Americas	as of 31 March	361	(7 %)	437	(8 %)	616	(11 %)	41 %
Rest of World	as of 31 March	1,155	(24 %)	1,239	(24 %)	1,289	(24 %)	4 %

Revenues
(in million EUR)



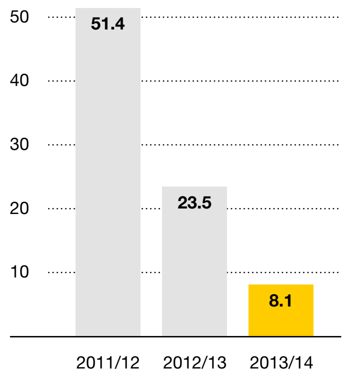
Revenues decreased by EUR 4.9 million to EUR 923.3 million.

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



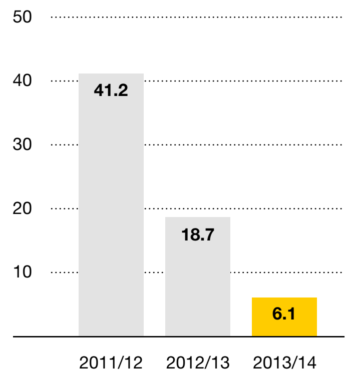
EBIT decreased by 13 % to EUR 25.2 million, the EBIT margin was at 2.7 %.

Profit before tax
(in million EUR)



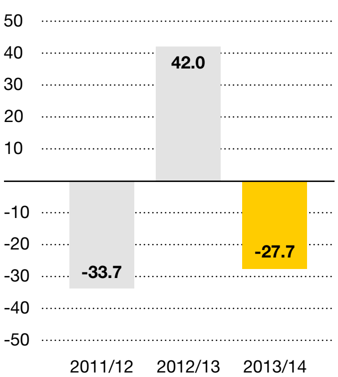
Profit before tax decreased by 65 % to EUR 8.1 million.

Profit for the period
(in million EUR)



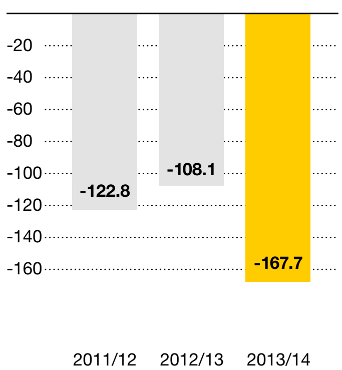
Profit for the period decreased by 67 % to EUR 6.1 million.

Free cash flow
(in million EUR)



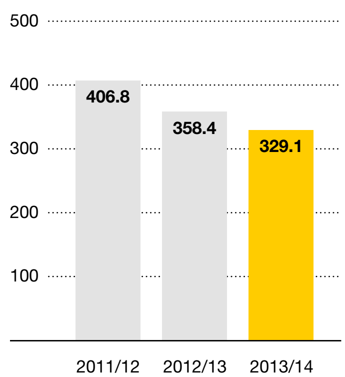
Free cash flow decreased from 42.0 million to EUR -27.7 million.

Net debt
(in million EUR)



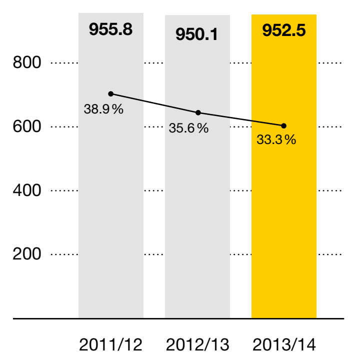
Net debt increased by 55 % to EUR -167.7 million.

Net working capital
(in million EUR)



Net working capital decreased by 8 % to EUR 329.1 million.

Total assets (in million EUR) and
equity ratio (in %)



Total assets remained stable, the equity ratio was at 33.3 %.

Annual Report of Kapsch Group 2013/14 as Download or Digital Print.

With the iKapsch app for your iPhone or Android smartphone, you can view the Kapsch Group annual report in digital form. Use the Apple App Store or the Google Play Store on your smartphone to install the iKapsch app, then start the 'iKapsch print' module in the iKapsch app. You will receive the annual report in digital form for reading or for printing out from your smartphone or PC. On the marked pages you will find multimedia content with additional information.

Contents.

Why a blank sheet of paper inspires.

Creative Statement.

Every great idea begins with an empty piece of paper. It's an opportunity to create something unique.

You need at least three things for an entrepreneurial innovation: An idea, the unconditional desire to implement it and some paper. With this annual report under the motto “Think”, we intend to shine the spotlight on the innovative power of our employees. Their ideas usually start on a blank sheet of paper. They note, sketch and draft. And create something magnificent in the end. Discover the stories and personalities behind the ideas that make the Kapsch Group so unique and learn why it is exactly these people who keep us always one step ahead!

Letter from the Management.

Despite the challenges faced by our Group over the course of the 2013/14 fiscal year we were still able to generate revenues in the amount of EUR 923.3 million.

Dear readers,

Ever since its formation, the Kapsch Group has been a key pioneer of technological progress in the fields of communication and mobility – two very important human needs and desires which continue to grow in significance in today's world. It is to these fields that we have devoted ourselves fully, viewing them not merely as part of our core brand and business activities, but as our obligation. What this means to us is ensuring transparent insights into our corporate world and allowing you, dear readers, to share in our thoughts and objectives.

This annual report, entitled "THINK", marks the beginning of a four-year cycle which will conclude in 2017 with the celebration of our 125th anniversary. Given, that every successful story usually begins with an innovative thought, we want to start out by showing you how we nurture these ideas, consequently turning them into new applications and successful solutions.

Being an innovator and visionary, we work to further strengthen our position in our areas of expertise, harnessing the enormous dynamism of our industry in order to create opportunities for uninterrupted progress and development.

Investing in people. We are only able to achieve our growth targets if we ensure early on that our company will have the necessary expertise at its disposal. It is for this reason that we place particular emphasis on investing in the continuous professional development of our employees. During the 2013/14 fiscal year we furthermore increased the total number of employees by approximately 4 % (218 people) to a global headcount of 5,484.

Social responsibility. The Kapsch Group lives up to its responsibility towards society in a number of different ways – in the social field and by supporting the arts and cultural institutions. We believe that acting in a socially responsible manner also means being more than just an employer. In order to promote the strong sense of cohesion which connects company and employee at Kapsch, the Kapsch KidsDay was organized and held for the first time in all of the company's branches around the world. Under the motto 'Meet Kapsch', we invited our employees' children to get to know the company in a playful way and participate in exciting entertainment programs.

Steady course. Despite the challenges faced by our Group over the course of the 2013/14 fiscal year we were still able to generate revenues in the amount of EUR 923.3 million. Furthermore, we succeeded in safeguarding the continuation of our long-term, globally aligned growth strategy by means of trendsetting decisions. We defined new divisions and were able to win new projects in strategically important markets. In addition, we invested around 10 % of the Group's total revenues in research and development.

During the 2013/14 fiscal year, **Kapsch TrafficCom** generated revenues of EUR 487.0 million and its EBIT improved by 23 % to EUR 20.3 million. The company's internationally renowned market position in the Intelligent Transportation Systems segment was given an additional boost by a range of new projects. At the same time, the company was able to make a valuable strategic addition to its portfolio of products and services through the acquisition of Transdyn, Inc., one of the leading manufacturers of modern traffic management software programs and systems in the U.S. market.

Revenues of **Kapsch CarrierCom** came in at EUR 170.2 million for the 2013/14 fiscal year with EBIT of EUR 0.4 million. Our position as an internationally renowned expert in digital train communications (GSM-R) has been consolidated by winning a number of large-scale projects in the Railway and Carrier segments. This resulted in significant growth in our established markets, notably in Central and Eastern Europe. The Carrier business in Germany grew following the successful acquisition of the ITM Group.

Kapsch BusinessCom posted growth in revenues of 4 % to EUR 309.5 million during the 2013/14 fiscal year, an increase of EUR 12.4 million over the previous period, resulting in an EBIT of EUR 2.5 million. The company developed its position as a service partner in Austria and the CEE region, achieving rates of growth in these markets which clearly outpaced the industry average.

Innovative projects. As one of Austria's most established technology companies, Kapsch initiates, promotes and carries out innovative technical developments. We identify market trends at an early stage, which puts us in a position to rapidly turn innovative ideas into marketable solutions. With the two new business lines Smart Energy and Fipofix – intelligent energy management solutions and a revolutionary fiber processing technology – we have once again been able to forge new paths and live up to our traditional pioneering role.

With the two new business lines Smart Energy and Fipofix, we have once again been able to forge new paths and live up to our traditional pioneering role.

Looking ahead. We will continue to work to ensure sustainable growth of the Kapsch Group and carry on with enthusiasm, passion and an undaunted sense of responsibility in developing our position in the global market. Our innovative power, the needs of our customers and our responsibility towards society and the environment shall continue to serve as our guardrails on this path.

We would like to take this opportunity to thank our customers and business partners for the trust they have placed in us, and at the same time invite them to accompany the Kapsch Group on its future journey. We would also like to thank our employees for their high level of commitment, creativity and excellent performance. Together, we will keep working for the future advancement of the Kapsch Group so we can continue living up to our vision – to be always one step ahead.

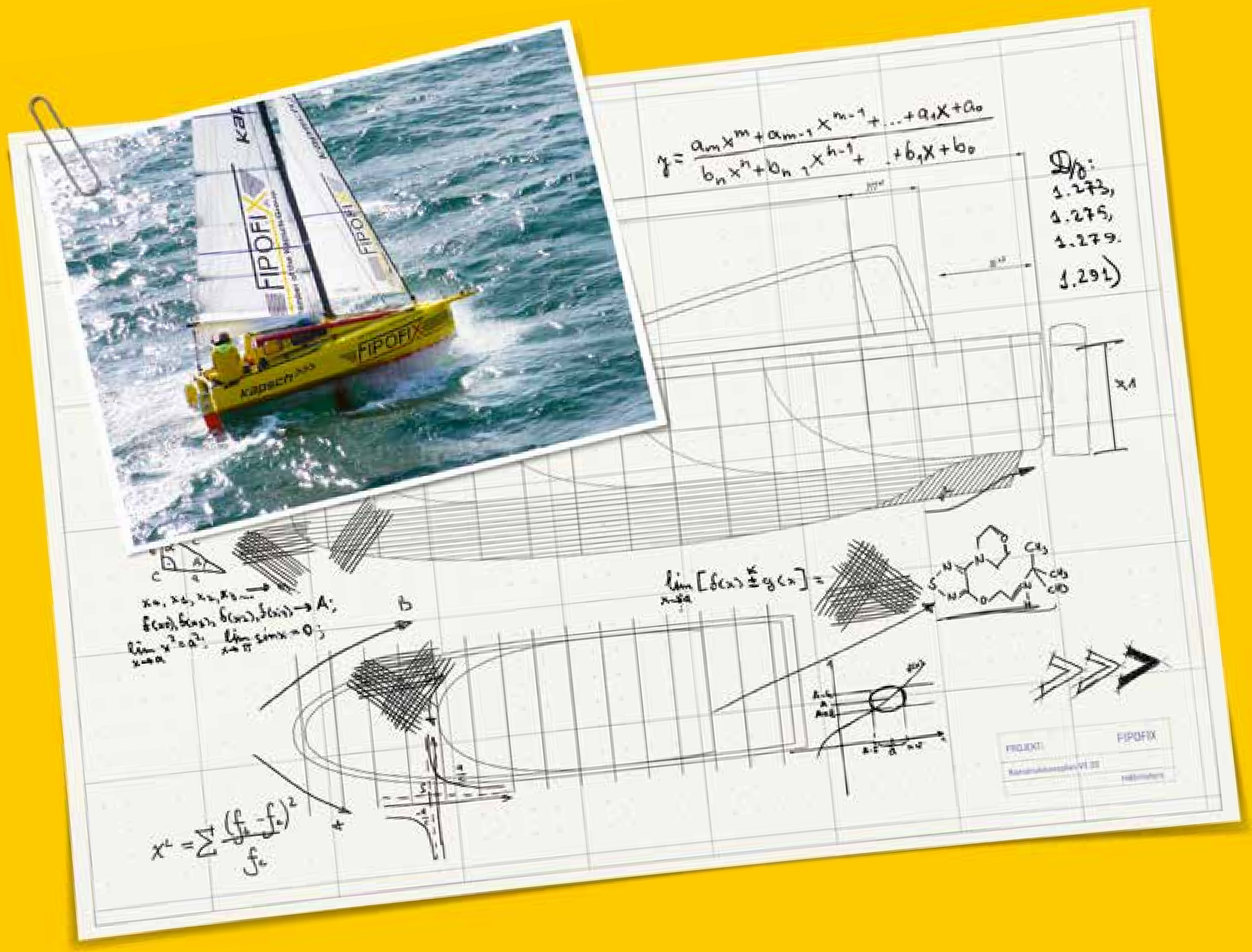
Georg Kapsch
Chief Executive Officer

Kari Kapsch
Chief Operating Officer

Franz Semmernegg
Chief Financial Officer

„**Focus** on the finish line.“

Harald Sedlacek, record-breaking sailor, Fipofix tester



Let your mind float. Look ahead. Venture into uncharted waters.

It is through this principle that Harald Sedlacek has his best ideas. The passionate sailor finds his own personal rhythm on the open sea, finds his inspiration from nature and is particularly proud of the ideas that improve our everyday lives. Like the innovative product Fipofix developed by his father Norbert Sedlacek and Kapsch – a new positioning technique for volcanic fibers. During a record-breaking trip across the North Atlantic, in a sailing boat only 16-feet long and made entirely from volcanic fibers, Harald and Fipofix were pushed to their limits. And a little bit beyond. A project that shows what the innovative power of the Kapsch Group and its partners can achieve. And why we are always one step, or even sometimes an entire boot's length, ahead.


PROOF OF PRINCIPLE
TEAM FIPOFIX
WE DEVELOP THE FIBRE FUTURE

Corporate Profile
of the Kapsch Group.

About Kapsch Group.

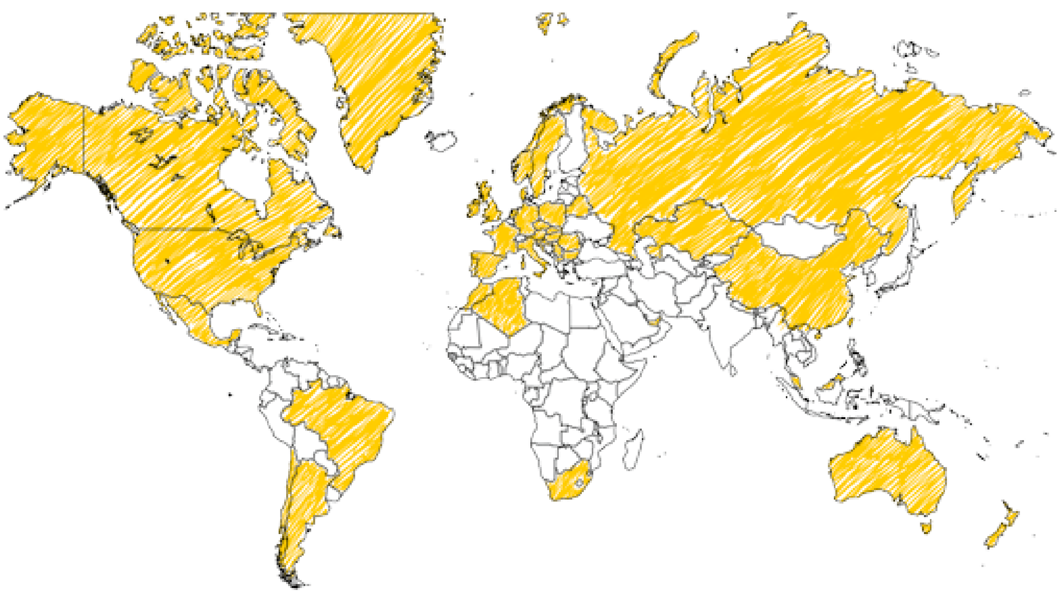
Always one step ahead.

In 1892, Johann Kapsch founded a precision-mechanics workshop in Vienna with the purpose of manufacturing telegraph appliances and telephones, and thereby laying the foundation for the modern-day Kapsch Group. Since then, the family-run company has consistently adapted itself to the requirements of its time and has repeatedly broken new ground. Fully 120 years ago, Kapsch manufactured hand-made products for communication purposes. Today, the Kapsch Group is a global technology company with prominent positions in all of its business segments. The core business segments include solutions for Intelligent Transportation Systems (ITS), services in the field of information technology and telecommunications, and communication systems for operators of fixed, mobile, transport and access networks.

The name Kapsch has been standing for innovativeness and a pioneering spirit for more than 120 years. The company continued to invest heavily in research and development over the years in order to be able to put new technologies on the market with the customers' and users' benefits in mind. Kapsch makes a key contribution to shaping a mobile and interconnected world in a responsible and sustainable manner with a range of innovative solutions, systems and services.

The group of companies based in Vienna has around 100 branches and representative offices around the world with a total of 5,484 employees.

Subsidiaries and branch offices of the Kapsch Group



- Algeria
- Argentina
- Australia
- Austria
- Belarus
- Brazil
- Bulgaria
- Canada
- Chile
- Croatia
- Czech Republic
- Denmark
- France
- Germany
- Hungary
- Ireland
- Italy
- Kazakhstan
- Malaysia
- Macedonia
- Mexico
- Morocco
- Netherlands
- New Zealand
- Norway
- People's Republic of China
- Poland
- Portugal
- Romania
- Russia
- Serbia
- Singapore
- Slovakia
- Slovenia
- Spain
- South Africa
- Sweden
- Taiwan
- United Arab Emirates
- United Kingdom
- U.S.A.

Kapsch is one of Austria's best-established, internationally renowned technological companies with its operating pillars formed by the three key entities Kapsch TrafficCom, Kapsch CarrierCom and Kapsch BusinessCom.

Kapsch TrafficCom is a globally established provider of intelligent transportation systems (ITS) supporting increased safety and efficiency on the road. The portfolio includes solutions for road user charging, urban access and parking, road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems. Kapsch TrafficCom's solutions aid to provide funding for infrastructure projects to increase traffic safety and security and reduce congestion as well as other environmental impacts caused by road traffic. The core of the 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 chain of our customers as a one-stop shop – from components and subsystems up to their integration and operation.

Reference projects in over 40 countries on six continents with a total of around 18,200 toll lanes and 43.8 million on-board units make Kapsch TrafficCom an internationally recognized expert in this business segment. Kapsch TrafficCom is headquartered in Vienna with subsidiaries and representative offices in 25 countries.For more information about Kapsch TrafficCom, please refer to page 26 of this report.

Kapsch CarrierCom is a global manufacturer and systems integrator of telecommunications solutions for railway companies and operators of fixed-line, mobile, transport and access networks. Alongside applications and services for next-generation networks and innovative OSS/BSS solutions, Kapsch CarrierCom covers every part of the value chain, offering not only advisory, design and product development services, but also installation, integration, maintenance and operating services for entire networks. Additionally, the range of services includes fraud management systems, a proprietary service delivery framework with Convergent Centrex and the business and service assurance system DataXtender. Customers include public network operators such as companies in the Telekom Austria Group, Bouygues Telecom (France) and Chunghwa Telecom (Taiwan), railway companies in key markets such as France and the German operator of the world's largest GSM-R network. For more information about Kapsch CarrierCom, please refer to page 32 of this report.

Kapsch BusinessCom is a reliable service partner to over 17,000 companies in Austria and Central and Eastern Europe, enabling these to benefit from high-performance and innovative IT and telecommunications solutions. Having subsidiaries and branches in Austria, Czech Republic, Slovakia, Hungary, Romania and Poland, the company's solution portfolio covers the business segment of information and communication technology (ICT). As an ICT service partner, Kapsch BusinessCom is increasingly involved in the complete operation of ICT solutions in addition to system integration and continuous optimization. Kapsch BusinessCom acts independently of manufacturers and places emphasis on long-term partnerships with leading international providers such as Aastra, Avaya, Cisco, Google, Hitachi, HP and Microsoft. Together with these partners, Kapsch BusinessCom offers excellent services as a consultant, system supplier and service provider, positioning itself as a trustworthy and reliable partner in a rapidly changing technological environment. For more information about Kapsch BusinessCom, please refer to page 38 of this report.

Our Vision.

Always one step ahead.

Kapsch is always inviting change. We strive to remain always one step ahead – to the benefit of our clients, partners and investors, and in the interests of our employees, society and the environment.

The Kapsch Group is pursuing a central, overarching goal based on the following commitment: to support people in meeting their communication and mobility needs in the best way possible utilizing innovative technological solutions. The Group's core is made up of the three business segments for Intelligent Transportation Systems, Carrier Solutions and Enterprise Solutions. With customer orientation, responsible action and the willingness to progress and change, we strive to remain always one step ahead – to the benefit of our clients, partners and investors, and in the interests of our employees, society and the environment.

Kapsch is always looking to the future. Our Group exerts a crucial influence on technological developments. We transform new technologies into practical solutions and applications, generate added value for our customers and thereby make an active contribution to shaping the long-term future.

Kapsch is always innovative. Focusing on the future requires a constant willingness to innovate and change. We scrutinize established technical solutions to determine where improvements can be made and invest substantially in the development of new approaches. The aim is always to achieve a combination of technical perfection and commercial viability to the benefit and advantage of our customers.

Kapsch is always focused on performance. Not only do we search for perfect technical solutions, but we also motivate each and every one of our employees around the world to focus resolutely and sustainably on the benefits to our customers. Our crucial competitive advantage lies in the synthesis of efficiency and safety. In this way, we work consistently to achieve our goal of fostering trust and building long-term business relationships with our customers around the world.

Kapsch is always aware of its responsibilities. We bear the responsibility for optimum technological solutions that stand out for stability and reliability. Thus, business success for the Kapsch Group must always go hand-in-hand with acting responsibly – for the sake of our customers, employees and partners and to the benefit of society and the environment.

Kapsch is always close to you. Since our company was founded, we have clearly aligned all of our business processes and products, as well as our organization, with the needs, wishes and requirements of our customers. The combination of customer orientation, innovative power and global presence determines our corporate strategy. This is the focus of our 5,484 employees in approximately 100 countries across six continents.

Our Mission.

We are Kapsch, a family-run business steeped in tradition with roots extending as far back as 1892. The Kapsch Group is characterized by being close to customers and providing individual technological solutions for our partners and clients with our main focus on meeting their communication and mobility needs.

In our core business we pursue a profitable, global growth strategy, aiming to defend our market position in growing business segments with long-term attractiveness. Our committed employees, unwavering focus on technical innovations and responsible business practices help us in staying "always one step ahead".

Henri Gauthier
Sales Railways France & UK,
Kapsch CarrierCom

Nothing is impossible! And so it was with the sales tool we developed, which involved us working through a whole range of different approaches before finding the perfect solution.

Creating and appreciating values.

Values are an integral part of the Kapsch corporate culture. Our activities create lasting value for the future and make an active contribution towards responsible, socio-political development. Our employees, our management and the executive board members of the Kapsch Group and its subsidiary companies all live and work by these values:

- **Responsibility.** We act in the interests of the company, bear the consequences of our actions and take initiative.
- **Respect.** Our cooperation is based on mutual recognition.
- **Performance.** Each individual employee contributes to achieving our goals with their dedication and success.
- **Discipline.** Adhering to rules enables us to work together in accordance with our values.
- **Transparency.** We are open in dealing with information. This makes decisions traceable.
- **Freedom.** Individual scopes of action broaden our personal engagement.
- **Family.** We all pull in the same direction and support one another.
- **Dynamism.** The determination toward continuous change enables us to achieve the set goals.

Our
Strategy.

We want to contribute to shaping society through our technologies, while making sure to consider aspects of economic and environmental sustainability.

As a long-standing company steeped in tradition, the Kapsch Group pursues an ambitious strategy based on a clear set of principles ensuring our success in the long run.

Solutions for people. Overall progress, as well as Kapsch Group's advancement, is achieved by flexible adaptation to given underlying conditions and external influencing factors. Thus we strive to recognize new opportunities early and embrace them as the keys to our future success. We inspire our customers around the world with excellent and innovative solutions. Our understanding of technology, however, does not end with mere technical feasibility – for us, this is where it all begins.

We are only satisfied when our customers are satisfied as well, when they readily use our solutions and are able to integrate them easily into their everyday processes. We listen to our customers so as to understand what they really need. We view ourselves as facilitators between technology and people, always considering different perspectives in order to identify the best possible solutions.

Maximum performance based on a sense of responsibility. We are aware of our particular responsibility as a large company and we seek to honor it. Our solutions and services contribute to safe and efficient communication between people or machines. They control complex systems and support the mobility of people. Our technologies are partly responsible for ensuring that traffic flows safely and that communication takes place smoothly and reliably. The associated responsibility motivates us, day after day, to achieve maximum performance in every project. To this end, we focus on the people that use the technologies and work with them, not just the technology itself.

Long-term thinking. Over the previous years we presented you with our perspective on the building blocks of our success – powerful products and solutions, value-oriented employees and a forward-looking strategy based on the relationship between people and technology. In our usual manner of long-term oriented thinking we now start a 4-year cycle of annual reports with the goal of providing you with interesting and diverse insights into our way of developing and implementing innovative technologies. We will start with the unique idea in the mind of the inventor and follow its journey all the way until its real-world application in every-day solutions. This process will demonstrate how our employees generate ideas thus laying the foundation for new technological innovations, how these ideas are nurtured in our company's environment and allowed to grow resulting in practical applications and solutions. And finally how we customize these to the wishes of our clients and share them as finished solutions in the course of our projects. "Think", "move", "share" – these are our key terms for this process and we will present them one by one every year until the conclusion of our cycle in the year 2017 with the publication of a special volume for our 125th anniversary, in which we will unite past, present and future.

Kevin Wriston
Advanced Expert – Architecture, GSM-R SCP Development & Applications, Kapsch CarrierCom

I think that it is crucial to turn information into something meaningful. For instance, I like watching Ted Talks. Here you learn to see the big picture.

(TED – Technology, Entertainment, Design – is a global set of conferences originating in Monterey, California and it is mostly known for the free available talks online. TED Talks had been watched one billion times worldwide. Dec. 2012, Source: Wikipedia)

The Kapsch Group has enjoyed sustained success because our employees are enthusiastic and fully committed to ensuring that other people – customers, partners and shareholders – benefit in the best possible way from our services.

Innovation, a forward-looking approach and established values of a family-run company. These are the pillars of our corporate philosophy. We feel equally responsible for our employees as we do for our customers, partners and shareholders. We want to contribute to shaping society through our technologies, while making sure to consider aspects of economic and environmental sustainability.

Sustainability. We believe sustainable business is a significant factor of our success, one which also helps us to secure a successful position on the capital markets. In Austria, the VÖNIX (VBV Austrian Sustainability Index) tracks listed Austrian companies which play leading roles through their social and environmental commitments. Kapsch TrafficCom AG, part of the Kapsch Group, has been included in this index since June 22, 2009. We use resources of all kinds in an economic and cost-efficient manner and we pay close attention to the welfare and satisfaction of our employees, thereby laying the foundation for a constructive collaboration focused on success.

Risk behavior. As a technology company, the Kapsch Group operates in an extremely dynamic environment. The proper assessment of risks associated with this dynamism therefore makes up an integral part of our everyday business. The primary objective of our risk management activities is to deal with risks in a controlled and deliberate manner as opposed to avoiding them entirely. After all, we want to seize new opportunities timely while also taking into account any associated potential risks. Thus we only take on major business risks if they are justified by the given projects potential upsides in the long run. Given our heavily project-oriented business, its associated challenges make up a large portion of our risk management.

Fair competition. The Kapsch Group, as a corporate group, safeguards its long-term interests by its fair, transparent and professional conduct in the marketplace. The code of conduct of the Kapsch Group prohibits any restriction of free competition and serves as guidance for employees on how to act with integrity and fairness. Breaches of national and international antitrust regulations or any other rules on competition would result in grave financial consequences and be detrimental to the Group's image. This is why all of our business transactions are subordinated to legal regulations and applicable codes of conduct.

Promoting diversity. The Kapsch Group promotes and harnesses social diversity. We respect the dignity and personality of every employee. This is why we respect one another and continue to view differences as opportunities to be consciously fostered. We value the diversity of our employees, provide each and everyone with equal opportunities and prevent social discrimination.

Requirements for business partners. The Kapsch Group takes responsibility for its business and sets high standards for all organizational areas. To secure these standards we also demand excellent performance and integrity from our business partners. All of our business relationships with customers, suppliers and partners are based on high-quality standards. The products and services delivered to us must be fully suitable for their respective purposes and remain price-competitive.

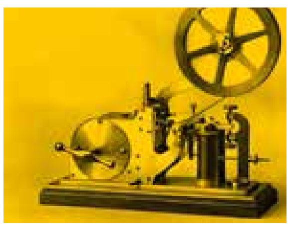
A company and "its" people. Kapsch is and will remain a technology company. The Kapsch Group has enjoyed sustained success because our employees are enthusiastic and fully committed to ensuring that other people – customers, partners and shareholders – benefit in the best possible way from our services. Since we repeatedly look at our world and technology from the perspective of other people, we can provide services that not only meet their requirements but surpass them setting entirely new standards.

Our Milestones.

Kapsch. A history of a company.

Ever since its founding in 1892, Kapsch has been dedicated to its role as an innovator and technological pioneer. From the production of the first portable radios and the spreading of telephone technology in Austria up to ground-breaking toll projects around the world: when it comes to technological milestones in communication and mobility, Kapsch has always been a major step ahead. At the same time, we remain committed to employing technological developments efficiently and responsibly in the service of our customers. We recognize and appreciate technology as an instrument for opening up possibilities and improving numerous aspects of people's lives.

1892
Johann Kapsch founds a precision workshop in Vienna-producing Morse telegraph devices and telephones.

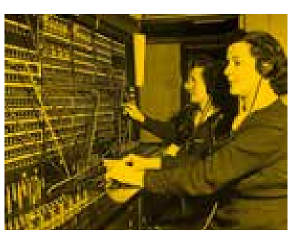


After 1918
Kapsch begins manufacturing capacitors and dry batteries.

1923
Entry into radio manufacturing. The first Kapsch radio receiver Pionier L with three-tube speaker technology. Soon afterwards Kapsch becomes a co-founder of RAVAG, the Austrian company Radio Verkehrs AG, thereby ringing in the age of radio in Austria.

1930
First television demonstration with a complete transmission and reception system in Austria – a revolutionary event at the Kapsch pavilion on the Vienna Trade Fair.

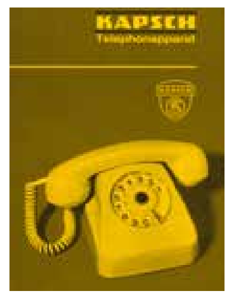
1946
In cooperation with the Austrian Post, Kapsch plays a key role in the reconstruction of the telephone network after World War II.



1948
Equipment of long-distance offices with switch system 48 – the first standardized, nation-wide, direct-dial system. In 1950 the first automatic exchange using the system comes into service in Eferding.

1955
Kapsch brings the first black and white television on the Austrian market, the model TFS-56.

1958
Capri, the first fully transistorized-portable radio is released.



1965
The company develops a new low-noise dialing disk for telephones that remains in use up to the 1980s.

1967
Presentation of the first Kapsch color television: the Chromomatic.

1969
Development of an OHS system for semi-electronic telephone exchange system operation.

1970
Installation of train radio for Austrian Railways.

1972
Kapsch develops batteries with a non-leak guarantee.

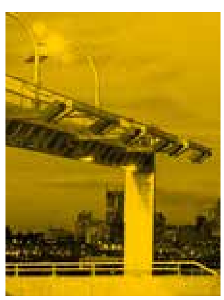
1979
The medium-range radar system Koralpe essential to aviation safety is built.

1980
Start of digital-telephony in Austria with Schrack.

1984
Kapsch enters into the mobile telephony segment and equips the Austrian army and Austrian Railways with the first – back then still quite large – devices.

1991
First telephone call in Austria using the new digital mobile network GSM.

1994
Kapsch equips multiple European railways with cab radio.



1999
Implementation of the world's first electronic toll system for multi-lane free-flow traffic on the Melbourne City Link highway.

2003
Kapsch implements the world's largest comprehensive electronic truck toll system in Austria.

2010
Kapsch takes over the GSM/GSM-R division of Nortel, thus becoming a major provider in this area.

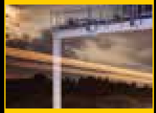
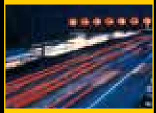
2012
Kapsch Smart Energy starts a pilot project for integrated energy management.

2013
Entry into the market for communications solutions in local public transport based on TETRA technology.

2014
Kapsch takes over Transdyn, Inc., U.S.A., one of the leading traffic management and system integration companies in the American market.

Our Portfolio.

Kapsch TrafficCom

- **Road User Charging**
  
  - Satellite Tolling
  - Terrestrial Tolling
  - Plaza Tolling
- **Urban Access & Parking**
  
  - Urban Road User Charging
  - Limited Access Zone
  - Low Emission Zone
  - Dynamic Parking
- **Road Safety Enforcement**
  
  - Red Light Enforcement
  - Speed Enforcement
  - Section Speed Enforcement
  - Weight Enforcement
  - Lane Enforcement
  - Traffic Surveillance
- **Commercial Vehicle Operations**
  
  - Electronic Clearance
  - Electronic Screening
  - Electronic Inspection
- **Commercial Vehicle Registration**
  
  - Vehicle Registration
  - Vehicle Compliance
  - Vehicle Monitoring
- **Traffic Management**
  
  - Traffic Management Highways
  - Traffic Management Tunnels
  - Traffic Management Bridges
  - Managed Lanes
- **V2X Cooperative Systems**
  
  - In-vehicle Components
  - Roadside Stations

Brand Identity.

Tradition and innovation, mobility and communication, family business and technology pioneer, founded in Austria and at home in the entire world: Kapsch is a company group that joins many different aspects into one common, productive and successful whole. One company with many facets.

Our key to lasting success in the face of global challenges lies in innovative power, specialization and dedicated, competent employees. This is exactly what the strategy of Kapsch Group is based on: In line with the motto “always one step ahead,” we assert ourselves on the global markets through our technological innovations with great customer benefits. This makes us the top specialist for intelligent solutions in the forward-looking fields of mobility and communication. The Kapsch Group employs more than 5,400 people worldwide – with the aspiration of realizing excellent solutions for the benefit of our customers.

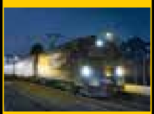
Key Entities.

Kapsch TrafficCom is a globally renowned partner in providing intelligent transportation systems (ITS) that contribute to higher safety and efficiency in road traffic. Our portfolio includes solutions for road user charging, urban access and parking management, road safety enforcement, commercial vehicles operations, electronic vehicle registration, traffic management and V2X cooperative systems. The solutions provided by Kapsch TrafficCom help finance the traffic infrastructure, improve traffic safety, optimize the flow of traffic and reduce traffic-related environmental pollution.

Kapsch CarrierCom is a trusted global system integrator, manufacturer and supplier of end-to-end telecommunications solutions. The company provides innovative mission- and business-critical solutions for carrier networks, railway and urban public transport operators as well as for companies seeking real-time machine network communications. Kapsch CarrierCom is a trusted partner for a broad range of clients who

Kapsch CarrierCom

Railway Organizations

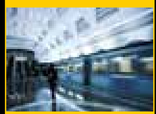


- GSM-R Networks
- Terminals & Cab Radios
- Transmission
- Applications
- End-to-End Integration
- Plan – Build – Maintain – Operate

Machine Networks

- Intelligent Asset
- Management Platform
- Real-Time Asset Analytics & Reporting
- Sensors & M2M Devices Enterprise Integration
- Cloud Services – Plan – Build – Maintain – Operate

Public Transport



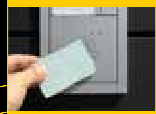
- TETRA Networks
- Real-Time Monitoring & Tracing
- Tram Energy Efficiency Management
- Predictive Vehicle Maintenance & Service Optimization
- Plan – Build – Maintain – Operate

Carriers

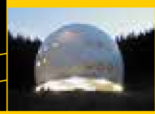
- GSM, UMTS, LTE and CDMA Access & Core Networks
- Fixed Access & Voice over IP Solutions
- Transmission & Sofware-defined Networks
- Applications
- OSS/BSS Solutions
- Network Optimization & Virtualization
- Professional Services

Kapsch BusinessCom

Facility Solutions



Infrastructure & Application Solutions



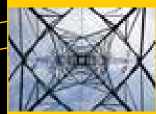
ICT Operating & Services

- Security Systems
- Multimedia & Infotainment
- Access Control
- Video Surveillance

- Cloud Computing
- Business Collaboration
- Storage
- Virtualization
- Mobile Enterprise
- Network & Security
- Telecommunication & Workspace

Kapsch Smart Energy

Smart Metering Smart Grid



Fipofix

Positioning of High-Tech Fibers

benefit from the support of a complete set of professional services and support capabilities.

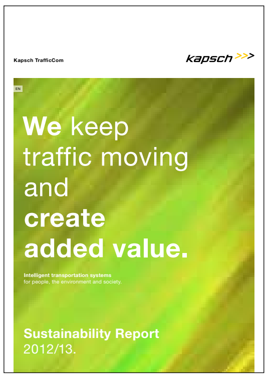
Kapsch BusinessCom is a reliable service partner for more than 17,000 companies in Austria and CEE that require efficient IT and telecommunications solutions. We offer everything from ICT Infrastructure & Application Solutions for a stable and efficient infrastructure with server, storage and network components and the associated applications for collaboration and communication, to ICT Facility Solutions for such aspects as optimally functioning building technology with video monitoring, access control and more.

New Business Segments.

Kapsch Smart Energy offers complete solutions for integrated energy management. Focusing on networking between energy supply companies and customers is the basis for facilitating more efficient use of energy resources. Kapsch Smart Energy delivers and implements infrastructure as well as multi-utility components and integrates applications in the context of smart grids. Services also include project design, project management, operations and maintenance of all Kapsch Smart Energy solutions.

Fipofix. In cooperation with Yacht Construction Consulting, Kapsch invested in the development of an innovative positioning technique for high-performance fibers using a particularly gentle method. Targeted fields of application will be semi-finished materials and non-crimp fabrics for high-performance composites. Kapsch holds an 80 % stake in the jointly founded Fipofix GmbH as well as the patent for the positioning technique. After refinement and automation of the process the first products will be among boats and nautical equipment.

Sustainable Management.



Experience the multi-media world of Kapsch.

The Kapsch Group is strongly devoted to core issues of sustainability, a crucial factor in our line of business.

Comprehensive sustainability agenda. The focus of all related activities is on careful and economic use of all types of resources, safeguarding profitability and innovative power, as well as preserving equal opportunities and fairness towards all relevant stakeholders. The overarching objective is on securing the long-term stability of the company, taking into account all economic, environmental and social aspects. The following examples highlight the diversity of the associated activities:

Dealing responsibly with resources and the environment. We are working to constantly reduce the use of resources and save energy within the Kapsch Group and to cut climate-influencing emissions. This is also why we invest in research and development of innovative, environmentally friendly products. Examples include Kapsch TrafficCom's urban traffic solution to automatically manage traffic or Kapsch CarrierCom's machine-to-machine (M2M) solutions. An impressive reference project here is the equipping of tramways operated by Linz AG Linien with a globally unique M2M communication solution, which reduces energy consumption by monitoring and controlling around 50 system parameters. The savings potential achieved here corresponds to the annual electricity consumption of around 300 households. Carbon dioxide emission can be reduced by 85 tons while improving passenger comfort at the same time.

Comprehensive guidelines were drawn up to account for environmental, economic, social, health, security and safety aspects in the best way possible during the developing and designing of our products. The contents of this guideline document are to be integrated into functional specification documents and RFPs.

Synergy of business, education and research. The Kapsch Group has been focused on building bridges between business and educational institutions as well as research facilities for years. For example, we support the "Universitäres Gründerservice Wien" (Vienna business start-up service) and the "INiTS Award", which recognizes theses and dissertations with promising business applications. To cover the need for highly qualified personnel in the long run, we primarily promote institutions and projects that focus on technology and the natural sciences. These include the Institute for Electrical and Information Engineering at the Vienna University of Technology, the University of Applied Sciences Technikum Wien, the University of Applied Sciences FH Campus Wien and the University of Applied Sciences FHWien with its master course in executive management. For more information about our numerous collaborations in the field of research and development, please refer to page 54 of this report.

Attractive careers for young people. The Kapsch Group and its business units place a particular emphasis on helping young people to have a good start in their professional careers. Training apprenticeships are therefore always of key importance. As a state-certified training company, the Kapsch Group provides in-depth training in various technical and commercial professions. In addition to this, the company has been working together with the Public Employment Service Austria (Arbeitsmarktservice, AMS) and other institutions for years to support young people starting their careers. Another focal point is the systematic support of integration projects: in numerous projects, the company purposefully targets the training of young people whose opportunities on the labor market are limited on account of their origin, language barriers or other factors.

Promoting the next generation of technicians. Technical education institutions are very important to the Kapsch Group and thus the company is interested in establishing contact with both students and graduates of technical training courses as early as possible. In addition to the Vienna University of Technology and the University of Applied Sciences Technikum Wien, the Kapsch Group supports other tertiary education institutions. As part of the series of events known as the "Kapsch Challenge", students have been invited for several years to get to grips with technical issues in the course of project work.

Kapsch TrafficCom attaches great importance to the training of its personnel.

Ideas come to me when I see a clear need. If this is the case, I speak to as many people as I can about it. Then I get inspiration – preferably from nature – to find the best solution.

Luke Xiaoquan Lu
Strategic & International Sourcing – Supply Chain Management, Kapsch TrafficCom

Social and cultural responsibility.

Bridging the gap between tradition and innovation is a significant tenet of the Kapsch Group, one which is reflected in the promotion of art and cultural institutions.

In line with our corporate values, we assume social responsibility beyond our operating sphere of influence. The following is a selection of initiatives and projects to highlight this awareness.

Offering artists a platform. Every year, the Kapsch Group invites up-and-coming artists to design a calendar, thereby making an important contribution to promoting art. The 2013 calendar was designed by the Vorarlberg-born artist Reinhold Ponesch. The 2014 art calendar, which was presented during an event in November 2013, shows works by the Belarusian artist Alina Kunitsyna.

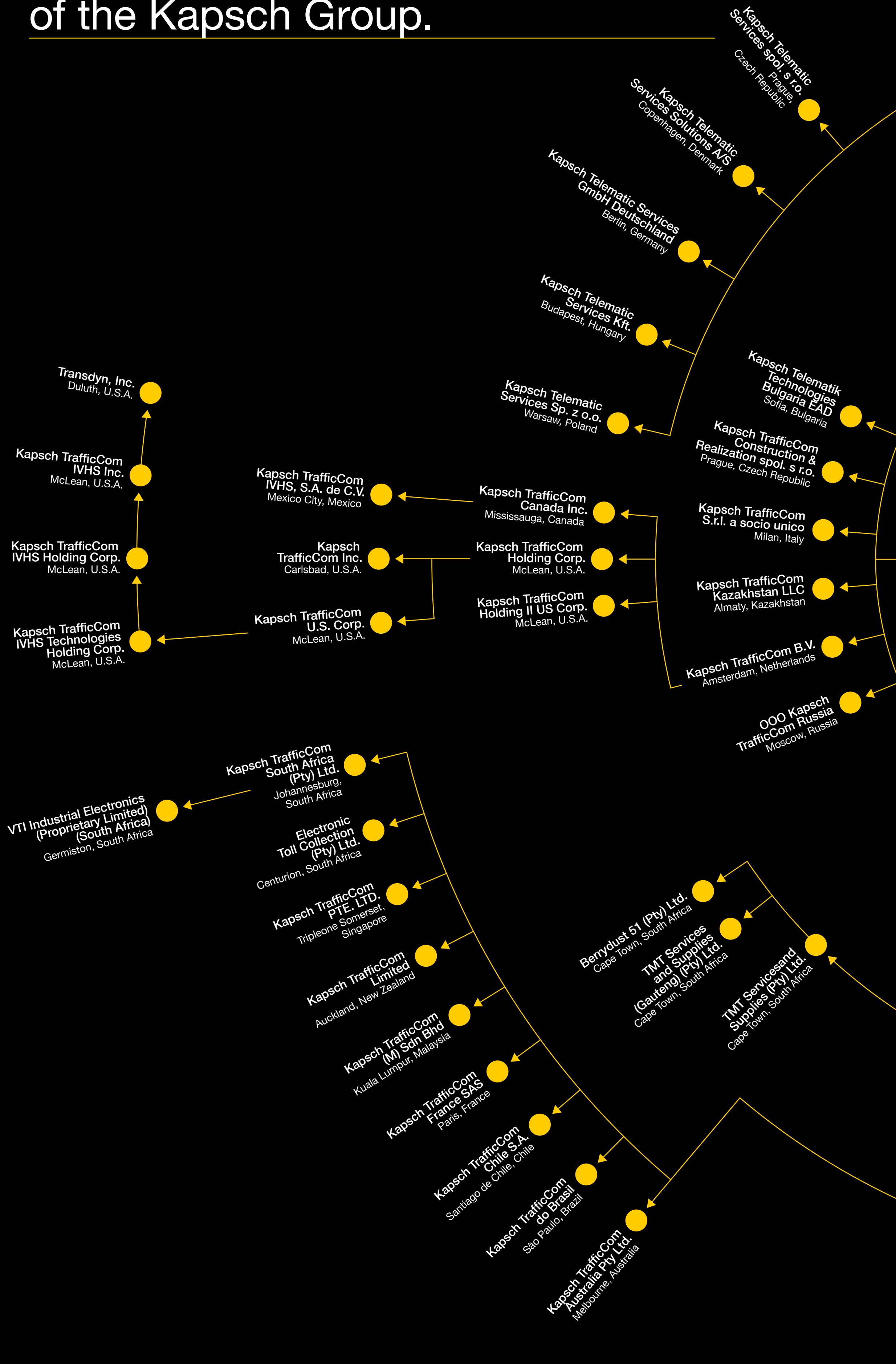
Enriching cultural partnerships. Bridging the gap between tradition and innovation is a significant tenet of the Kapsch Group, one which is reflected in the promotion of art and cultural institutions. Since 1992, there has been a general partnership with the Vienna Konzerthaus, which cultivates its traditions and attracts new audiences by means of its exciting and unconventional range of programs. The Kapsch Group sponsors "Wien Modern", one of the world's most renowned festivals of contemporary music, and has done so since its establishment in 1989.

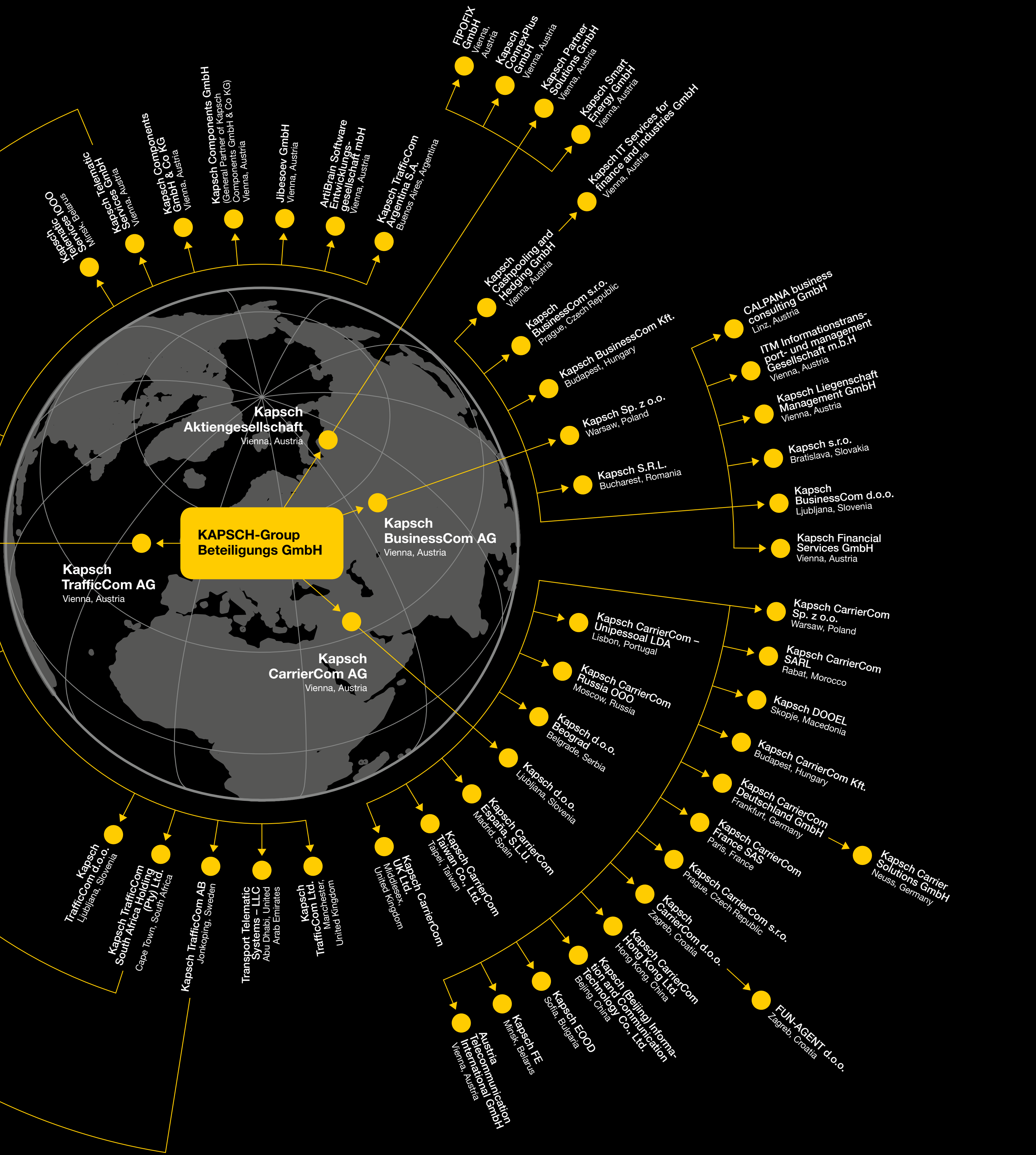
The Kapsch Group also supports the event series entitled "Kultur im Tempel" (Culture in the Temple) at the Kobersdorf synagogue as well as the Jewish Museum Vienna. Both institutions explain Jewish life and culture to younger generations, bringing them to life and making them easier to understand.

Awareness of social responsibility. The Kapsch Group values and supports the work of charity institutions such as the Institute for Cooperation in Development Projects (ICEP). This private, independent initiative – based in Austria – contributes to combating global poverty. ICEP supports projects focusing on education that improve living standards of people in developing countries in the long run.

We also support the activities of "Doctors without Borders", an internationally renowned organization globally helping people without sufficient access to medical care. In 2013 we furthermore established a sponsorship agreement between the St. Anna Children's Cancer Research Institute and the Kapsch Group. The research work is supported as part of the "Next Generation Sequencing" project. The aim of this project is to obtain further information about the human genome and reveal insights into genetic changes connected to the progress of diseases and related therapies.

Subsidiaries
of the Kapsch Group.





KAPSCH-Group Beteiligungs GmbH
Kapsch Aktiengesellschaft
Vienna, Austria
Kapsch BusinessCom AG
Vienna, Austria
Kapsch CarrierCom AG
Vienna, Austria
Kapsch TrafficCom AG
Vienna, Austria
FIPOFIX GmbH
Vienna, Austria
Kapsch ConnexPlus GmbH
Vienna, Austria
Kapsch Partner Solutions GmbH
Vienna, Austria
Kapsch Smart Energy GmbH
Vienna, Austria
Kapsch IT Services for finance and industries GmbH
Vienna, Austria
Kapsch Cashpooling and Hedging GmbH
Vienna, Austria
Kapsch BusinessCom s.r.o.
Prague, Czech Republic
Kapsch BusinessCom Kft.
Budapest, Hungary
Kapsch Sp. z o.o.
Warsaw, Poland
Kapsch S.R.L.
Bucharest, Romania
CALPANA business consulting GmbH
Linz, Austria
ITM Informationstrans-port- und management Gesellschaft m.b.H
Vienna, Austria
Kapsch Liegenschaft Management GmbH
Vienna, Austria
Kapsch s.r.o.
Bratislava, Slovakia
Kapsch BusinessCom d.o.o.
Ljubljana, Slovenia
Kapsch Financial Services GmbH
Vienna, Austria
Kapsch CarrierCom Sp. z o.o.
Warsaw, Poland
Kapsch CarrierCom SARL
Rabat, Morocco
Kapsch DOOEL
Skopje, Macedonia
Kapsch CarrierCom Kft.
Budapest, Hungary
Kapsch CarrierCom Deutschland GmbH
Frankfurt, Germany
Kapsch Carrier Solutions GmbH
Neuss, Germany
Kapsch CarrierCom France SAS
Paris, France
Kapsch CarrierCom s.r.o.
Prague, Czech Republic
FUN-AGENT d.o.o.
Zagreb, Croatia
Kapsch CarrierCom – Unipessoal LDA
Lisbon, Portugal
Kapsch CarrierCom Russia OOO
Moscow, Russia
Kapsch d.o.o. Beograd
Belgrade, Serbia
Kapsch d.o.o.
Ljubljana, Slovenia
Kapsch CarrierCom España, S.L.U.
Madrid, Spain
Kapsch CarrierCom Taiwan Co. Ltd.
Taipei, Taiwan
Kapsch CarrierCom UK Ltd.
Middlesex, United Kingdom
Kapsch CarrierCom d.o.o.
Zagreb, Croatia
Kapsch CarrierCom Hong Kong Ltd.
Hong Kong, China
Kapsch (Beijing) Information and Communication Technology Co., Ltd.
Beijing, China
Kapsch EOOD
Sofia, Bulgaria
Kapsch FE
Minsk, Belarus
Austria Telecommunication International GmbH
Vienna, Austria
Kapsch TrafficCom d.o.o.
Ljubljana, Slovenia
Kapsch TrafficCom South Africa Holding (Pty) Ltd.
Cape Town, South Africa
Kapsch TrafficCom AB
Jonkoping, Sweden
Transport Telematic Systems – LLC
Abu Dhabi, United Arab Emirates
Kapsch TrafficCom Ltd.
Manchester, United Kingdom
Kapsch Telematic Services IOOO
Minsk, Belarus
Kapsch Telematic Services GmbH
Vienna, Austria
Kapsch Components GmbH & Co KG
Vienna, Austria
Kapsch Components GmbH
(General Partner of Kapsch Components GmbH & Co KG)
Vienna, Austria
Jibesoev GmbH
Vienna, Austria
ArtiBrain Software Entwicklungs-gesellschaft mbH
Vienna, Austria
Kapsch TrafficCom Argentina S.A.
Buenos Aires, Argentina

„He who listens, finds ideas everywhere.“

Karoline Oberlerchner, natural-born communicator, music fan, Kapsch TrafficCom

Turn on the music. Zone out. And set your mind free.

This is how Karoline Oberlerchner has her best ideas. She first needs to look inside to be able to clearly identify the underlying problem. And then, in lively discussions with other people, she always comes up with a solution. This was the case with the E2E documentation project she now leads. In her day-to-day work at Kapsch TrafficCom, she noticed that there was no standardized documentation process. With a great deal of energy and determination, she persuaded the supervisors, sat down with the right partners and got the project up and running. To connect a global player like Kapsch even better around the world. And to harmonize the most diverse work processes.

Kapsch TrafficCom.

Markets, business segments and strategy.

Kapsch TrafficCom is a globally renowned partner in providing intelligent transportation systems (ITS) that contribute to higher safety and efficiency in road traffic.

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. 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.

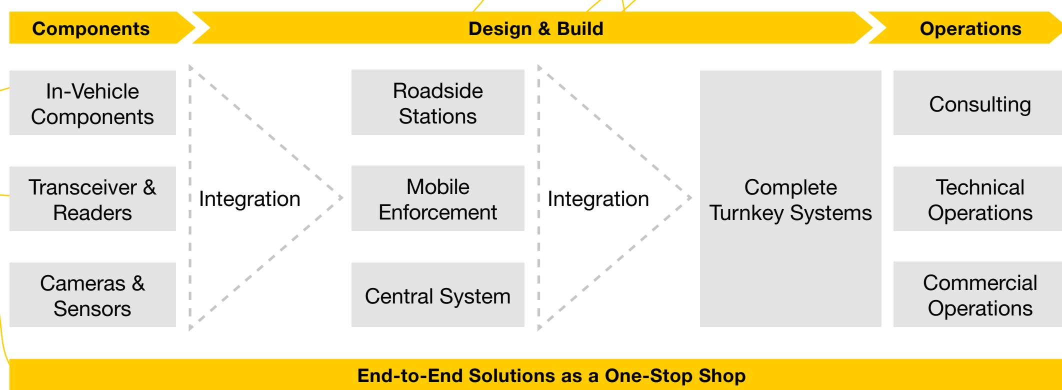
Electronic vehicle registration. Our offering comprises solutions utilizing electronic readable tags to improve vehicle registration rates and reduce registration fraud, thereby increasing safety and improving public security. Our solutions also allow centralized management of vehicle registration data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

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.

New projects, new markets. Kapsch TrafficCom was able to continue its expansion course in the 2013/14 fiscal year, winning numerous projects and opening up new markets. The following is an overview of the most important highlights. For details, please refer to the current annual report of Kapsch TrafficCom.



Kapsch TrafficCom has invested in the future during recent years and prepared its internal structures for the predicted market growth.

Europe. We made significant progress in our large-scale project to introduce an electronic toll collection system on an 815 km-long stretch in Belarus in the 2013/14 fiscal year. The first development phase was commissioned at the beginning of August 2013, and another section at the beginning of January 2014. This project is therefore already making a positive contribution to earnings. As a result of the intensive use, work has been under way since the beginning of January 2014 to extend the system by an additional 118 km, thereby increasing the total length of the toll roads operated by Kapsch TrafficCom in Belarus to 933 km.

Kapsch TrafficCom was able to deliver four projects in Russia in the 2013/14 fiscal year. An access system was supplied for the Winter Olympic Games in Sochi. Two weigh-in-motion stations were installed on a trunk road connection and over 33,000 on-board units were delivered to two Russian road operators.

North America. In Texas, we were able to take part of the toll collection system into service, which is still being extended and includes an ITS component. It is the first system we have independently integrated in the U.S. and constitutes a valuable reference for future tenders. In October 2013, we were commissioned with the maintenance and development of the toll collection software for the Golden Gate Bridge in San Francisco, California, for a period of two years.

In June 2013, the contract to supply on-board units for Highway 407 ETR in the region around Toronto, Canada, was extended by a further five years. Through the acquisition of Transdyn, Inc., an accredited manufacturer of modern traffic management software and systems in the U.S., not only have we been able to boost our presence there, but also to enlarge our portfolio of products and solutions.

Australia. In Sydney, we were able to take into service the modernized toll collection system for the M5 South Western Motorway only one year after having been awarded the contract. In December 2013, Kapsch TrafficCom was also awarded the contract for two electronic toll collection systems in Sydney and Brisbane.

Africa. After long politically-related delays, the Gauteng Freeway Improvement Project in South Africa, one of the world's largest electronic toll collection systems for multi-lane free flow traffic, was taken into service in December 2013.

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.

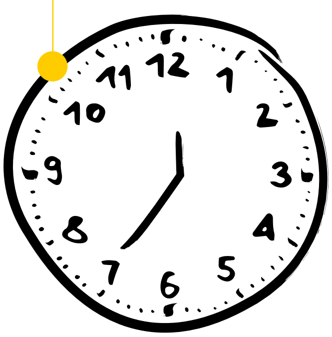
Kapsch TrafficCom.
Selected Projects.

Belarus

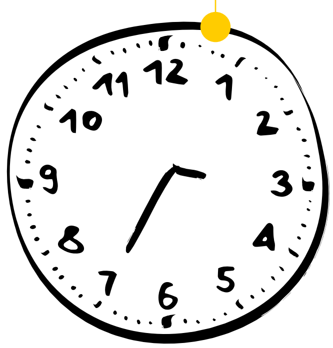
BelToll toll collection system
In 2013, we launched the first expansion stage of the electronic toll collection system BelToll for all vehicles over 3.5 tons and passenger vehicles in transit, extending the system to a length of 933 km.

U.S.A.

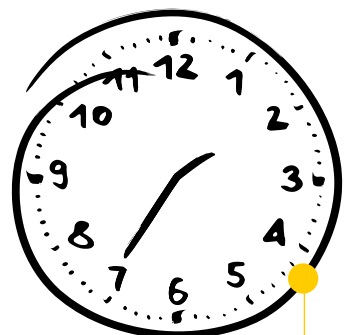
Acquisition of Transdyn, Inc.
The acquisition of Transdyn, Inc., a leading manufacturer of modern traffic management software programs and systems on the U.S. market, enables us to offer a broader portfolio of products and solutions for intelligent transportation systems (ITS) to customers around the world.



Minsk



Atlanta



Sacramento

U.S.A.

Software maintenance Golden Gate Bridge
In 2013, we were commissioned to take over the maintenance and development of the toll collection 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 encompasses the whole software for all toll lanes.

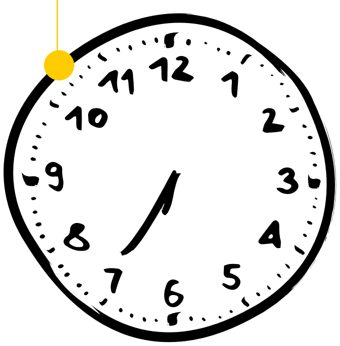
Experience the multi-media world of Kapsch.

Australia

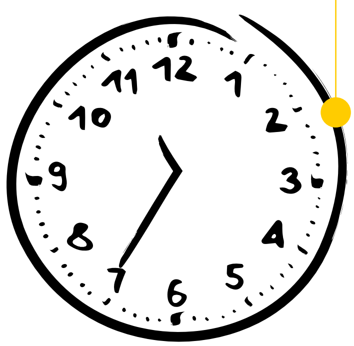
M5 South Western Motorway toll collection
Our responsibilities as part of the commissioning of the M5 South Western motorway in Sydney include the creation and installation of the toll collection system, as well as the designing of toll bridges. The project scope also included part of the back-office system, which enables the toll operator to observe, record and process vehicle journeys using the tools we have developed.

South Africa

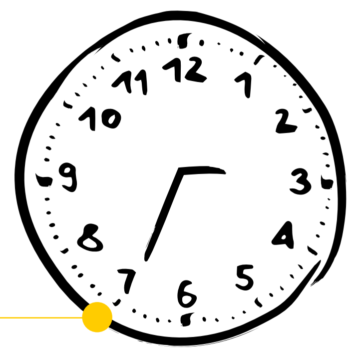
Electronic toll collection system
In 2013, we launched the electronic toll collection system for multi-lane free-flow traffic of all vehicle classes over a distance of 185 km in the South African province of Gauteng.



Sydney



Johannesburg



Astana

Kazakhstan

Weigh-in-motion system
In 2013, we installed a weigh-in-motion system for four stations on two motorways in Kazakhstan. Two of the four stations are located at kilometer 69 of the motorway from Almaty to Bishkek. The remaining two stations are at kilometer 291, the intersection between Astana and Petropavlovsk.

„Coffee is always a good idea.“

Karlo Magdic & Engelbert Kerschbaummayr, machine networks specialists, 3D puzzlers, Kapsch CarrierCom

A blank piece of paper. A cup of black coffee. And focus on the problem.

For Karlo Magdic, the office desk with its telephone and computer offers too many “everyday distractions”. He needs to focus singlehandedly on the problem which he usually addresses with a blank sheet of paper and a pen. His partner Engelbert Kerschbaummayr shares this belief. It is no wonder then that the idea for an intelligent tram came during one or more coffee breaks. During a lively exchange of ideas, the web portal developer and the solution manager designed this innovative machine networks solution with their team for Kapsch CarrierCom. The two men are especially proud of the architecture and flexibility of the platform that can simplify the complexity in the “internet of things”. Whether Karlo Magdic got this inspiration from this hobby, wooden 3D puzzles, is a question that even he cannot answer with certainty.

Experience the multi-media world of Kapsch.

Kapsch CarrierCom.

Markets, business segments and strategy.

The success of Kapsch CarrierCom's four business divisions during the 2013/14 fiscal year points towards future growth – both in established and new markets.

Our market. Kapsch CarrierCom is a global system integrator, manufacturer and supplier of end-to-end telecommunications solutions. We are a well-established manufacturer and provider of GSM-R solutions for railway operators with 50 % market share. Our portfolio includes core and access networks, transmission solutions and cab radios, and we offer end-to-end delivery for our railway customers. We also have an established carrier division, which enables mobile and fixed line operators as well as utilities to meet their current and future network needs. Our systems integration expertise, vendor-agnostic approach and also our end-to-end delivery capabilities enable our customers to select and deploy best-of-breed solutions. Finally, we have a Public Transport division, which provides TETRA radio infrastructure for operators and a Machine Networks Communications division, which enables transport companies and other organisations to monitor and maintain their fleets and equipment more effectively.

Railways. Kapsch CarrierCom equips more than 73,000 km of railway tracks in Europe, Africa and Asia with GSM-R. As well as guaranteeing support for GSM-R until 2030, we are investing far beyond the industry benchmark in R&D to renew our railway product portfolio and to support operators in modernizing their railway telecommunications infrastructures. We are collaborating constantly with a range of standards and regulatory bodies to support the standardisation of ETCS Level 2 over GPRS, including the International Railway Union (UIC), the Union Industry of Signalling (UNISIG) and the European Railway Agency (ERA), and we are also working with 3rd Generation Partnership Project (3GPP) to support the IP standardization for GSM-R technology. In 2013, we integrated cab radio equipment into our railway portfolio, making us the only organisation to provide a full, end-to-end railway telecommunications solutions.

Carriers. Kapsch CarrierCom is an established service provider and integrator of network infrastructure. Based on our systems integration expertise and end-to-end delivery capabilities, we reduce time to market for our customers, optimise their existing infrastructure, and support the deployment of new, next-generation, all-IP networks. To provide the best business outcomes for our customers, we deliver cutting-edge technologies such as VoIP, security and policy solutions, virtualized networks (SDN/NFV) and network signalling solutions. We have built a strong ecosystem of partners to succeed in these areas and we acquired major German systems integrator ITM Group in 2013 to increase our presence in Germany.

We are also positioning us as a provider of new, revenue-generating CDMA technology and services for utilities companies in Europe, enabling high-bandwidth applications such as smart metering & smart grids. To enhance our offering in Austria and to drive additional growth in 2014, we acquired nine frequency blocks in the national 450 MHz range.

Machine Networks. Our Machine Networks Communication division gives customers in the transport sector and other asset-intensive businesses a way to proactively manage vehicles, facilities and other key infrastructure.

By placing sensors inside vehicles or equipment and relaying data to a centralised control centre online, our solutions provide a real-time view of performance. Based on this insight, managers can take measures to increase performance, reduce energy costs and create effective strategies for preventative maintenance.

Public Transport. To enable our urban transport customers meet their mission-critical communications requirements, Kapsch CarrierCom has developed a cutting-edge tetra wave solution based on the TETRA (Terrestrial Trunked Radio) technology. Our TETRA offerings deliver dedicated, secure and highly reliable voice connectivity. We offer end-to-end delivery capabilities for our Public Transport solutions, from full radio frequency planning, to civil works and installation of required terminals.

Success in established and emerging markets. In 2013, Kapsch CarrierCom divisions experienced significant growth in established markets – especially Eastern and Central Europe – with several major wins for railway and carrier projects. The acquisition of ITM Group has strengthened our carrier business in Germany, and we are delivering a number of other carrier projects in Belgium and Austria. We also made headway in Asia in 2013, with a key carrier project won in Taiwan, and in the Middle East with a significant railway project underway in Saudi Arabia.

New projects, new markets. Continued investment in R&D will ensure that we maintain our market position in the railway segment and accelerate the delivery of new carrier solutions such as SDN and NFV. In addition, continued investment in our Public Transport and Machine Networks divisions will ensure that these new business segments quickly gather momentum and build on the early success we have seen. Based on our unique integration experience, our industry specific focus, and commitment to customer service, we expect significant growth in both established and emerging markets during 2014.

Dorthe Damtoft
Supply Chain Management,
Kapsch CarrierCom

An idea is like a seed that you need to sow. With water, sunshine and a little time, it will then grow into something magnificent.

Outlook. Specifically, we predict that our railway business will increase in Central and Eastern Europe and potentially also in the Middle East, North Africa and Asia. On the carrier side, we will continue to see growth across Europe, particularly in Germany, France, Benelux and the CEE region. We will also be making our next-generation CDMA solutions available to utilities customers for the first time and hope to see significant interest from the market.

Our Public Transport and Machine Networks divisions may win new business in a number of countries during 2014, including Germany, Austria, Switzerland, Slovakia and Slovenia. We are committed to driving these areas of the business forward by building on our installed base of customers, targeting new customers, and growing the division both in terms of size and geographical coverage.

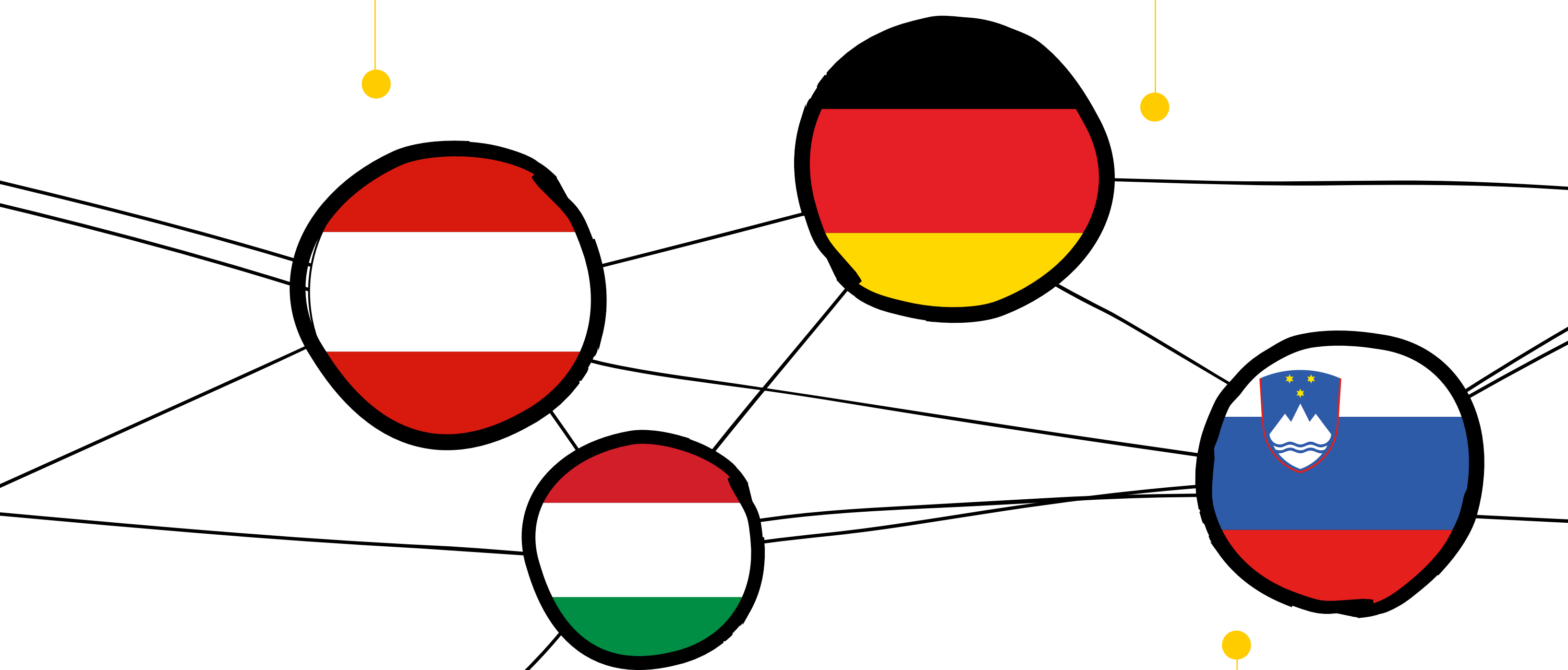
Kapsch CarrierCom.
Selected Projects.

Austria

Machine Network Solution
Kapsch CarrierCom has implemented a Machine Network Solution in trams operated by the city of Linz Linien. Data collected by on-board equipment helps managers to improve energy efficiency by 10 %, reduce operational costs, and enhance passenger comfort.

Germany

Acquisition ITM Group
Kapsch CarrierCom has acquired ITM Group, a leading German systems integrator. The acquisition will further strengthen the position of Kapsch CarrierCom with carriers and customers in the utility sector, particularly in EMEA.



Hungary

GSM-R technology
Kapsch CarrierCom has won a contract to equip the Hungarian railway network with GSM-R technology on a stretch of over 900 km of railway track and handle all ongoing maintenance work.

Slovenia

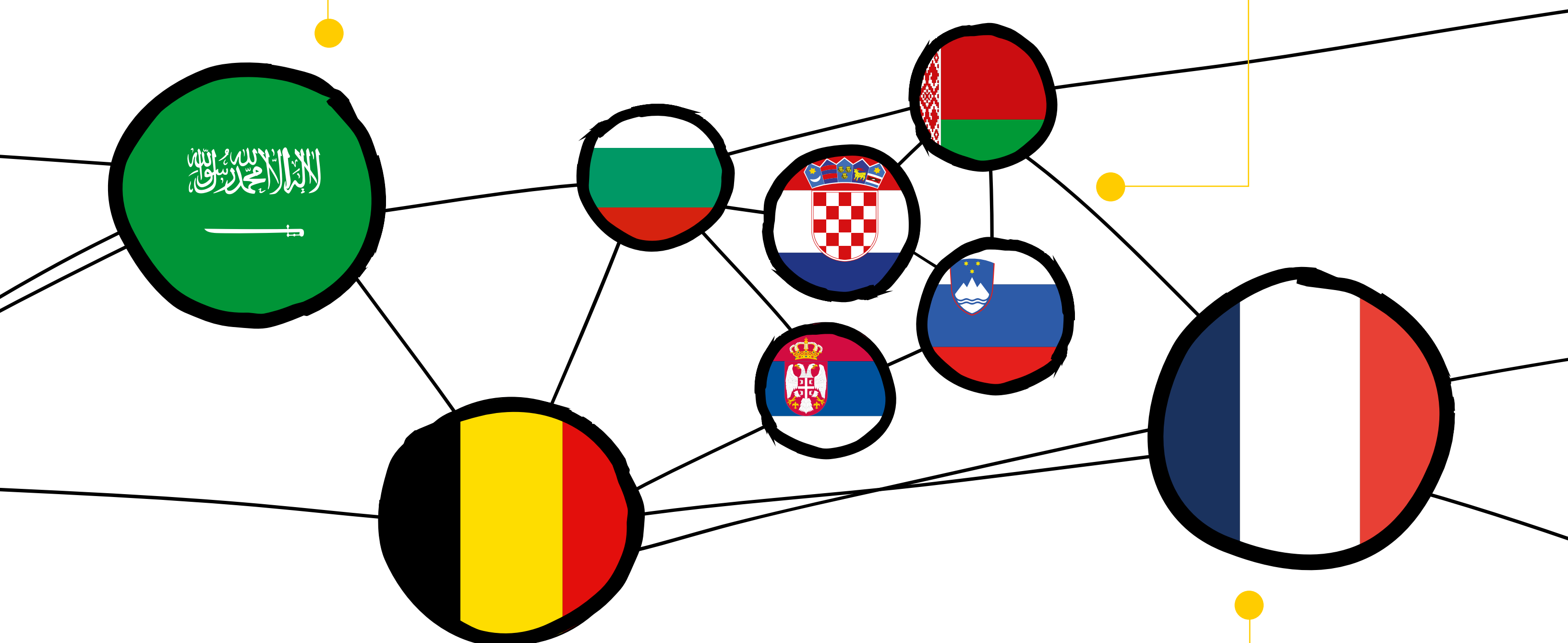
GSM-R infrastructure
Kapsch CarrierCom was selected to supply and maintain the Slovenian train communications network. The GSM-R infrastructure will connect 1,200 km of railway track in the country, delivering mission-critical reliability for track to train communications.

Saudi Arabia

GSM-R infrastructure
Kapsch CarrierCom is deploying GSM-R infrastructure with ‘fourfold’ redundancy on the 450 km high-speed line between the holy cities of Mecca and Medina.

CEE Region

Integration Openet Policy Manager
Telekom Austria Group has selected Kapsch CarrierCom to integrate Openet Policy Manager across six operating companies in Eastern Europe. The operators will benefit from spam attack detection, flexible bill shock prevention and advanced roaming features.



Belgium

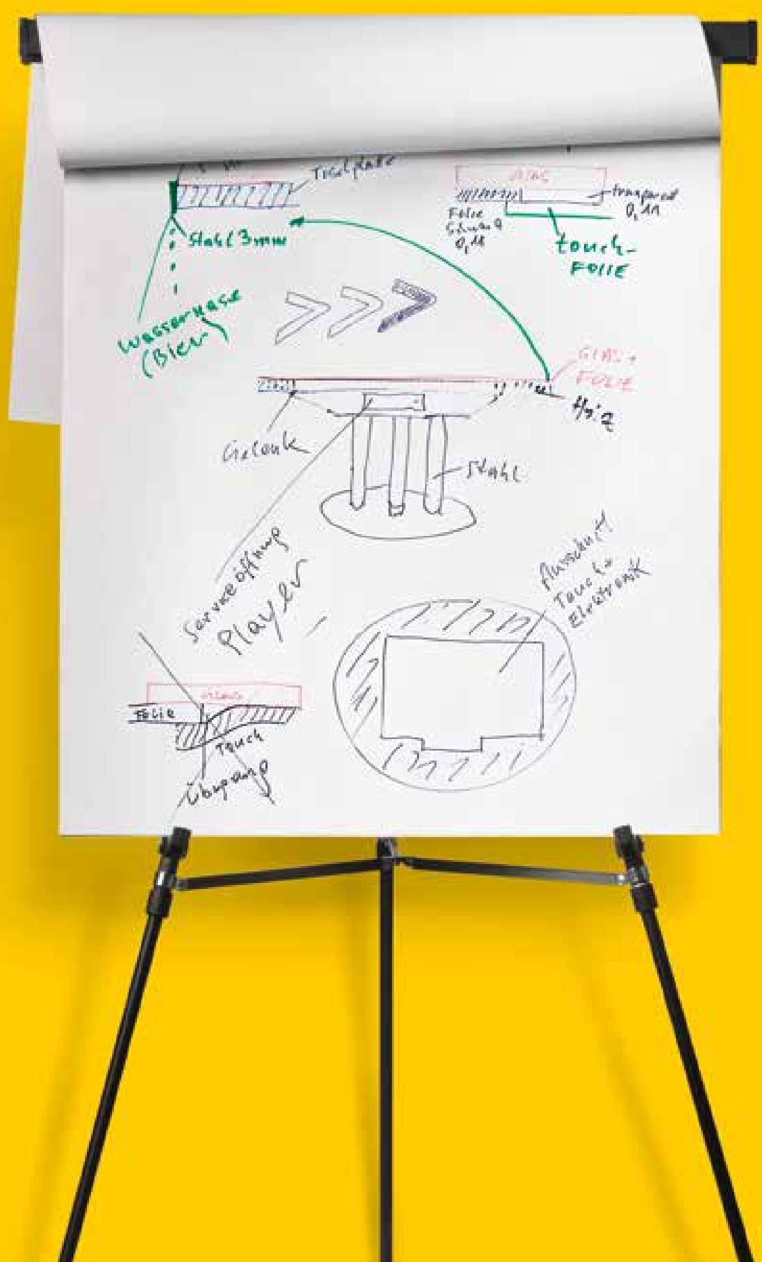
Deployment/maintenance signalling network
Belgacom International Carrier Services (BICS) selected Kapsch CarrierCom and Sonus to deploy and maintain its mission-critical, international signalling network.

France

GSM-R network
Réseau Ferré de France (RFF) and Synerail is modernizing its existing GSM-R network with an all-IP core solution from Kapsch CarrierCom. This will enhance network reliability and support railway specific applications such as Railway Emergency Call and train geo-location.

„It’s fun to play with ideas.“

Peter Vuckovic, Facility Management & Custom-made Multimedia Devices, Kapsch BusinessCom



Observe. Evaluate. Develop.

That’s how Peter Vuckovic works. The multimedia designer at Kapsch BusinessCom develops his ideas by a creatively humoristic overdrawing of the given problem. He has truly kept his play instinct and natural curiosity and attempts to convert his observations – a “tree full of ideas” – effortlessly into advanced technical solutions. An important source of inspiration for him is the dialogue and joint concretization of ideas together with friends and colleagues. This is how things are born that save costs, make life easier or simply just bring along lots of fun. Like the Kapsch Interactive-Multitouch-Table for instance, a product which Peter and his team are very proud of – and rightly so.

Kapsch BusinessCom.

Markets, business segments and strategy.

Kapsch BusinessCom is the go-to service partner for ICT (information and communication technology) in Austria, Central and Eastern Europe.

Our markets. The portfolio of Kapsch BusinessCom encompasses sustainable global solutions in the areas of information technology and telecommunications. With over 1,300 employees, we support companies and institutions of any size and from any industry in planning and implementing their ICT ambitions. In doing so, we distinguish between two areas of business:

ICT facility solutions create the basis for building technology which works optimally, including networks and IT. The entire infrastructure in and around the building is ideally regulated via a central management and operating system.

"Operating ICT – Trust Kapsch." With this service pledge, we offer our customers a forward-looking and holistic approach. Together with leading technology partners, we develop tailor-made ICT solutions for the current and future challenges facing our customers. The focus here is on the following ICT challenges:

Cloud computing and virtualization – scalable services either in-house, based on shared infrastructure or from the Cloud – in order to handle a rapidly growing volume of information in a cost-effective way

Hans-Christian Scheidl
Process- & Quality Management,
Kapsch BusinessCom

I think that you simply have to walk through the company with your eyes and ears open. Then potential areas for improvement seem to appear all by themselves.

ICT infrastructure & applications solutions ensure the presence of a stable ICT environment within the company. This includes effective solutions for IT security, high-performance Cloud-based services and the efficient cooperation and communication with each and every end device regardless of location. Accompanying compliance management helps to establish the right degree of information security. Service management optimizes ICT management.

The portfolio is rounded off by a range of different services including consulting, project management, installation, training, support and operating as well as financing solutions.

Collaboration – location-independent collaboration between flexible project teams across different sites

Big data – storing, processing and protecting large data volumes including a structured search functions

Mobility and consumerization – the safe use of mobile end devices and applications in company networks

Security – fully protecting sensitive company data, integrating mobile end devices

Growth strategy 2016. As part of its 2016 five-year growth strategy, Kapsch BusinessCom aims to grow at double the speed of the overall market every year or faster, and to significantly increase the total volume of sales generated by the service business. As a "trusted advisor" in all matters relating to communication and information technology, Kapsch BusinessCom entirely or partially assumes long-term responsibility for operating customer solutions. With this strategic direction in mind, it was also possible to secure additional operating projects in the 2013/14 fiscal year.

With six branches in Austria and subsidiaries in the Czech Republic, Slovakia, Hungary, Romania and Poland, we are always close to our customers and are on hand to support them during phases of expansion. This way, we are also enlarging our own sphere of action on an ongoing basis – both geographically and in terms of content.

Reliable ICT partner. In addition to system integration and performing optimization measures, Kapsch BusinessCom is increasingly taking charge of operating ICT solutions. We act as a consultant, system supplier and service provider independent of manufacturers but together with leading technology partners such as Aastra, Apple, Avaya, Cisco, EMC, Google, Hitachi, HP or Microsoft. In a very dynamic technological environment, this strategy has enabled us to establish ourselves as a reliable, trustworthy and long-term partner to around 17,000 customers.

Our service technicians are "Kapsch-certified". This certificate ensures the transparent compliance with stringent and binding quality standards that can be chosen from four different categories. Kapsch BusinessCom is the only Austrian company in the ICT segment to operate in accordance with the global ITIL® standard for IT service management.

The Kapsch service catalogue was developed in the 2013/14 fiscal year to optimally manage implemented solutions. It provides a clear and transparent summary of all standardized, recurring services in different models, enabling customers to choose according to their needs – whether this be managed services, such as maintenance and troubleshooting, or functional service such as the purchase of variable storage space. The respective scope of services is defined in service level agreements, which also improve the overview of, and boost, service quality.

Outlook. Kapsch BusinessCom will stick to its successful model "Consult – Integrate – Operate" in the 2014/15 fiscal year. As part of this CIO approach, we provide our customers with support from the first consultation to the integration of a solution into the IT infrastructure and subsequently ensuring its smooth operation.

Kapsch BusinessCom will go one step further in the future with its redesigned consulting portfolio: Its entire value chain and the role of IT in its processes and business model will be highlighted together with its customers. Business processes, working practices and the ICT infrastructure will be analyzed during workshops according to defined subject areas such as data management, collaboration or innovation management. The subsequent findings will be used to develop a comprehensive and effective ICT strategy for the coming years, and this will then be implemented if desired.

Consult

- Analysis of existing ICT structures
- Consulting and solution planning

Integrate

- Integration of solutions
- Expansion of existing systems

Operate

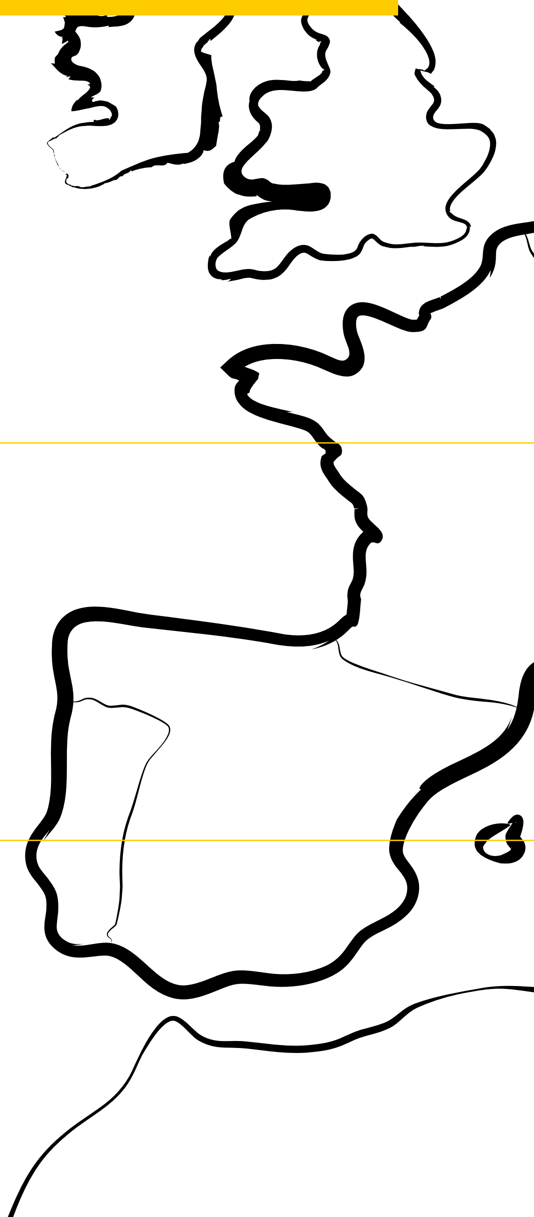
- Integration and operation of components or complete solutions
- Provision of ICT services

Kapsch BusinessCom.
Selected Projects.

Austria

Video conferencing solution
Through the implementation of a video conferencing solution for 27 hospitals, Kapsch BusinessCom has reinforced its long-standing cooperation with Niederösterreichische Landeskliniken Holding. The Cisco video conferencing system makes it possible for medical professionals to hold interdisciplinary meetings involving several different locations at once.

IT services
Kapsch BusinessCom also assumed responsibility during the reporting year for managing all of the centralized IT services for Cross Industries AG, the holding company of WP Performance Systems, Wethje Carbon Composites, Pankl Racing Systems and KTM Sport Motorcycles AG. All the IT services were migrated to the Kapsch earth DATAsafe high-security data processing center.

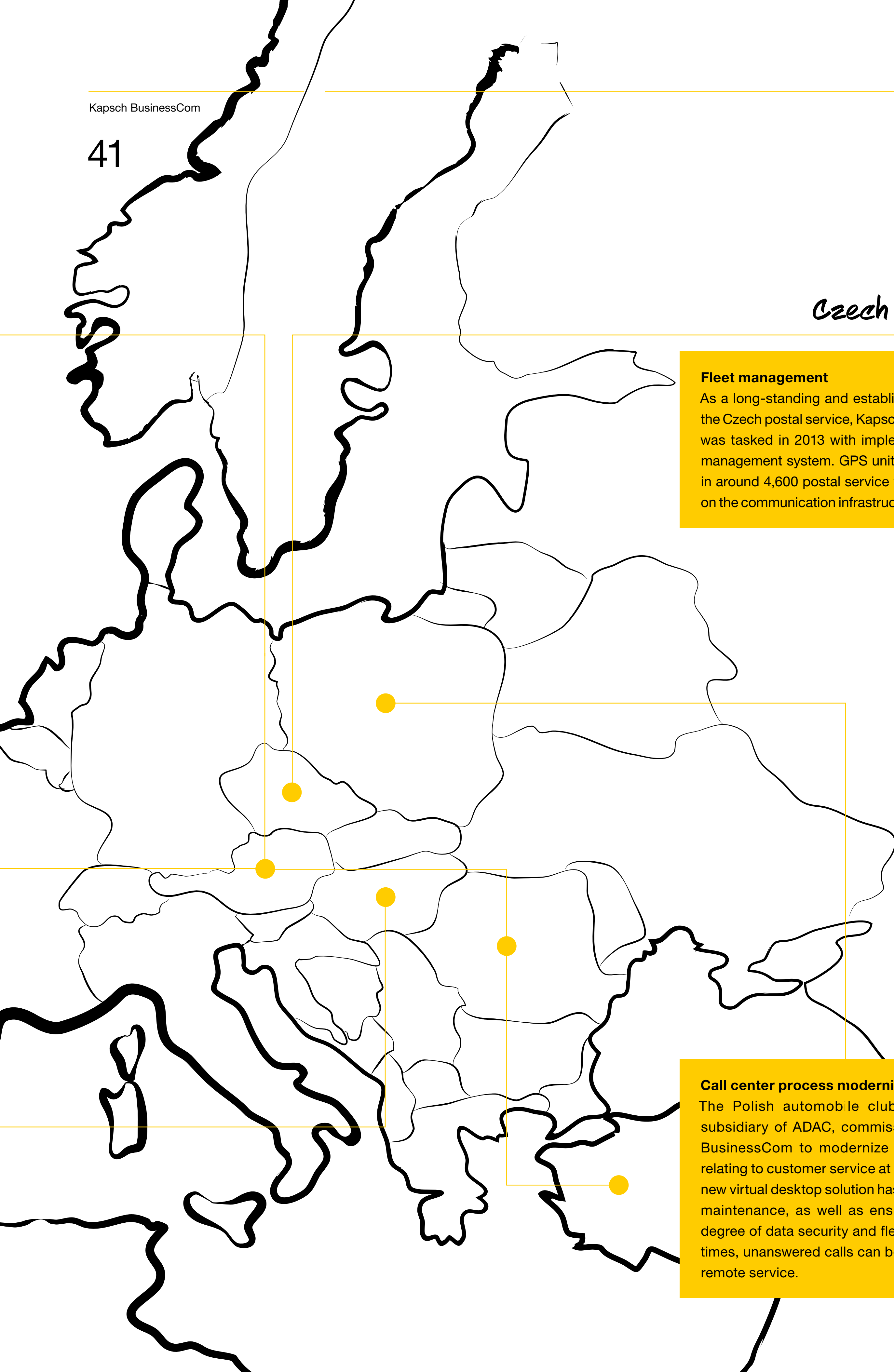


Austria, Romania, Turkey and other markets

Long-standing partnership
Kapsch BusinessCom is a long-standing supplier and service partner to OMV AG in the areas of collaboration, workspace, network, servers, storage and infrastructure, including IT service management and field services. IT support contracts are currently in effect at a number of foreign OMV sites. A central Kapsch Service Center has been set up in Romania especially for OMV.

Hungary

Underground communication system
The Budapest transport company Budapesti Közlekedési Központ (BKK) commissioned Kapsch BusinessCom to develop and implement an integrated communication system for the Budapest underground line M4.



Czech Republic

Fleet management

As a long-standing and established partner of the Czech postal service, Kapsch BusinessCom was tasked in 2013 with implementing a fleet management system. GPS units were installed in around 4,600 postal service vehicles, relying on the communication infrastructure of T-Mobile.

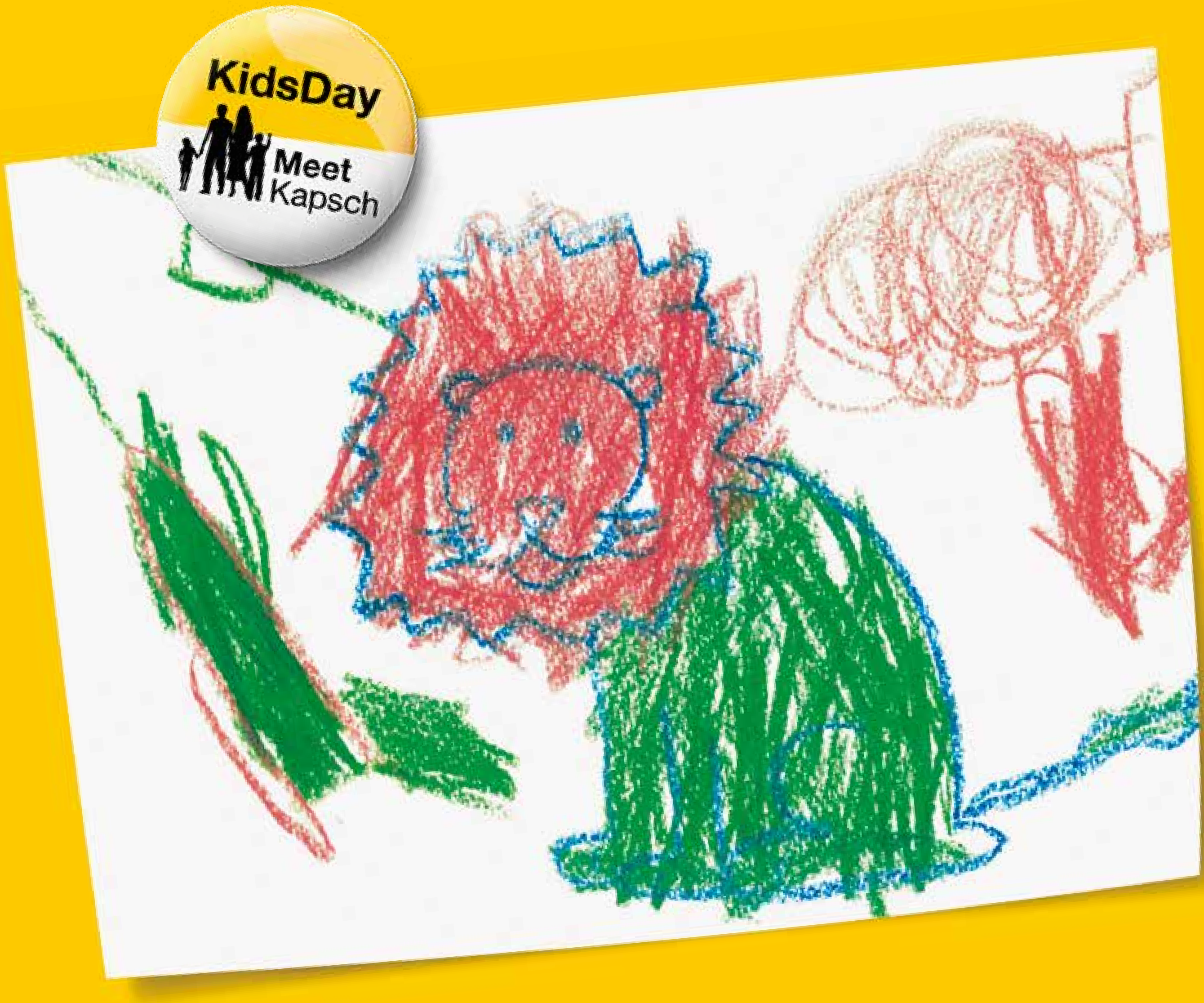
Poland

Call center process modernization

The Polish automobile club STARTER, a subsidiary of ADAC, commissioned Kapsch BusinessCom to modernize the processes relating to customer service at its call center. A new virtual desktop solution has now simplified maintenance, as well as ensuring a greater degree of data security and flexibility. At peak times, unanswered calls can be rerouted via a remote service.

„The Kapsch KidsDay was an awesome idea.“

A young Kapsch KidsDay participant, Kapsch Group



Together we achieve great things. Even with the little ones.

As a family-run company, Kapsch knows how important it is to stick together and support one another. As this annual report shows, employees are the source of the great potential of our Group. This is why Kapsch invited them, along with all of their children, to the first gathering of the international Kapsch KidsDay in April 2013. Kapsch offices around the world organized a child-friendly program to introduce the little ones to the workplace of their parents and their company. The idea was greeted with enthusiasm, supported by all of the company's employees with a lot of dedication and provided many unforgettable moments for the numerous visitors.

Experience the multi-media world of Kapsch.

Kapsch CarrierCom
Am Euro Platz
Wienerbergstraße
Kapsch TrafficCom
Kapsch AG
Lehrbach gasse
Wagenseilgasse
Kapsch BusinessCom
So entdeckst Du Kapsch.
Stundenplan ab 1.
12.00
14.00
7.00
9.00
11.00
17.00
6.30
12.00
18.00
15.00
8.00
10.00

New Markets.

As a renowned technology company in Austria, the Kapsch Group has always stood for innovative technology developments.

Courage and willingness to innovate into the future. In its company history (see page 16), the Kapsch group has often assumed a pioneering role and opened up new and profitable areas of business. The top priority here has always been ensuring a major benefit to customers. The courage to tread new paths is currently seen in the two business lines of Smart Energy and Fipofix, which we will introduce here.

Smart Energy – intelligent energy systems. Kapsch Smart Energy, founded in 2010, pools our extensive know-how in the field of intelligent energy management systems to offer innovative, customer-specific solutions in the areas of smart metering and smart grids. Implementing such intelligent solutions to manage production facilities and transmission networks as required is currently one of the main challenges for utility companies. At the same time, intelligent systems provide customers with detailed information about their own energy consumption, putting them in a position to optimize their costs. In Austria, the introduction of smart metering is regulated by the Ordinance on the Introduction of Smart Meters *(Intelligente Messgeräte-Einführungsverordnung, IME-VO)* issued by the Federal Ministry of Economy. This stipulates that by 2019 fully 95 % of the approximately five million households are to be equipped with smart meters.

The portfolio of Kapsch Smart Energy covers the entire value chain of such systems. Starting with delivery and implementation of infrastructure and multi-utility components, the scope of services ranges from integration of external applications and implementation of the in-house developed central meter data management system SEM (Smart Energy Management) as well as an end-customer web portal right up to daily operations and maintenance work. Put another way: the combined solutions delivered by Kapsch Smart Energy ultimately form a convenient end-to-end system that meets the latest standards – from the meter to the "last mile" (e.g. via PLC), a backbone network (e.g. CDMA) and central meter data management to interfaces for billing systems. The portfolio is rounded off by creating individual solution architectures, continuous support services and project management and design as well as comprehensive advice.

As an independent system integrator, we work very closely with various meter manufacturers and are therefore in the position to offer end-to-end solutions that function independently of the respective meter model. Together with our main partners in the area of metering and communication, Iskraemeco and Echelon, we develop end-to-end smart metering solutions that guarantee almost 100 % data

Nicole Busse
Marketing Manager,
Kapsch TrafficCom

When I have an Idea, I write it down on a sheet of paper. Then I talk to my friends about it. This helps me to bring my thoughts down to earth and to ultimately develop the idea to its fullest extent.

I think the best ideas come when thoughts are shared with other people. In small teams. That was also the case with our new OBU project.

Niklas Fungbrandt
Product Manager,
Kapsch TrafficCom

During his second atlantic crossing, called "proof of principle", skipper Harald Sedlacek was able to travel the route from Palm Beach, U.S.A., to Les Sables d'Orlonne in France in a new record time of only 46 days.

availability and the widest range of functions thanks to the in-depth technical and process-oriented integration into our meter data management system SEM. Data are protected against unauthorized access and manipulation thanks to high security standards employing state-of-the-art technology. For detailed information, please visit our website www.kapschsmartenergy.at.

Fipofix – Fiber Positioning Fixation. Fipofix GmbH has dedicated itself to fixing fibers without loss of performance. The Fipofix method has been specially developed to process mineral volcanic stone fibers, but it is also suitable for other high-performance fibers. It enables the positioning of fiber roving in a particularly careful manner when manufacturing composite materials. Up to 40 % of the filaments of a roving are damaged in the case of conventional processing methods such as weaving, stapling and sewing, which results in impaired performance of the product under compressive and tensile loads. Fipofix bonds the positioned fibers to the respective matrix before the final processing, eliminating the need for additional fixation materials, such as yarns, clamps or other adhesives.

Fipofix GmbH, in which the Kapsch Group holds an 80 % stake, was founded in cooperation with Yacht Construction Consulting. The project management and development of the process are in the hands of extreme sailor Norbert Sedlacek. The Kapsch Group, which is the patent holder for the positioning process, supports the development and automation of the process as well as the "proof of principle" Atlantic crossing with the first 4.9 meter-long volcanic fiber boat prototype FIPOFIX. The son of the developer, Harald Sedlacek, was able to travel the route from Les Sables d'Orlonne in France to Palm Beach, U.S.A., in a new record time of just 87 days.

The findings from this extreme test serve to further enhance and automate the process. The plan is to use this process first in the construction of nautical sports equipment and boats. The next stage is to expand its use to include other markets. For detailed information, please visit our website www.fipofix.com.

„Good ideas are always contagious.“

Stephan Hänsel, Juliana Ignatovski, Sinan Tankaz, team members at Kapsch Smart Energy

Think in terms of customer-oriented services. Not in individual products.

This thought has been with the entire Kapsch Group for a long time. In this way, promising solutions for the future are created in the course of discussions with a wide range of employees and partners. As is the case with the founding of the new company Kapsch Smart Energy. Many bright minds were involved in this initiative to develop a new, forward-looking business field for Kapsch. During the brainstorming process, employees literally infected each other with ideas. This subsidiary of the Kapsch Group now offers a broad portfolio of services. For instance, the supply and implementation of infrastructure and components. Or the integration of third-party applications. And even a central meta-data management system was developed specifically for this purpose.

Experience the multi-media world of Kapsch.

Executive Board and Supervisory Board.

The Kapsch Group combines the values of a family-run company with high-profile leadership.

Interaction of the Executive Board and the Supervisory Board.

The executive board and the supervisory board constitute the two-tier management and supervisory structure of Kapsch Aktiengesellschaft and all key companies of KAPSCH-Group Beteiligungs GmbH.

Executive Board at Kapsch Aktiengesellschaft.

Georg Kapsch has been a member of the executive board of Kapsch Aktiengesellschaft since July 1989 and CEO since October 2001. Since October 2000 he has been CEO of KAPSCH-Group Beteiligungs GmbH, and was appointed CEO of Kapsch TrafficCom AG in December 2002. Georg Kapsch, who graduated in business administration at the Vienna University of Economics and Business Administration in 1981, is also managing director of DATAX HandelsgmbH, chairman of the supervisory board of Kapsch CarrierCom AG, vice-chairman of the supervisory board of Kapsch BusinessCom AG and a member of the supervisory board of Teufelberger Holding AG.

Since June 2012 Georg Kapsch has been president of the Federation of Austrian Industries (Industriellenvereinigung), prior to which, from 2002 to 2012, he was chairman of the University of Applied Sciences Technikum Wien *(Fachhochschule Technikum Wien)* and of the Austrian Association of the Electronics Industries *(Elektronikverband),* while from 2003 to 2012 he was vice-president of the Association of the Austrian Electrical and Electronics Industries *(Fachverband der Elektro- und Elektronikindustrie).* From December 2008 until September 2012, Georg Kapsch was president of the Vienna Regional Group of the Federation of Austrian Industries.

Kari Kapsch has been a member of the executive board of Kapsch Aktiengesellschaft since March 2001 and COO since 2002. He has also been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and vice-chairman since June 2005. In December 2005 he was appointed COO of KAPSCH-Group Beteiligungs GmbH. He has been CEO of Kapsch CarrierCom AG since April 2010. Kari Kapsch obtained his doctorate in physics at the University of Vienna in 1992.

Kari Kapsch also holds posts in various direct and indirect interests of Kapsch CarrierCom AG, Kapsch BusinessCom AG and Kapsch Aktiengesellschaft. He is a member of the management team of Kapsch ConnexPlus GmbH, Kapsch Immobilien GmbH, ASIMMOG Verwaltungs- und Verwertungs GmbH, and also sits on the managing board of the ASIMMOG Private Foundation.

Kari Kapsch participates in various industry associations and, since 2012, has been a member of the board at the University of Applied Sciences Technikum Wien *(Fachhochschule Technikum Wien)* and a committee member of the Association of the Austrian Electrical and Electronics Industries *(Fachverband der Elektro- und Elektronikindustrie).* From 1996 to 2002 he was the chairman of "Young Industry Vienna" and vice-chairman of "Young Industry Austria".

Franz Semmernegg has been CFO of Kapsch Aktiengesellschaft since October 2001 and has also been CFO of KAPSCH-Group Beteiligungs GmbH since April 2005. He has also been CFO of Kapsch BusinessCom AG since March 2003 and CEO since April 2010. He has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and chairman of the supervisory board since June 2005. Franz Semmernegg obtained his doctorate in business administration in 1997 at Karl-Franzens-University in Graz.

Franz Semmernegg holds additional posts both inside and outside the Kapsch Group: as a member of the management team at Kapsch Smart Energy GmbH, Kapsch Cashpooling and Hedging GmbH, Kapsch IT Services for finance and industries GmbH and a member of the advisory boards at Kapsch Sp. z o.o., Kapsch Kft., Kapsch s.r.o. (Prague), Kapsch s.r.o. (Bratislava) and Enso GmbH and Speech Processing Solutions GmbH.

From left to right:
Franz Semmernegg, Chief Financial Officer
Georg Kapsch, Chief Executive Officer
Kari Kapsch, Chief Operating Officer

The idea of our "Kapsch Bazar" somehow came about in passing. This internal flea market now takes place across the whole company. We use the proceeds to support social projects, particularly for seriously ill children.

Michaela Kristandl
Marketing Communications
Manager, Kapsch BusinessCom

Franz Semmernegg also holds posts in various direct and indirect interests of Kapsch BusinessCom AG and Kapsch Aktiengesellschaft.

He was a member of the managing board at Schrack BusinessCom AG from 1999 to September 2001. In 1998, Franz Semmernegg has been responsible for the successful management buy-out of Schrack BusinessCom AG from Ericsson Austria AG. Previously, he carried out management functions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997).

Supervisory Board at Kapsch Aktiengesellschaft.

Veit Schmid-Schmidsfelden has been chairman of the supervisory board at Kapsch Aktiengesellschaft, KAPSCH-Group Beteiligungs GmbH and DATAX HandelsgmbH since September 2007. He is the managing director of Schmid-Schmidsfelden Beteiligungsgesellschaft mbH and the Fertinger Group. He is also the head of the Lower Austria Machinery and Metalware Industry Unit of the Austrian Economic Chamber (WKÖ), deputy head of the Industry Unit of the Austrian Economic Chamber in Lower Austria (WKNÖ), board member of the Lower Austrian Health Insurance Company (NÖGKK) and a member of the supervisory board at Austrian Airlines AG.

Christian Gassauer-Fleissner has been vice-chairman of the supervisory board at Kapsch Aktiengesellschaft, KAPSCH-Group Beteiligungs GmbH and DATAX HandelsgmbH since October 2000. He is a partner at the law firm Gassauer-Fleissner Rechtsanwälte GmbH. His advisory activities focus on providing comprehensive advice to businesses and business owners as well as their private foundations, including company law and M&A, intellectual property rights (patents and brands), the right to fair competition and general company and contract law. He is also active as an arbitrator and party representative in national and international arbitration proceedings.

Karl-Heinz Strauss has been a member of the supervisory board at Kapsch Aktiengesellschaft, KAPSCH Group Beteiligungs GmbH and DATAX HandelsgmbH since September 2007. He graduated with a degree in civil engineering before going on to study at Harvard University, the Business School in St. Gallen and completing an MBA program at IMADEC University. Until 2000 he was engaged in various positions at Raiffeisen Zentralbank – including in the area of construction and real estate. He then set up his own real estate development business, Strauss & Partner. Since September 2010, he has been chairman of the executive board at PORR AG.

Elisabeth Kapsch has joined the supervisory board of Kapsch Aktiengesellschaft, Kapsch CarrierCom AG, DATAX HandelsgmbH, and KAPSCH-Group Beteiligungs GmbH in September 2013. After finishing her studies in business administration at the University of Vienna she took the lead at the internal audit department of Kapsch AG in 1989 and shortly thereafter the project management of the company environmental protection program B.U.SCH. (Betrieblicher Umwelt-Schutz). She holds the position of CEO of Kapsch Immobilien GmbH since 1998.

Executive Board at Kapsch TrafficCom AG.

Georg Kapsch has been CEO of Kapsch TrafficCom AG since December 2002. He also holds functions in direct subsidiaries and external organizations (see page 48).

Erwin Toplak has been a member of the executive board of Kapsch TrafficCom AG from June 2002 until March 2014 and held functions in some of its direct and indirect subsidiaries. He has been employed by the Kapsch Group in 1991, first as sales manager of the toll collection start-up business of Kapsch Aktiengesellschaft (1991-1994) and later as senior manager (1994-1999) as well as director of the traffic control systems division of Kapsch Aktiengesellschaft (1999-2002). Erwin Toplak graduated from the Graz Polytechnic *(Höhere Technische Lehranstalt)* with a degree in telecommunications and electrical engineering. He is vice president of the Austrian Electrotechnical Association *(Österreichischer Verband für Elektrotechnik).* Erwin Toplak left the executive board of Kapsch TrafficCom at the end of March 2014, but he continues to work with the company in an advisory function. No plans currently exist to fill the vacant position on the executive board.

André Friedrich Laux has been a member of the executive board of Kapsch TrafficCom AG since 1 April 2010 and he also holds functions in some of its direct and indirect subsidiaries. He began his professional career in various sales and management positions both domestically and internationally (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.

Executive Board at Kapsch CarrierCom AG.

Kari Kapsch has been CEO of Kapsch CarrierCom AG since April 2010. He also holds functions in direct subsidiaries and external organizations (see page 48).

Thomas Schöpf has been a member of the executive board at Kapsch CarrierCom AG since 2002. His responsibilities as COO of Kapsch CarrierCom AG include sales as well as sales support & customer solutions. He studied at the Vienna University of Economics and Business Administration and in Fontainebleau, France. He started his career at the Kapsch Group as a trainee. For many years he was responsible for various projects in the fields of marketing, acquisitions and customer service.

Michael Kleinhagauer was a member of the executive board at Kapsch CarrierCom AG from March 2011 until February 2014. As CTO of Kapsch CarrierCom AG, his responsibilities included development and product support, project management and customer operations as well as supply chain management. In addition to his training at the Technical College of Vienna, he also completed postgraduate studies in business administration in Berne. Before joining Kapsch, he held management positions at Siemens AG Munich, Siemens Schweiz AG and Nokia Siemens Networks in Switzerland. His management tasks in international projects have taken him to Latin America and Asia among other places.

Executive Board at Kapsch BusinessCom AG.

Franz Semmernegg has been CFO of Kapsch BusinessCom AG since March 2003 and CEO since April 2010. He also holds functions in direct subsidiaries and external organizations (see page 48).

Jochen Borenich joined the executive board of Kapsch BusinessCom AG in September 2010. In this position, he was responsible for the areas of sales, marketing and international affairs. He graduated with a commerce degree from the Vienna University of Economics and Business Administration, collected his MBA at the University of Minnesota and completed further courses at renowned business schools (INSEAD, Harvard, Stanford). His career path also included many years at T-Systems before joining Kapsch.

„Get ideas to lift off.“

Magnus Westroth, globetrotter, project leader ConnectEast EEPCS, Kapsch TrafficCom

Communicate openly. Develop ideas. Create real benefits.

Magnus Westroth is Swedish, a globetrotter and winner of the in-house competition “Efficiency”. Together with his team, he implemented an image processing system on the EastLink Road in Melbourne, Australia, that brings the customer as much as EUR 1.5 million in cost savings every year. Where and when did this idea originate? Magnus isn’t quite sure anymore. What he does know for sure, however, is that it was a team solution. And that all of those involved had in-depth knowledge of this issue. At the end of the day, the solution – as it is usually the case with Kapsch – should bring real value to all involved.

Group Management Report.

KAPSCH-Group Beteiligungs GmbH on the Consolidated Financial Statements as of 31 March 2014.

1 General economic situation.

Global economy

GDP growth	2013	2014
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 under review, 2013/14, 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 stabilized 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 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 program ("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 1.0 % 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 5.0 % 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 Philippines, Thailand and Vietnam) grew by 5.2 % (versus 6.2 % in 2012) and Latin America's (including the Caribbean) 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 recognize the risk that their growth dynamics will decrease further.

Europe

GDP growth	2013	2014
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 labor 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 eurozone 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 eurozone 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 labor market and lackluster 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 labor 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 labor 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 %.

2 Economic situation of the industry.

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

The segment Traffic of the Kapsch Group addresses the market for intelligent transportation systems (ITS), which employ information and communication technologies to support and optimize road transportation, including infrastructure, vehicles, users and industry.

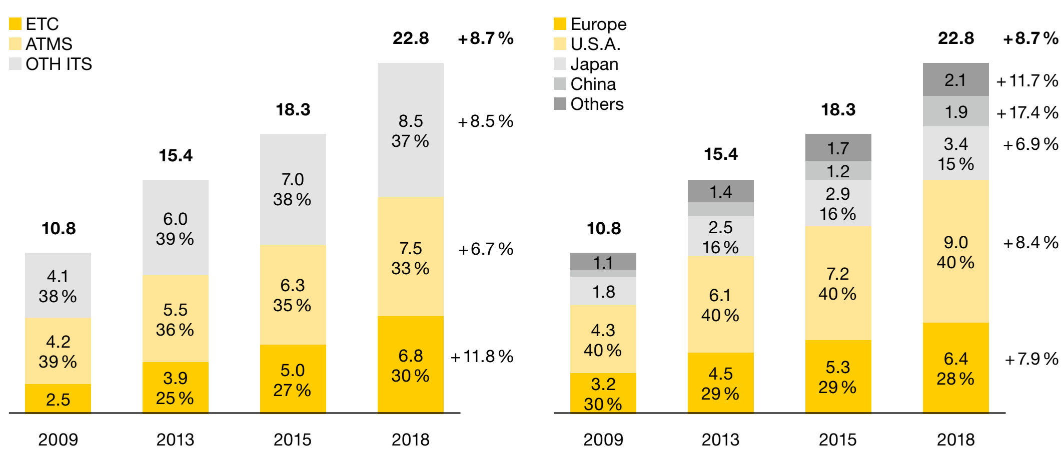
Market segmentation. The study "Intelligent Transportation Systems – A Global Strategic Business Report" from Global Industry Analysts, October 2012, describes the ITS market as a diversifying market with widely differing application and product segments. Thus, the market comprises the following three 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) encompass systems for operating commercial vehicles in order to enhance freight carrier productivity and safety.
- Public vehicle transportation management systems (PVTMS) facilitate management of both local and long-distance public transportation.
- Advanced vehicle information systems (AVIS) transmit traffic-related vehicle information to travelers before or during the trip or provide navigation services.

Market volume and growth. Global Industry Analysts estimated (October 2012) 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 %.

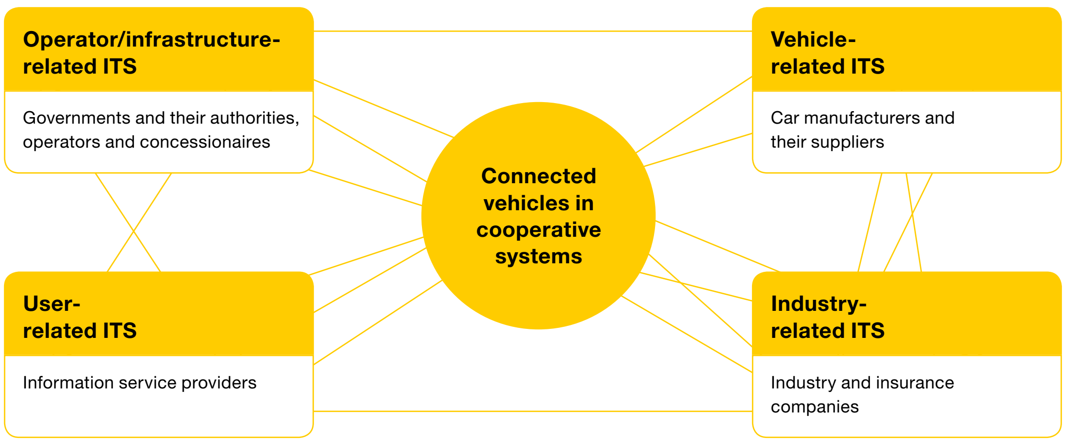
The global ITS market is expected to grow at an average annual rate of 8.7 % between 2009 and 2018 to reach a global volume of USD 22.8 billion in 2018, of which ETC will account for USD 6.8 billion, equaling a share of 30 % and thereby exhibiting the fastest growth of all product segments at an average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

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



Customer segments

Kapsch 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.



Operator/authority-related ITS encompass both ETC and ATMS as well as applications for urban access. The addressees are governments and public 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 aim 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 believes will be based on 5.9 GHz technology.

User-oriented ITS are focused 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 encompass 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. The current focus of Kapsch aims at the operator/authority-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 and vehicle-to-infrastructure communication (V2X). With this, Kapsch 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 believes that the following five factors are the main drivers for the market which it currently addresses:

Funding for infrastructure projects. The worldwide increase in number of cars and the growing road traffic 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 public authorities, road and toll operators as well as concessionaires that can be used for the expansion and maintenance of road infrastructure.

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. In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. Toll collection is largely perceived as an effective solution for reducing high levels of congestion, 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).

Increasing traffic safety and security. Governments, public 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. Vehicle manufacturers and their suppliers strive to improve the productivity of vehicles, especially utility vehicles. Cost reductions and increased earnings in operation are also playing an ever larger role. Vehicle-related ITS aim at in-car telematics that enable features such as remote diagnosis and driver assistance systems (market segment CVO). They are intended primarily to enhance productivity and traffic safety. 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.

Increasing 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 as well as mobile communications providers, radio stations and providers of navigation devices are all interested in the further development of such systems. As a communication platform, the 5.9 GHz technology will enable a variety of future applications involving connected vehicles.

Technology. Depending on the requirements of the specific application, systems are 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. A common thread among all these market drivers and technologies is a convergence on the ITS market. Kapsch utilizes the fact 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, the future lies in vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) interaction, collectively abbreviated as V2X. The driving forces in this convergence are governments and the automotive industry.

2.2 Telecommunications market for public network operators and railway companies

In the segment Carrier, the Kapsch Group addresses operators of public fixed and mobile communication networks, railway companies with communication networks based on the GSM-R standard, regional public transportation companies and companies who require the networking of machines with real-time communication.

Public network operators

As in past fiscal years, the market of public network operators in Europe – a key target market in the Carrier segment – continues to suffer from a decline in overall business, which directly impacts the investment willingness of the network operators. Current market studies expect that this trend will continue through the end of 2016. The situation is due to the extensive regulation in the area of mobile voice communication as well as the replacement of services such as SMS by smartphone apps and traditional voice telephony by “Voice over IP”. Heavy price competition also prevents increased revenues in the area of data communication.

It remains true that the continuously increasing data traffic in population centers will reach the limits of the existing UMTS (3G) networks in coming years, making expansion based on LTE (4G) unavoidable. This technology is making rapid advances across Europe and will remain the focus of investments by network operators.

A new trend can be observed in the standardization of hardware and the generic use of virtualized server farms that is possible as a result. The usual manufacturers are currently working on the required modifications to the software, but companies from the IT sector are also capitalizing on this trend to enter into the telecommunication market. The first trial installations are expected over the course of the next year. Based on all of these factors, a continuation of the heavy competition is expected on both the operator and the supplier sides.

Railway companies

The global market for digital train radio (GSM-R) for railway companies has been identified by studies as a growth market over the coming years. This is further supported by the fact that GSM-R – originally a purely European standard – has now established itself as a communication technology beyond the borders of Europe and new GSM-R networks outside of Europe are now in operation or at least in the installation phase. In addition, ERTMS (European Rail Traffic Management System) defines the transmission of signaling information over GSM-R, a technology that has now entered into use on initial railway sections and will in future see widespread use thanks to the introduction of packet-oriented data transmission. Suppliers continue to maintain a positive outlook in this area due to the two persistent growth factors of geographic market growth and expanded use of technology.

The growth prospects in this safety-relevant market are further reinforced by the reliability of the GSM-R system and the ability to support and improve this technology, which is now fully independent of the base technology GSM, as long as the market requires. Based on the long-term orientation and safety focus of the railway companies, it can be expected that GSM-R technology will remain in use for some time, although it will be replaced by a newer technology over the medium term.

Machine networks

Market studies expect strong growth in the machine-to-machine (M2M) communication market, especially in Europe and the United States. Network operators are currently responding to this trend either with special rates for machine-to-machine communication or by founding their own subsidiaries to address this target market. The primary focus here is on the sale of SIM cards and network capacity, not offering specific end user solutions.

The market for applications in this area remains unclear. Despite all the studies and forecasts, no standard application has succeeded in establishing itself as a platform for the industry to latch onto. Business cases are examined and implemented individually. Kapsch focuses in this area primarily on companies in the transportation industry.

2.3 ICT market

According to international studies, the entire ICT market in Austria will grow in 2014 by 2 % and in 2015 by 3 %. For the sector of “System Integration”, the forecast for 2014 predicts a growth rate of over 2 %, while roughly 7 % growth is predicted for “Outsourcing”. The growth rates in ICT therefore exceed the forecasts for other industries.

Above-average growth potential is identified by market analysts Pierre Audoin Consultants (PAC) primarily in the areas of outsourcing and application software and services. The PAC analysts include the topics of “the cloud” and “mobility” among the major trends and growth drivers. The shift to the cloud in particular will significantly alter the market and established business models on the side of the software providers as well as the users.

In the area of outsourcing, Austria’s role has so far been less pronounced in comparison to the rest of the German-speaking region and other major countries such as England and France. The upheaval associated with the movement into the cloud will drive annual growth rates of 7 % until 2015, according to the PAC forecast.

Cloud computing will remain the most important technology and market trend in Austria during 2014. 45 % of Austrian IT decision-makers revealed they use or plan to use cloud services. 80 % rely on private cloud solutions. This trend is followed by mobile apps and security solutions.

Cloud services offer companies greater flexibility and scaling effects that can enable IT cost savings of 20 to 30 %. PAC also identifies “mobile devices” as a major trend. Mobility is strongly associated with the topic of “consumerization”. In this area, it is necessary to develop corresponding security strategies.

The need for IT services is always rising, in turn supporting market demand for alternative cloud products. Due to the intense price pressures, “near-shoring” and “off-shoring” services are of increasing interest to Austria’s companies.

Austria can also profit from its function as a bridge to Eastern Europe, where outsourcing processes are not as far advanced as in Austria. The outsourcing of hardware and, in particular, software and services as well opens up a number of new opportunities for users and their business fields. Software developers, on the other hand, must listen to the requirements of their business customers and accept that they will compete in the future not solely on the basis of licenses but also with subscription models.

For the CEE markets in which Kapsch is active in the Enterprise segment, higher growth rates than in Austria are generally predicted for the entire ICT market with regard to software and IT services, including hardware. For the Czech Republic, Poland, Slovakia, Romania and Hungary, growth rates for 2014 and 2015 are expected to range from just below 4 % to just over 6 %.

3 Economic position of the Kapsch Group.

3.1 Background and business development

These consolidated financial statements were prepared at the level of KAPSCH-Group Beteiligungs GmbH, which itself is wholly owned by DATAX HandelsgmbH.

KAPSCH-Group Beteiligungs GmbH is the sole shareholder of Kapsch Aktiengesellschaft, Kapsch CarrierCom AG, and holds the majority stake in Kapsch TrafficCom AG as well as in Kapsch BusinessCom AG.

In the 2013/14 fiscal year, the Kapsch Group generated consolidated revenue of EUR 923.3 million, which lies on par with previous year (EUR 928.0 million).

On the other hand, some impressive accomplishments were achieved this year in all segments, and the international growth strategy pursued for years was also continued largely successfully. Another highlight of the past fiscal year worth mentioning is the success achieved in the Traffic segment in major projects in Belarus, France and the U.S.A. The toll system in South Africa was also finally put into operation in December 2013, much later than expected following years of delays by the customer. 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, leaving the revenue situation unsatisfactory. In the segment Carrier, the number of new orders in the 2013/14 fiscal year was above average, with many new projects obtained in the GSM-R area in particular, and the total order volume at the end of the fiscal year was pleasantly high at over EUR 250 million. In the segment Enterprise, it was possible to surpass the record revenue of the previous year for a new high of over EUR 300 million.

The management still sees significant potential in the future, as the core business remains strong and the strategic development of the Kapsch Group is making good progress. The group is continuing on the established path, holding on to its growth opportunities and the strategy for investing in the future whilst bearing this unsatisfactory profit level as a temporary situation. In connection with this firm conviction for sustainable development, the headcount was raised further in the course of the past fiscal year and now totals 5,484 (+218, or +4 %, compared to 31 March 2013) and therefore led to an increase in human resource expenditures by EUR 12.7 million, or +5 %, to EUR 291.2 million.

The group has fully maintained its research and development activities and further invested EUR 95.5 million, or over 10 % of its revenue, into this area in recognition of its long-term strategic importance.

Nonetheless, the group will utilize the potential to cut costs that have arisen from the rapid expansion of recent years. The group still prioritizes the company's long-term success over maximizing short-term profits. Moreover, the situation appears to be easing, and the group is looking forward optimistically to the future.

The earnings figures are below the level of the previous year and therefore remain unsatisfactory. For instance, the operating results represented by an EBIT of EUR 25.2 million and an EBITDA of EUR 57.5 million lie only slightly below the values of the previous year, although the profit before taxes of EUR 8.1 million and the profit for the period of EUR 6.1 million are significantly lower. This is associated in particular with a decline in the financial result due to largely unrealized currency losses – primarily in the South African rand.

The equity decreased by 6 % to EUR 317.4 million, which is attributable to the lower overall results as well as dividend payments and negative effects reported under other comprehensive income. While this does bring the equity ratio down slightly to 33 %, it again highlights the fact that the net asset position of the group remains stable and satisfactory.

The Kapsch Group operates in the following four main segments:
- Segment Traffic
- Segment Carrier
- Segment Enterprise
- Segment Others

Segment Traffic

This segment is represented by Kapsch TrafficCom AG as well as all direct and indirect subsidiary companies. In the segment Traffic, the group offers worldwide integral technologies, solutions and services for the Intelligent Transportation Systems (ITS) market.

The revenue in the segment Traffic was on par with the previous year at EUR 487.0 million, once again contributing over 50 % to the consolidated revenue. Fortunately, over 68 % of this revenue comes from the area of Services, Extensions and Component Sales, which is the recurring portion of the business.

In addition to existing major projects in Belarus, France and the U.S.A. that shaped the fiscal year 2013/14, the following new projects were acquired and project progress made:
- On 18 June 2013, Kapsch 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 was awarded an order for the implementation and operation of the new VMS system (variable message signs) in Chile. The order total 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 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 in Belarus went into technical operation on 1 July 2013. Electronic fee 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 December 2013 in phase 2a on an additional 118 km.
- In August 2013, Kapsch 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 Kazan-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 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 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 was awarded an order for two electronic toll systems in Australia. Kapsch 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 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 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 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.

Segment Carrier

This segment is represented by Kapsch CarrierCom AG as well as all direct and indirect subsidiary companies.

In the segment Carrier, Kapsch is a dynamic partner for companies in the constantly developing world of telecommunications. With more than 20 branches and subsidiaries, Kapsch is a global systems integrator in this segment and offers end-to-end telecommunications solutions for public and private mobile telephony and fixed line operators, railway operators, local public transport companies and enterprises requiring real-time networking of machines. In this segment, Kapsch earned revenue amounting to EUR 170.2 million in the past fiscal year.

Kapsch positions itself for its customers around the world as a reliable and trustworthy partner with decades of customer relationships based on close collaboration. Kapsch covers the areas of consulting, design, product development, installation and integration as well as maintenance and the operation of complete communication networks for its customers. Alongside solutions for business-critical telecommunication, the customers are offered a complete, end-to-end service portfolio. With the strategic partnerships and strong innovation that are generated by a total of nine research and development centers in Europe and Asia, Kapsch is a key knowledge holder in the telecom industry. Through acquisitions and investments in the areas of “cab radio” and “public network operator business in Germany”, Kapsch has also demonstrated inorganic growth in this segment during the past fiscal year.

Over 73,000 railway kilometers equipped or being equipped with GSM-R solutions from Kapsch make the company an internationally recognized specialist and a strong partner for railway companies around the world.

The customers in the area of public network operators include the companies of the Telekom Austria Group, eircom in Ireland, Chunghwa Telecom in Taiwan and BICS (Belgacom International Carrier Services) in Belgium.

The investments in the partnership in the TETRA area and the sales activities for establishing the strategically important business field of public transport are now bearing first fruit. The M2M platform already available within Kapsch has been successfully integrated in the first customer projects, representing a proof of concept that will form the basis for additional successful projects.

Segment Enterprise

This segment is represented by Kapsch BusinessCom AG as well as all direct and indirect subsidiary companies.

With 1,322 employees and a revenue of EUR 309.5 million in this segment, Kapsch is a leading service partner for ICT solutions. This success is built on the foundation of the current ICT challenges of Kapsch's customers.

The overall solution portfolio is divided into the segments of ICT Facility Solutions and ICT Infrastructure & Applications Solutions, which provide companies with stable ICT equipment, including the required security, as well as powerful cloud services and efficient collaboration and communication with a diverse range of devices and from any location. Compliance management also helps to identify the appropriate level of information security.

Kapsch is a trusted advisor to its customers in all matters involving communication and information technology and takes on long-term responsibility for partial or full operation of the customer solutions. In accordance with this strategic orientation, Kapsch further expanded its position as a sought-after service partner in Austria as well as Central and Eastern Europe, obtaining many new successful operating projects in the reporting year.

With the six branch locations in Austria and companies in the Czech Republic, Slovakia, Hungary, Romania and Poland, Kapsch pursues a follow-the-customer strategy and assists its customers in their expansion activities, which in turn expands Kapsch's own business in terms of services offered and geographic scope.

In addition to system integration and continuous optimization measures, Kapsch increasingly takes on the complete operation of ICT solutions. Independent of manufacturers but with close relations with leading technology partners such as Aastra, Apple, Avaya, Cisco, EMC, Google, Hitachi, HP and Microsoft, Kapsch acts as an advisor, system supplier and service provider, viewing itself as a reliable, trustworthy and long-term partner for roughly 17,000 customers in a rapidly changing technological environment.

The service technicians are "Kapsch Certified". In other words, they are certified according to clear and transparent quality standards. As an Austrian company in the ICT field, Kapsch works according to the globally recognized ITIL® standard for IT service management.

The Kapsch service catalog was developed during the past fiscal year in order to ensure optimal support for both Kapsch customers and the solutions implemented and operated by Kapsch. This catalog clearly and transparently lists all standardized, recurring Kapsch services. From managed services, such as maintenance and troubleshooting, to functional services, such as provisioning variable storage space: all services have a modular structure and can be assembled according to specific customer requirements. Service level agreements clearly regulate what is contained in the respective service and what the customer can expect from Kapsch. As a result, customers will be offered an even better overview and higher service quality starting in the fiscal year 2014/15.

Segment Others

This segment mainly comprises the companies involved in managing the group, i.e. KAPSCH-Group Beteiligungs GmbH, Kapsch Aktiengesellschaft, Kapsch Partner Solutions GmbH and Kapsch ConnexPlus GmbH as well as activities of Kapsch Smart Energy GmbH.

These central companies handle the strategic and operational management of the group companies, group marketing, group legal services, group accounting and controlling as well as central financial planning and financing. They also provide all personnel-related services such as personnel administration, recruiting and personnel development for the entire group. Since the middle of the year, this also includes travel management services for the whole group. Personnel training is additionally offered to both internal and external customers.

With Kapsch Smart Energy GmbH, the group offers intelligent energy management, smart metering and smart grid solutions to energy grid operators. These areas represent important factors in achieving the goals of the European directive on energy efficiency and energy services. The company combines the extensive know-how of the Kapsch Group in intelligent transportation systems (ITS) and information and communication technology (ICT) with the competence of highly specialized providers of components such as smart meters. The core of the solutions, for which Kapsch Smart Energy can handle the entire planning, implementation and operation, is the internally developed, flexible and meter-independent meter data management software “SEM”. In addition to extensive analysis, reporting and alarm management functions, this software also offers expansion options for optimized meter network operation and smart grids.

3.2 Financial performance indicators

a) Earnings situation

In the past fiscal year 2013/14, the consolidated revenue amounted to EUR 923.3 million, which is slightly below the previous year’s value (by EUR 4.7 million, or 0.5 %).

The relative gross margin was even raised relative to the previous year’s level since expenses for materials and services were reduced by EUR 22.4 million, or 5 %.

With 5,484 current employees, the headcount increased by more than 4 % (+218 compared to 31 March 2013), resulting in an increase in human resource expenditures by EUR 12.7 million, or +5 %, to EUR 291.2 million. This increase in the number of employees is due mostly to growth in the segment Traffic and was geographically located primarily in the Americas. In contrast, the number of employees declined in the segment Enterprise.

Both the expenses for depreciation and amortization of EUR 32.2 million (EUR -0.7 million, or -2 %) as well as the other operating expenses of EUR 132.7 million (EUR +0.9 million, or +1 %) were on par with the previous year. Savings in the area of travel expenses and the release of provisions for guarantees and warranties into earnings were offset by higher other operating expenses.

The profit from operating activities (EBIT) thus fell slightly to EUR 25.2 million (EUR -3.8 million, or -13 %), while the EBITDA also dropped accordingly to EUR 57.5 million (EUR -4.4 million, or -7 %).

The profit before taxes at EUR 8.1 million (EUR -15.3 million, or -65 %) and the profit for the period at EUR 6.1 million (EUR -12.5 million, or -67 %) were thus below the figures from the fiscal year 2012/13 due to the decreased financial result.

A breakdown by segment shows the following development in revenue and earnings:

The revenue in the segment Traffic remained at the level of the previous fiscal year but still accounts for more than half of the consolidated revenue. Revenues declined in the segment Carrier, as expected. In the segment Enterprise, by contrast, the steady revenue growth trend continued over the past fiscal year, largely compensating for the decline in the segment Carrier.

Revenues by segment (share of revenues)		**2012/13**		**2013/14**		**Change**	
Traffic	in million EUR	488.9	(53 %)	487.0	(53 %)	-2.0	0 %
Carrier	in million EUR	189.1	(20 %)	170.2	(18 %)	-18.9	-10 %
Enterprise	in million EUR	297.2	(32 %)	309.5	(34 %)	12.4	4 %
Others	in million EUR	16.4	(2 %)	16.2	(2 %)	-0.2	-1 %
Eliminations	in million EUR	-63.5	(-7 %)	-59.6	(-6 %)	3.9	-6 %
Group	in million EUR	**928.0**	**(100 %)**	**923.3**	**(100 %)**	**-4.7**	**-1 %**

The following regional breakdown of revenues makes it clear that the Kapsch Group enjoyed success in driving its international diversity once again in the fiscal year 2013/14. Revenues increased again on the home market of Austria, in Western Europe and in the Americas, thereby implementing the targeted growth strategy. The high contribution of the previous year from Eastern Europe was also confirmed again. Only outside these regions (as reported under "Rest of World") did revenue decline, which can be attributed in particular to the fact that no major national toll projects were implemented in the segment Traffic over the previous year and the operation project in South Africa is only reflected in the revenue since December 2013. The share of revenue realized abroad was maintained at 70 %.

Revenues by region (share of revenues)		**2012/13**		**2013/14**		**Change**	
Austria	in million EUR	271.5	(29 %)	274.1	(30 %)	2.6	1 %
Central and Eastern Europe	in million EUR	343.6	(37 %)	343.7	(37 %)	0.1	0 %
Western Europe	in million EUR	120.3	(13 %)	129.9	(14 %)	9.6	8 %
Americas	in million EUR	80.5	(9 %)	88.0	(10 %)	7.5	9 %
Rest of World	in million EUR	112.1	(12 %)	87.6	(9 %)	-24.5	-22 %
Group	in million EUR	**928.0**	**(100 %)**	**923.3**	**(100 %)**	**-4.7**	**-1 %**

Despite slight declines in the results (EBIT EUR 25.2 million and EBITDA EUR 57.5 million) **all three segments supplied positive earnings contributions overall.** In the segment Traffic, the operating result even increased over the previous year. In the segment Carrier, the revenue declines also led to declines in the EBITDA and EBIT, as expected, and it was not possible to match the result of the previous year in the segment Enterprise despite increased revenues.

EBITDA by segment (share)		2012/13 (adjusted)		2013/14		Change	
Traffic	in million EUR	34.2	(55 %)	36.9	(64 %)	2.7	8 %
Carrier	in million EUR	16.3	(26 %)	11.0	(19 %)	-5.4	-33 %
Enterprise	in million EUR	10.4	(17 %)	8.5	(15 %)	-1.9	-18 %
Others	in million EUR	2.3	(4 %)	2.5	(4 %)	0.2	8 %
Eliminations	in million EUR	-1.3	(-2 %)	-1.3	(-2 %)	0.0	1 %
Group	in million EUR	**61.9**	**(100 %)**	**57.5**	**(100 %)**	**-4.4**	**-7 %**

EBIT by segment (share)		2012/13 (adjusted)		2013/14		Change	
Traffic	in million EUR	16.5	(57 %)	20.3	(80 %)	3.8	23 %
Carrier	in million EUR	5.3	(18 %)	0.4	(1 %)	-4.9	-93 %
Enterprise	in million EUR	5.3	(18 %)	2.5	(10 %)	-2.8	-53 %
Others	in million EUR	1.9	(7 %)	2.1	(8 %)	0.2	10 %
Eliminations	in million EUR	0.0	(0 %)	0.0	(0 %)	0.0	0 %
Group	in million EUR	**29.0**	**(100 %)**	**25.2**	**(100 %)**	**-3.8**	**-13 %**

Segment Traffic

Revenue in the segment Traffic totaled **EUR 487.0 million** in the fiscal year 2013/14 and was therefore slightly below the previous year's value of EUR 488.9 million.

The **project business (RSP)** includes projects for erecting and installing systems. These are generally projects resulting from invitations to tender by public agencies or private concessionaires. The systems cover either individual road sections or nationwide road networks. Large fluctuations in revenue and costs from period to period are intrinsic to this business.

Revenue in this area 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 over 930 km of highway. The completion of phase 2b with a length of 241 km is planned for September 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 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 area of **Services, System Extensions, Components Sales (SEC)** consists primarily of recurring revenue. After installation, Kapsch generally also takes over the technical operation of the systems, including maintenance. Additional deliveries of components, such as on-board units and transponders, transceivers and readers as well as cameras also frequently take place for the expansion or adaptation of existing systems or for upgrading from manual to automated or electronic toll systems. Since 2005, Kapsch has also offered the commercial operation of systems. All of these activities focused on continuous income are allotted to the SEC area. This area is therefore characterized by relatively stable revenue over certain periods since the associated services are generally provided on the basis of medium- or long-term service and framework agreements.

In fiscal year 2013/14, revenue decreased in this area by 3.1 % to EUR 331.8 million (previous year: EUR 342.3 million). The operation of the toll system in Poland together with its ongoing expansion with an additional 473 km of highways and expressways supplied the largest 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 in 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.

Despite cost increases in connection with postponed projects and preliminary work for potential invitations to tender as well as expenses for ongoing invitations to tender and the fact that differences of opinion concerning the reimbursement of costs for maintaining the operational readiness of the toll system in the South African Gauteng province until December 2013 (commercial operation of the system began on 3 December 2013) significantly depressed the earnings results, both the **EBITDA** of **EUR 36.9 million** (EUR 2.7 million, or 8 %) as well as the operating result **(EBIT)** of **EUR 20.3 million** (EUR 3.8 million, or 23 %) in the segment Traffic exceeded the values of the previous year. This is primarily due the decrease in the cost of material and other production services by EUR 29.6 million to EUR 228.0 million (previous year: EUR 257.6 million). **The EBIT margin amounted to 4.2 %** (previous year: 3.4 %), which may be higher than the previous year, but still below expectations.

Segment Carrier

In the segment Carrier, **revenue** declined by EUR -18.9 million, or 10 %, to **EUR 170.2 million.** Even if the implemented network operator strategy has been able to partially mitigate the expected expiration of maintenance contracts from the Nortel takeover, this decline once again affects the area of public operators. Revenue in the railway business increased slightly and now amounts to over half the segment revenue.

The area of **public network operators** profited in the past fiscal year from the acquisition of “ITM Deutschland GmbH” (now “Kapsch Carrier Solutions GmbH”). This acquisition significantly broadened the customer base in the German network operator market while also bringing new solution and service elements to the portfolio for this segment. Additional project successes with new customers such as BICS (Belgacom International Carrier Services) in Belgium and Rostelekom in Russia have contributed significantly to expanding the customer base. The new network operator strategy of developing the business toward the established strategic focus areas was continued. The main public operators markets are Austria, German and CEE as well as France and Taiwan.

In the **railways area,** strategically important projects were acquired in fiscal year 2013/14 with GSM-R projects in Hungary, Slovenia and Slovakia. The total new orders in the CEE region amounted to roughly EUR 146 million. The modernization of the GSM-R network of the French railways with a next generation all-IP core solution from Kapsch is another project success worth noting. New project references were also obtained outside of Europe, such as the “Haramain High Speed Rail” project in Saudi-Arabia.

The drop in revenues also meant that the profits of the segment Carrier fell in comparison to the previous year, as expected. The **EBITDA** amounted to **EUR 11.0 million** (EUR -5.4 million, or -33 %) while the operating profit **(EBIT)** totaled **EUR 0.4 million** (EUR -4.9 million, or -93 %). In addition to lower revenue, one reason for the drop in earnings is that Kapsch continues to invest heavily in the area of research and development in this segment as well in order to lay the foundation for obtaining future projects and additional market share. The gratifying level of new orders further confirms that this long-term and consistent approach is highly appreciated by the customers.

Segment Enterprise

The segment Enterprise managed to boost **revenue** by EUR 12.4 million, or 4 %, to **EUR 309.5 million.** The largest revenue increases relative to the previous year were realized in Romania and Poland as well as Hungary. The high revenue volume in Austria was also improved further in the last fiscal year.

A significant increase in the expenses for materials and purchased services caused the margins to shrink, highlighting the competitive market environment. In response, the management approved restructuring measures primarily in Poland and the Czech Republic, and these have already been implemented. The adherence to the path of continued growth – especially in the CEE region – and the strategic focus on expanding the sustainable service business in the ICT area were also responsible for the decline of the **EBITDA** in this segment to **EUR 8.5 million** (EUR -1.9 million, or -19 %) and the **EBIT** to **EUR 2.5 million** (EUR -2.8 million, or -53 %) compared with the previous year.

The financial result of Kapsch Group decreased from EUR -6.2 million to EUR -17.6 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.

b) Assets and liabilities

Total assets of the Kapsch Group of EUR 952.5 million on the reporting date of 31 March 2014 were almost the same as at the end of the fiscal year 2012/13 (EUR +2.4 million, or +0.3 %).

The non-current assets increased relative to the previous year by EUR 72.1 million, or 21 %, to reach EUR 423.9 million. This is due above all to the rise in the non-current trade receivables in connection with a major project in the segment Traffic. The financial assets and participating interests fell from EUR 42.8 million to EUR 33.6 million, which resulted primarily from changes in the fair value of the interest in Q-Free ASA, Norway.

Current assets decreased by EUR 69.7 million, or 12 %, to EUR 528.6 million. This resulted mostly from a reclassification of receivables regarding the toll collection project in the Republic of Belarus to the non-current assets and from a decline in liquid assets and bank credits.

The equity amounted to EUR 317.4 million, which is attributable to the lower overall results as well as dividend payments and negative effects reported under other comprehensive income. While this does bring the equity ratio down negligibly to 33 %, it again underlines the stable and satisfactory net asset position of the group.

Both the non-current liabilities at EUR 249.0 million (EUR +11.1 million, or +5 %) and the current liabilities at EUR 386.1 million (EUR +11.7 million, or 3 %) increased slightly compared with the previous year. This is connected in particular with the additional assumption of financial liabilities in order to meet the pre-financing needs of major ongoing projects and also to ensure further growth.

As a result, the net debt also increased relative to the previous year to EUR 167.7 million.

c) Financial position

The liquidity position of the group remained stable in the past fiscal year.

The cash flow from operating activities declined in comparison with the previous year to EUR -4.9 million, primarily due to the rise in non-current trade receivables.

The cash flow from investment activities amounted to EUR -42.0 million, which can be attributed largely to the company acquisitions in the segments Traffic and Carrier.

The cash flow from financing activities was EUR 23.5 million and can be attributed to the increase in financial liabilities.

Cash and cash equivalents at the end of the fiscal year amounted to EUR 91.9 million.

3.3 Non-financial performance indicators

a) Employees

On reporting date of **31 March 2014,** the group had **5,484 employees.** This again represents a considerable increase in comparison to the previous year (+218 employees, or +4 %). Over the course of the year, the threshold of 5,500 employees was passed. The average number of employees in the Kapsch Group in the fiscal year 2013/14 was 5,406.

This is mostly attributable to the further expansion of resources in the segment Traffic by +295, or 10 %. In the segment Enterprise, the headcount was reduced by 116 employees, or 8 %. In the segment Carrier, the headcount increased by +25, or 3 %, as on the reporting date.

Taking a regional perspective, this expansion consisted of +179 employees, +41 %, in the Americas (reflecting in particular the acquisition of Transdyn, Inc.), while a slight decline by 70 employees (-3 %) took place in Austria. All other regions experienced a moderate increase in employees.

Headcount on reporting date	**2012/13**		**2013/14**		**Change**	
Traffic	3,013	(57 %)	3,308	(60 %)	295	10 %
Carrier	715	(14 %)	740	(13 %)	25	3 %
Enterprise	1,438	(27 %)	1,322	(24 %)	-116	-8 %
Others	100	(2 %)	114	(2 %)	14	14 %
Group	**5,266**	**(100 %)**	**5,484**	**(100 %)**	**218**	**4 %**

Having committed and motivated employees and managers is a crucial factor of the company's business success in these challenging times. The strong corporate culture, which focuses on respect, dynamic, responsibility, discipline, transparency, performance and family, was successfully transferred to the newly acquired companies. This created the basis for the successful integration of new employees and for efficient and effective collaboration across the companies.

The Kapsch Group places great emphasis on the regular training and further education of its staff. A comprehensive training and employee development program has always been a central pillar of the Kapsch company philosophy. The Kapsch University offers individual training plans comprised of courses and seminars on specialized topics and interpersonal skills. To encourage the multinational movement of staff there is a job rotation program in place between the branches. A young executive program prepares selected employees for future management duties. Furthermore, a two-year internal trainee program is also offered in which the trainees can familiarize themselves with the workings of the various companies and departments within the Kapsch Group.

Particular emphasis is placed on ensuring fair remuneration and working hours. Some employment contracts of managers and sales staff include variable salary components. Moreover, there are bonus schemes for employees.

Depending on their length of service, income and the success of the company, Kapsch pays contributions into an external pension fund for its employees.

In addition, the Kapsch Group has an employee profit-sharing scheme where the company lets employees participate in the profits of the company.

Annual employee interviews and an internal continuous improvement process are additional measures used by the Kapsch Group to encourage staff to play an active role in shaping the company in order to ensure long-term business success. Kapsch has also been involved for many years in providing a very high level of education to apprentices both for companies within the Kapsch Group and for external firms.

The health of all members of staff is a top concern for the Kapsch Group. This is why health information campaigns are organized along with vaccination days, check-ups, vision checks and fitness packages, to mention just a few. A company doctor is also on hand at the premises in Vienna.

Although Kapsch does business in technological sectors, the company considers it important to increase the proportion of women employed. To achieve this objective, women are supported at Kapsch in particular with flexible working hours so they can combine a professional and family life. Kapsch has also set up many cooperation frameworks with schools, universities of applied sciences and universities. The company is involved in special programs to promote women in the workplace, such as "Frauen in die Technik (FIT)" or "FemTech", and offers a special trainee program for "women in sales". The Kapsch Group has also established a committee for equal treatment. In the spirit of equal opportunity, it therefore goes without saying that parental leave is supported in equal measure for both mothers and fathers.

b) Environment

The individual companies hold valid certifications for environmental management systems pursuant to ISO 14001, and the Kapsch Group will strive in the future to fulfill its responsibilities towards society even more extensively, particularly with regard to the efficient and responsible use of natural resources.

The Kapsch Group meets its statutory obligations regarding waste disposal through its memberships in Altstoff Recycling Austria AG and Umweltforum Haushalt (UFH). There is also a defined waste disposal process.

The group's business activities are associated with the consumption of raw materials and the emission of climate-relevant emissions. Kapsch works intensively on minimizing these impacts. Concern for the environment is therefore well established throughout the group, and Kapsch shall continue to meet its social responsibilities in the future and adopt an efficient approach for using environmental resources. 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 car fleet of the entire group. Through measures to increase energy efficiency, the group is constantly working to reduce energy consumption.

c) Social and cultural responsibility

The Kapsch Group lives up to its socio-political responsibility and promotes selected cultural and social institutions and projects around the world.

Offering artists a platform. A calendar of selected artists supported by Kapsch is published every year. The calendar allows up-and-coming artists to find an interested public for their work. In the project "changingviews", an Austrian painter – Reinhold Ponesch from Vorarlberg and now living in Vienna – designed the Kapsch calendar for the year 2013. The art calendar 2014 contains works of the Belorussian artist Alina Kunitsyna.

Enriching cultural partnerships. Uniting tradition and innovation is a fundamental tenet of the Kapsch Group. Since 1992, the group has maintained a general partnership with the Vienna Concert Hall (Wiener Konzerthaus). In an exciting and unconventional program, the Concert Hall strives both to maintain tradition and attract new audiences. The annual highlight is a high profile concert with internationally renowned orchestras and conductors in which customers, partners and investors of the Kapsch Group share in the enjoyment of art.

"Wien Modern", which has become one of the world's most renowned festivals of contemporary music, has been sponsored by Kapsch since its founding in 1989. The aim of this series of events is to safeguard the significance of Vienna as a modern city of culture. The composers, performers and ensembles represented here are pioneers in their fields of art.

The HONART Festival, also supported by Kapsch, sheds light on cultural aspects of Iran and the rest of the world by means of diverse art forms.

The Kapsch Group also supports the event series "Culture in the Temple" at the Kobersdorf synagogue as well as the Jewish Museum – both institutions that seek to help younger generations understand and experience Jewish life and Jewish culture.

Taking social responsibility. The Kapsch Group appreciates and supports the work of charitable institutions such as the Institute for Cooperation in Development Projects (ICEP). This independent private initiative based in Austria contributes meaningfully to the global fight against poverty. The ICEP supports projects that focus on education and improving the living standards of people in developing countries over the long term.

Also supported by the Kapsch Group are the activities of “Doctors Without Borders”, an internationally recognized and globally active organization that provides aid to people with insufficient access to medical care. “Caritas Socialis” helps alleviate the distress of those in need at the start and end of their lives. Kapsch provide its employees with the infrastructure for an annual gathering.

Since 2013, a support agreement has existed between St. Anna Cancer Research and the Kapsch Group for the support of research work within the framework of the project “Next Generation Sequencing”. The goal of this project is to obtain information about the human genome in order to learn about genetic changes that are associated with the course of illness and therapy. Kapsch supports this complex project in the conviction that it may significantly improve the chances of recovery for children suffering from cancer.

d) Other aspects

Sustainability management. Kapsch 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 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 an overarching goal in this area, and Kapsch is committed to a consistent focus on sustainability.

Innovative products with added value for the environment and society. Kapsch is dedicated to making a valuable contribution to social progress and climate protection through innovative products and solutions. In order that these future requirements and ambitions can be optimally realized, Kapsch occupies itself intensively with future trends and invests heavily in research and development.

Quality. Safeguarding the high standard of quality, safety and robust processes is a high priority in all units of the company. Kapsch 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 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, environment and information security and to optimize work processes and information sharing. These aspects are documented in a quarterly report to the executive board.

3.4 Risk management

As a technology corporation, the Kapsch Group operates in a very dynamic environment. Risks are therefore an integral part of everyday business. For the company, risk means the possibility of deviating from company objectives, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system

The Kapsch Group has initiated numerous processes to make its risk management more effective and establish relevant standards. For example, the position of risk manager has been established in the three main companies, and the risk management practices were consistently improved upon in the fiscal year 2013/14. The main focus of risk management is on project risk management and enterprise risk management (ERM). The risk managers deploy institutionalized processes for collecting and analyzing all relevant opportunities and risks pertaining to projects and thus pave the way for the timely planning and implementation of control measures.

Project risk management makes use of institutionalized processes to evaluate all relevant opportunities and risks in customer and development projects starting in the offer or initiation phase in order to lay the foundation for good decisions and the timely planning and implementation of control measures.

Enterprise risk management (ERM) involves the analysis of risks in the group’s major customer projects as well as strategic, technological, organizational, financial, legal and IT risks, and reports are submitted to the executive board and the audit committee of the supervisory board on a semi-annual basis. The ERM approach is aimed at the early identification, assessment and control of the risks that may materially influence the achievement of the strategic and operational goals 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 of the group and the respective risk management measures are briefly explained below:

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch Group is generated from project business and is therefore subject to high volatility. In connection with large projects in the segment Traffic in particular, the Kapsch Group regularly participates in tenders for the implementation and operation of large electronic toll collection systems. On the one hand, there is a risk that tenders in which the Kapsch 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, there is a risk that the Kapsch Group may not win with its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from maintenance agreements and from technical operations also depend on the successful participation in tenders for systems.

In the past, the revenues of the segment Traffic have been heavily influenced by whether the given fiscal year had any RSP implementation projects. Significantly higher revenue figures were recorded in particular in 2003 (implementation of a national electronic truck toll collection system in Austria), in 2006/07 (implementation of a national electronic truck toll collection system in the Czech Republic) and in 2010/11 (implementation of an electronic toll collection system in the South African province of Gauteng) as well as 2011/12 (implementation of the nationwide electronic truck toll collection system in Poland). In the fiscal years 2012/13 and 2013/14, significant revenues were earned from the installation of the nationwide electronic toll collection system in the republic of Belarus.

In addition, the strategy of the Kapsch Group aims at adequately counteracting volatility in incoming orders and therefore also in the sales performance, respectively, in the cash flow from operating activities. This is achieved on the one hand through activities in three different business segments and, on the other hand, by increasing geographical diversification, broadening the customer base and product portfolio and by constantly increasing the share of revenue from technical operation, including maintenance of systems as well as the general increase of service shares. Furthermore, becoming involved in the commercial operation of toll systems, the significant growth in the components business in the segment Traffic and the increase in the services part of other segments have also contributed to increasing the share of regular and recurring revenues and cash flows.

Risks of project execution. In connection with the execution of the projects outlined above, which are very often sophisticated and complex technical systems, product and system defects can occur due to the limited time available for implementation and testing. Unexpected project modifications, a shortage of skilled workers, quality problems, unexpected technical problems and performance problems with suppliers or consortium partners may have a negative effect on the adherence to delivery dates. If the contractual services are not fulfilled or if deadlines are exceeded, penalties usually have to be paid, often also damages, in some cases even damages for lost profits of the customer. Deadlines far exceeded are often covered by contract clauses that allow the customer to terminate the contract early. A significant delay in a project, a clear failure to meet the contractually agreed performance criteria or even failure in the implementation of a project would also reduce the chances of success for future tenders for systems. There is also the risk that Kapsch projects cannot be realized at the previously calculated costs. Additionally, the group is often contractually obliged to supply performance and deadline guarantees when implementing systems.

The Kapsch Group employs project management methods and project risk management procedures based on the IPMA (International Project Management Association) standards in order to guard against risks associated with projects. Moreover, during internal project controlling, ongoing projects are subject to constant planning and analysis to minimize project risk.

Additionally, given the variety of projects undertaken in the segment Enterprise, the following standards must be applied to minimize risks when executing projects:

- In the bidding phase, a comprehensive risk evaluation is carried out according to defined standards as part of the opportunity qualification process. The project execution is carried out by project managers certified according to IPMA standards.
- The creditworthiness of the customer must be checked as part of the contract acquisition process. In cases in which there is any credit rating risk, the customer is asked to provide additional security.

Long-term contracts with public authorities. In many cases, contracts are awarded by public agencies or quasi-government companies. Framework agreements and service contracts especially in connection with toll projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous for the Kapsch Group. Some multi-year contracts contain demanding requirements regarding the targeted performance of the implemented systems, components and processes. If these requirements are not met, this may result in substantial penalties, liability for damages or termination of contract. On the other hand, in some contracts substantial bonus payments may be earned in the case of over-performance. Moreover, in the case of long-term contracts, the margins earned can also differ from the original calculations due to changes in costs.

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

Customer dependency risk. Although this risk has already been reduced significantly in the past years, in particular by means of regional diversification and continued growth via new customers, the sizes of the projects in the segments Traffic and Carrier mean there will always be a certain dependency on individual customers. However, since these customers are often closely associated with public authorities, there is generally also a high degree of stability and security. The Kapsch Group will continue striving to keep this risk at a minimum by increasing the number of customers.

Strategic risks

Innovation leadership. The strong market position of the Kapsch Group is based to a large extent on its ability to develop state-of-the-art, efficient and reliable systems, components and products. In this context, the Kapsch Group is committed to an ongoing and consistent innovation process. In order to maintain its high technological standards, the Kapsch Group invests a considerable portion of its revenues in research and development activities. However, if the group does not succeed in developing innovative systems, components and products, this can be detrimental to the competitive position of the Kapsch Group. Since striving for innovation leadership is based to a large extent on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the Kapsch Group.

In addition, any failures in protecting these technologies may have a negative impact on the competitive position of the Kapsch Group. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties. The Kapsch Group places great emphasis on protecting technologies and the company's internal know-how, such as patents and non-disclosure agreements with contractual parties. In order to avoid legal action and court proceedings, the Kapsch Group constantly monitors potential infringements of intellectual property rights. However, the time-to-market principle always lies at the heart of all considerations.

Acquisition and integration of companies as part of the group's growth. One of the strategic objectives of the Kapsch Group is to expand internationally both through organic growth and via selected acquisitions and joint ventures. In implementing this strategy, the Kapsch Group has acquired companies around the world and integrated them into the group. However, a number of challenges remain in connection with this growth strategy in achieving the desired synergies and objectives in full with all of the future acquisitions and joint ventures.

Country risk. Following the strong expansion of business activities in Eastern European countries (outside of EU) and states outside of Europe, the Kapsch Group is exposed to a heightened political risk. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate projects in these countries as well as to make funds available and/or withdraw them again. Interference with the property rights of the Kapsch Group or problems with business practices and activities may also arise.

Financial risks

The main instruments used to monitor and minimize risks are standardized planning and controlling processes, company-wide guidelines and regular reports.

Foreign exchange risk. The Kapsch Group maintains branches, offices and subsidiaries in many countries outside the eurozone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies or a third currency, rather than in euros. Although the Kapsch Group aims to hedge the net currency position of the individual contracts as required, currency fluctuations may result in exchange rate losses that appear on the consolidated financial statements (transaction risk). In addition, risks arise from the conversion of separate financial statements of international companies into the group currency, the euro (translation risk). Fluctuations in exchange rates may also affect the competitive position of the Kapsch Group. In principle, only operational risks are hedged, speculative transactions are not permitted within the 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 Group to interest rate risks. The Kapsch Group utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources have to be available for the Kapsch Group to meet its payment obligations at all times. Medium- and long-term financing must be available in order to carry out large-scale projects (such as implementing a national toll collection system under delayed payment terms from the client) and to acquire 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 Group is subject to the usual limitations of its business policy, such as, for instance, with regard to taking on additional borrowings, the use of assets as collateral or the provision of guarantees/sureties in favor of 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 Group and the results of operations. A lack of liquid assets (even if the group is otherwise essentially solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch Group and the results of operations.

Furthermore, the liquidity risk is addressed by ongoing group-wide financial and cash planning. Potential liquidity shortages can be identified this way and adequate countermeasures can be taken in good time.

Credit risk. The Kapsch Group is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of the Kapsch Group are public authorities. There is also a risk that counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment liabilities when due. A payment default or the need to impair receivables can have an extremely adverse impact on the net assets and financial position of the Kapsch Group and the results of operations.

Since the main customers are large public or formerly public network operators, the bad debt risk is considered to be very low. Nevertheless, the creditworthiness of new and existing customers is checked regularly. For some project-specific default risks and damages, insurance is taken out.

Personnel risk

The success of the Kapsch Group depends heavily on key personnel with many years of experience in the individual business segments. Moreover, the Kapsch Group's ability to recruit qualified staff, integrate them into the company and retain them over the long term is crucial in the current growth phase. The loss of key personnel and difficulties in the recruitment of personnel can adversely affect the success of the group.

The Kapsch Group has implemented a number of measures to deal with personnel risks, such as incentive schemes, training and further education opportunities, etc. in order to counter that risk.

Legal risks

In connection with participating in the tenders of public authorities, the construction of infrastructure for ITS solutions (such as toll stations) and the operation of toll collection systems but also the increasingly complex requirements in the other segments, a number of regulations and legal requirements have to be observed.

As a result of the increased expansion of the business activity into new regions and into selected new ITS fields, the risk of patent infringements or violations of intellectual property rights tends to increase. The group has implemented an active intellectual property (IP) management as a separate function. In order to avoid claims and lawsuits, the Kapsch Group regularly monitors potential violations of intellectual property rights prior to entering into new markets or regions.

The various markets of the Kapsch Group are impacted by numerous legal provisions on an international and national level. In this context, the Kapsch Group is exposed to the risk that certain regulations, such as data protection laws or environmental and safety requirements, might have negative implications. Assessing and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. If applicable regulations or official requirements cannot be met or fulfilled, this can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

IT risks

As a technology company, the Kapsch Group is exposed to common IT risks in terms of the security, confidentiality and availability of data. To this end, Kapsch has introduced an IT risk management system based on CRISAM®, the Corporate Risk Application Method, and is also certified according to ISO/IEC 27001 (Information Security Management). With regard to the operation of toll collection systems, the Kapsch Group has certified “IT Service Management” according to ISO 20000 (cf. ITIL).

Additionally, the introduction of a risk management system according to the Corporate Risk Application Method (CRISAM®) improved the management system for information security.

In this context, Kapsch not only prioritizes greater IT security but also takes a holistic view of this crucial area. For example, building and infrastructure security were also increased, and measures were taken to raise employee awareness of security issues.

Opportunities

The Enterprise Risk Management approach of the Kapsch Group not only deals with risks but also with the regular identification, measurement and management of opportunities in its markets. 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.

Particularly in the segment Traffic, market opportunities exist in geographic diversification as well as in 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 car fleet management.

In addition, numerous market opportunities arise in all segments as a result of the geographic diversification, the increasing broadening of the customer and product portfolio and from strategic partnerships. Constant innovation and technical advancements also create opportunities for Kapsch 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.

Overall assessment of the Kapsch Group's risk position

From the current perspective, no risks have been identified that could endanger the continued operations of the Kapsch Group. Increasing geographic and technological diversification, the constant broadening of the product portfolio, coupled with an increased share of recurring revenues (operation of and component supplies for toll collection systems and growing services in other segments) are planned to further reduce the concentration of risks in the future. Constantly striving to maintain its strong technology position, offer high-standard products and innovative solutions should ensure that our customers in all segments feel they have a partner in Kapsch that will continue to provide reliable long-term support and optimal solutions in the future.

3.5 Internal control system (ICS)

The Kapsch Group began back in the fiscal year 2009/10 to analyze and document accounting-related internal control processes in the segment Traffic. The results to date were presented to the Supervisory Board for evaluation and discussion in the quarterly meetings of the Audit Committee. During the regular field reviews carried out by Internal Audit, one of the focal points is checking the reliability and functionality of the internal control system. In this way, the Internal Audit department makes an important contribution to ensuring that every company implements a reliable and functional control system.

The processes for group accounting and reporting are based on an accounting manual that is issued and regularly updated by KAPSCH-Group Beteiligungs GmbH. This manual sets forth the main accounting and reporting requirements for the group based on IFRS. Group guidelines, working instructions and defined procedures constitute another important cornerstone of ICS.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting, compliance with relevant legal regulations and safeguarding the company's assets.

The ICS guidelines follow the basic structures of the internationally recognized standards for internal control systems (COSO – Internal Control and Enterprise Risk Management Integrated Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

The accounting of all group transactions is managed by a variety of software solutions. In a number of countries, the accounting has been outsourced to local tax accountants due to the size of the subsidiaries. Companies submit reporting packages to the head office on a quarterly basis containing all accounting data pertaining to the income statement, the statement of financial position, the cash flow statement and cost reports in the form of a contribution margin analysis directly through the central consolidation and reporting system (Hyperion Financial Management). The financial information is verified on a group-wide basis by the subsidiary and participation controlling department and subsequently forms the basis for the group reports issued 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 analysis containing comparisons of current figures with figures from the budget and the previous period as well as selected financial figures, forecasts, group financial statements and changes in the number of employees and order intake.

In keeping with the decentralized structure of the Kapsch Group, local management is responsible for implementing and monitoring the internal control system. The managing directors of the individual subsidiaries are ultimately 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 group-wide rules and guidelines in this respect. In order to provide better support to the management teams of the individual group companies, an ICS officer was established in the parent companies of the three key companies.

This person is responsible for standardizing and constantly developing ICS throughout the individual company, monitoring the compliance and effectiveness of controls as well as the improvement of weaknesses identified, and reporting periodically to the Audit Committee of the Supervisory Board. To exploit synergies here throughout the entire group and share experiences, regular meetings are held by the Group Governance Committee, in which the ICS officers of the individual companies and Internal Audit regularly coordinate and push relevant topics and developments.

A group-wide initiative for uniform documentation of all control measures for achieving key control objectives was undertaken in fiscal year 2013/14. The standardized tracking enables improved controlling 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.

3.6 Research and development

Research and development activities are a high priority for the group in pursuing its strategic goals. Successful research is the foundation for the ongoing improvement of existing products and systems as well as the continuous reduction of production, installation, operating and maintenance costs, and for the early identification of new trends – all of which are essential for maintaining a technological and competitive advantage. The knowledge of entirely new technologies based on national and international standards and how to employ them forms the foundation for successful business development and opens the way into new markets.

To ensure the continued inventiveness of the company, all of the strategic business areas of the Kapsch Group have development departments that focus specifically on solutions for the needs of customers. The research and development activities are complemented in some areas by joint projects and close cooperation with universities, public and private institutes as well as technology and research companies.

Kapsch has faced these challenges for many years and, despite stagnating revenues, continued to invest in research and development in the fiscal year 2013/14 in order to cement the long-term growth of the group.

Development activities are particularly dynamic in the segments Traffic and Carrier:

In the **segment Traffic,** the Kapsch Group has a global network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Mississauga (Canada), Kingston (U.S.A.), Carlsbad (U.S.A.), Duluth (U.S.A.) and Cape Town (South Africa). As of 31 March 2014, Kapsch employed over 470 engineers (previous year: over 500) for its R&D activities in this segment.

In the past fiscal year, the focus of the R&D lay on the implementation of a high-performance back office solution that combines all key back office tolling concepts in a single software platform, from registration and enforcement to the issuing of on-board units. The new European Electronic Toll Service (EETS) standard is also part of this platform to enable the compatibility of electronic toll systems. The goal is to employ this platform in all international customer projects, ensuring a high reuse of basic components and low maintenance.

Other important research activities included prototype development and participation in standardization activities for the European ITS-G5 and the U.S. WAVE technology with regard to V2X communication (vehicle-to-vehicle, vehicle-to-infrastructure). In addition, pilot and demonstration projects were carried out at the telematics test field and at I-94 truck parks in the U.S.A. Kapsch is also participating in the European Corridor project, which aims at ITS cooperation between the Netherlands, Germany and Austria based on V2X technology. The product portfolio was also expanded with a 915 MHz RFID solution.

Another important development concerns the vehicle detection and classification sensor based on 3D stereoscopic camera technology. This established the prerequisites for offering a less expensive single-gantry instead of a double-gantry installation for the ETC market. The system enables greater flexibility, a smaller number of installations and reduced maintenance costs. It was first installed on the M5 South Western motorway in Sydney, Australia, and opened for traffic in 2013.

In the area of GNSS (Global Navigation Satellite System), the focus was on developing a GNSS solution for the truck toll system in France. This development based on a GNSS transponder with specific adaptations for France allowed Kapsch to deliver the first GNSS-based ETC system with ITS functionality.

Important developments in North America included the introduction of a special reader (Single Protocol Reader) and improvements in the Multiprotocol Reader 2 (MPR2). Work also took place on a highly durable MPR reader specifically for the project in Texas. In the area of on-board units, the most significant product development involves the replacement of TDMA V6 on-board units with TRP-8100. Progress was also made on the development of 5.9 GHz on-board units.

In the **segment Carrier,** the Kapsch Group has a network of research and development centers in Vienna (Austria), Paris (France), Friedrichshafen (Germany), Zagreb (Croatia) and since this fiscal year also in Aveiro (Portugal). Moreover, there has also been collaboration with outsourcing partners in Bangalore (India) and Nizhny Novgorod (Russia), Istanbul (Turkey) and Mumbai (India). Thus, it is possible to offer customers a broader product portfolio and maintain the customer base in the long term. In the segment Carrier, the individual research and development centers are also organized as competence centers and are coordinated centrally by the product management.

In addition to technologically leading developments in the GSM-R area that have led to new patents, other development activities take place in close cooperation with customers. Not only does this mean responding directly to customer wishes, it also involves developing innovations that can be used with a broader range of customers over the medium term.

As of 31 March 2014, Kapsch employed in this segment more than 300 experts in its own research and development centers, including project management, quality assurance and testing, documentation and certification. If necessary, another 150 developers employed by partners in Russia, India and Turkey are available to work on Kapsch research and development projects.

In addition to classic development services, 2nd and 3rd level support services are also provided to customers in the **Carrier as well as Enterprise segments,** and a training center is operated for intensive know-how transfer. Group-internal developments are on the increase in these segments as part of application solutions.

Research costs are generally recognized as expenses. The same applies to development costs, unless the IFRS criteria for recognition as intangible assets are satisfied. Since the total-cost method is used, the research and development costs are reported within various items of the statement of comprehensive income, in particular under the costs of material and other production services, staff costs and other operating expenses. The advance payments made to date for the external development of another central system in the segment Traffic have been posted as assets.

In the fiscal year 2013/14, the Kapsch Group invested EUR 95.5 million (2012/13: EUR 96.6 million) in research and development, leaving the share of research and development activities on par with the high level of the previous year at 10 % of consolidated revenue.

3.7 Outlook

In the coming fiscal year 2014/15, the Kapsch Group is still very optimistic regarding trends and developments in its markets and expects to continue following the current growth course into another successful year thanks to its strategies pursued in the individual areas and its sound balance sheet structure. This should be reflected in an increase in revenue as well as an improvement in the profit situation.

In the **segment Traffic,** Kapsch 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 fiscal year 2014/15. The major project in the republic of Belarus will be expanded further, and Kapsch 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 our customer to further improve the revenue from the project. The result of the invitation to tender for the nationwide toll collection system in Russia is expected soon. It is also expected 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 collection systems, an approach that has already proved successful in the republic of Belarus.

In the **segment Carrier,** strong competition accompanied by cost pressures on the part of network operators is expected to lead to a further decrease in the public operators business. Kapsch will continue to compensate for this decline with a sound strategy based on a defined core portfolio and a focus on defined core markets in this field. The emphasis for the coming year will lie on the integration and leverage of "ITM Deutschland GmbH" as well as SDN (software-defined networking), NFV (network functions virtualization), security und VoIP solutions. In addition, Kapsch would like to grow further through a continued focus on end-to-end communication solutions for railway operators, a specific solution and service portfolio for distribution grid operators in connection with the legislatively regulated smart meter rollout and additional investments in R&D as well as strategic partnerships in the area of new technologies. With the leading market position in the area of GSM-R and the broad customer base of public network operators, many promising opportunities exist. Developing and expanding new areas of business represents yet another focal segment, and Kapsch has identified major synergies between its competence in the carrier market and rapidly growing demand in the machine-to-machine segment. Developing existing railway competencies towards local public transport seems to be an obvious and promising step. Kapsch will therefore push forward with the new strategic focus of this segment.

In the **segment Enterprise,** Kapsch will also continue to build on its position as an ICT service partner with an increased focus on outsourcing and operating. By focusing on current ICT challenges such as cloud computing & virtualization, mobility & consumerization, collaboration and security, the Kapsch Group enjoys extensive market potential, which will be addressed in a targeted manner via the three portfolio segments. In the new consulting approach, comprehensive ICT strategies are developed and implemented in collaboration with customers to meet their future needs. The know-how of staff and a network of international partners provide the ability to design, implement and operate solutions that meet the demands of customers. Given this focus on services and the expected market consolidation among suppliers, Kapsch sees great opportunities to generate market share in this difficult environment and to strengthen revenue flows in the medium term.

In all segments, Kapsch will continue to implement the strategy of expanding its market position through targeted acquisitions in existing and future areas of business.

Prompt measures to optimize individual companies and enhance synergies will also be taken throughout the entire Kapsch Group.

3.8 Material events after the balance sheet date

No major events occurred after the balance sheet date.

Vienna, 23 June 2014

Georg Kapsch
Managing Director

Kari Kapsch
Managing Director

Franz Semmernegg
Managing Director

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)	**923,309,795**	**928,020,004**
Other operating income	(2)	20,254,199	23,131,477
Changes in finished and unfinished goods and work in progress	(3)	-993,639	4,482,508
Other own work capitalized		141,383	280,792
Cost of materials and other production services	(4)	-461,355,505	-483,741,162
Staff costs	(5)	-291,217,808	-278,522,049
Amortization, depreciation and impairment charge	(6)	-32,228,251	-32,885,689
Other operating expenses	(7)	-132,671,201	-131,772,849
Operating result		**25,238,974**	**28,993,030**
Finance income	(8)	9,024,086	16,646,157
Finance costs	(8)	-26,658,229	-22,824,640
Financial result	(8)	**-17,634,143**	**-6,178,483**
Results from associates and joint ventures	(14)	537,308	647,653
Result before income taxes		**8,142,139**	**23,462,200**
Income taxes	(9)	-2,030,285	-4,806,767
Result for the period		**6,111,854**	**18,655,433**
Profit attributable to:			
Equity holders of the company		1,190,034	7,791,044
Minority interests		4,921,820	10,864,389
		6,111,854	**18,655,433**
Other comprehensive income for the period:			
Items that may be reclassified to the result for the period:			
Currency translation differences		-5,032,167	-3,441,036
Currency translation differences from net investments in foreign operations		-643,594	0
Available-for-sale financial assets		-7,548,148	-10,228,801
Income tax relating to items that will be reclassified to the result for the period		-14,410	313,737
Total items that may be reclassified to the result for the period		**-13,238,319**	**-13,356,100**
Items that will not be reclassified to the result for the period:			
Actuarial gains/losses according to IAS 19		-517,684	-2,260,032
Income tax relating to items that will not be reclassified to the result for the period		79,654	600,923
Total items that will not be reclassified to the result for the period		**-438,030**	**-1,659,109**
Other comprehensive income for the period net of tax	(10)	**-13,676,349**	**-15,015,209**
Total comprehensive income for the period		**-7,564,495**	**3,640,224**
Total comprehensive income attributable to:			
Equity holders of the company		-7,104,074	-998,761
Minority interests		-460,421	4,638,986
		-7,564,495	**3,640,224**

The consolidated financial statements of KAPSCH-Group Beteiligungs GmbH 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)	67,165,076	65,416,760
Intangible assets	(13)	197,429,116	189,345,135
Interests in associates and joint ventures	(14)	3,354,661	3,437,667
Other non-current financial assets and investments	(15)	33,601,838	42,818,231
Other non-current assets	(16)	72,834,493	3,655,293
Deferred tax assets	(23)	49,558,716	47,136,404
		423,943,900	**351,809,490**
Current assets			
Inventories	(17)	113,395,005	118,378,982
Trade receivables and other current assets	(18)	317,711,754	354,708,049
Other current financial assets	(15)	5,528,765	5,677,862
Cash and cash equivalents	(19)	91,933,442	119,536,109
		528,568,967	**598,301,002**
Total assets		**952,512,867**	**950,110,492**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(20)	726,728	726,728
Capital reserve		66,222,590	66,222,590
Retained earnings and other reserves		160,802,533	169,069,115
		227,751,851	**236,018,433**
Minority interests		**89,654,207**	**101,819,456**
Total equity		**317,406,058**	**337,837,890**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	150,752,405	142,776,580
Non-current liabilities from finance lease	(22)	16,650,777	17,178,784
Liabilities from post-employment benefits to employees	(24)	58,701,130	56,394,733
Non-current provisions	(27)	4,104,363	4,056,613
Other non-current liabilities	(25)	6,041,537	6,049,105
Deferred income tax liabilities	(23)	12,749,802	11,399,965
		249,000,014	**237,855,780**
Current liabilities			
Trade payables		107,551,758	120,325,362
Current liabilities from finance lease	(22)	527,858	523,055
Other liabilities and deferred income	(26)	128,521,302	113,555,540
Current tax payables		2,471,638	10,414,087
Current financial liabilities	(21)	97,213,717	72,872,152
Current provisions	(27)	49,820,522	56,726,627
		386,106,795	**374,416,822**
Total liabilities		**635,106,809**	**612,272,602**
Total equity and liabilities		**952,512,867**	**950,110,492**

The consolidated financial statements of KAPSCH-Group Beteiligungs GmbH 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)	**726,728**	**66,222,590**	**43,976,877**	**149,117,367**	**111,830,332**	**371,873,894**
IAS 19 Adjustment			-4,763,314		-1,088,428	-5,851,743
Carrying amount as of 31 March 2012 (adjusted)	**726,728**	**66,222,590**	**39,213,563**	**149,117,367**	**110,741,904**	**366,022,151**
Effects from acquisition and sale of minority interests			-1,063,054		-1,699,341	-2,762,395
Dividends for 2011/12				-17,200,000	-11,862,092	-29,062,092
Result for the period				7,791,044	10,864,389	18,655,433
Other comprehensive income for the period:						
Currency translation differences			-1,693,949		-1,747,088	-3,441,036
Fair value gains/losses on available-for-sale financial assets			-6,010,474		-3,904,589	-9,915,063
Actuarial gains/losses according to IAS 19			-1,085,382		-573,727	-1,659,109
Carrying amount as of 31 March 2013 (adjusted)	**726,728**	**66,222,590**	**29,360,704**	**139,708,411**	**101,819,456**	**337,837,890**
Effects from increase in shares of subsidiaries			-1,162,509		-408,331	-1,570,840
Effects from acquisition and sale of minority interests			0		-2,418,257	-2,418,257
Dividends for 2012/13				0	-8,878,241	-8,878,241
Result for the period				1,190,034	4,921,820	6,111,854
Other comprehensive income for the period:						
Currency translation differences			-3,330,058		-2,184,805	-5,514,863
Fair value gains/losses on available-for-sale financial assets			-4,709,028		-3,014,428	-7,723,455
Actuarial gains/losses according to IAS 19			-255,021		-183,009	-438,030
Carrying amount as of 31 March 2014	**726,728**	**66,222,590**	**19,904,088**	**140,898,444**	**89,654,207**	**317,406,058**

Share capital. The registered share capital of the parent company amounts to EUR 726,728. The share capital is fully paid in.

Capital reserve. Capital reserve include 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, effects from the acquisition and sale of minority interests 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 profit for the fiscal year as well as past earnings of the entities included in consolidation, to the extent that these results have not been distributed as dividends.

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

The effects from the acquisition and sale of minority interests in the fiscal year 2012/13 mainly result from the acquisition of the remaining 32 % shares in Kapsch CarrierCom d.o.o., Zagreb, Croatia from TIS Grupa as of 30 May 2012. The effects from the acquisition and sale of minority interests in the fiscal year 2013/14 mainly result from the acquisition of Transdyn Inc., Duluth, U.S.A., as of 15 January 2014.

The effects from the increase in shares in the fiscal year 2013/14 result from the acquisition of further shares in TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa.

Consolidated cash flow statement.

All amounts in EUR	Note	2013/14	2012/13 (adjusted)
Cash flow from operating activities			
Operating result		25,238,974	28,993,030
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	30,301,304	29,702,090
Impairment charge	(6,13)	1,926,947	3,183,599
Increase/decrease in obligations for post-employment benefits	(24)	-155,194	1,440,433
Increase/decrease in other non-current liabilities and provisions	(25, 27)	-141,614	1,789,897
Increase/decrease in trade receivables (non-current)	(16)	-64,919,991	3,126,137
Increase/decrease in other non-current receivables	(16)	-262,095	2,081,016
Increase/decrease in trade payables (non-current)	(25)	-422,561	-2,309,596
Other (net)		-12,058,463	-5,368,056
		-20,492,693	**62,638,552**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets (excluding deferred financing costs)	(18)	52,078,963	33,000,089
Increase/decrease in inventories	(17)	5,811,330	-18,666,655
Increase/decrease in trade payables and other current payables	(26)	-13,504,632	13,786,658
Increase/decrease in current provisions	(27)	-11,895,619	4,871,651
		32,490,041	**32,991,742**
Cash flow from operations		**11,997,348**	**95,630,294**
Interest received	(8)	2,998,114	2,118,070
Interest payments	(8)	-8,932,068	-12,381,183
Net payments of income taxes		-10,952,815	-12,868,349
Net cash flow from operating activities		**-4,889,420**	**72,498,832**
Balance brought forward		-4,889,420	72,498,832

All amounts in EUR	Note	2013/14	2012/13 (adjusted)
Balance brought forward		-4,889,420	72,498,832
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-19,382,794	-23,917,570
Purchase of intangible assets	(13)	-6,656,081	-9,844,554
Purchase of securities, investments and other non-current financial assets	(15)	-676,058	-149,538
Payments for the acquisition of companies (net of cash acquired) and for asset-deals	(29)	-18,943,187	-4,018,498
Payments for the acquisition of shares in companies consolidated at equity	(14)	0	-1,546,833
Payments for the acquisition of minority shares		-1,570,840	-2,400,000
Proceeds from the disposal of property, plant and equipment and intangible assets		3,269,712	3,260,541
Proceeds from the sale of securities and other financial assets		1,597,495	15,307,900
Proceeds from the sale of shares in companies		0	4,300
Dividends received from associates and joint ventures	(14)	363,709	317,681
Net cash flow from investing activities		**-41,998,044**	**-22,986,571**
Cash flow from financing activities			
Dividends paid		0	-17,200,000
Dividends paid to minority shareholders		-8,878,241	-11,862,092
Increase in other non-current financial liabilities	(21)	33,638,883	60,368,117
Decrease in other non-current financial liabilities	(21)	-7,316,724	-8,628,094
Increase in current financial liabilities	(21)	32,157,539	14,172,592
Decrease in current financial liabilities	(21)	-25,566,334	-71,121,947
Decrease in liabilities from finance lease	(22)	-523,204	-413,899
Net cash flow from financing activities		**23,511,918**	**-34,685,323**
Net increase/decrease in cash and cash equivalents		**-23,375,546**	**14,826,937**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	119,536,109	105,606,578
Net increase/decrease in cash and cash equivalents		-23,375,546	14,826,937
Currency translation differences on cash and cash equivalents		-4,227,120	-897,406
Cash and cash equivalents at end of year	(19)	**91,933,442**	**119,536,109**

Notes to the Consolidated Financial Statements.

General Information.

The Kapsch Group operates mainly in the areas of telecommunications and traffic-control systems and related areas. It holds shares in domestic and foreign companies. The group's main markets include Austria and Europe, as well as in the carrier segment also Asia and North Africa. In the traffic segment Kapsch operates worldwide and serves cusomers on all other continents, especially in North and South America. The parent company is headquartered in Vienna.

The business activities of the Kapsch Group are subdivided into the following four segments:
- Traffic (Intelligent Transportation Systems – ITS solutions)
- Carrier (communication solutions for mobile and fixed network operators and railway operators)
- Enterprise (speech, data and IT solutions for business customers including public authorities)
- Others

The segment "Traffic" relates to the worldwide development, installation and operation of Intelligent Transportation Systems solutions. Furthermore, services for maintenance and operation and components in the area of ITS solutions are provided.

The segment "Carrier" relates to operators of public communications networks and also provides communication solutions for railway operators (GSM-R) in Europe, Asia and North Africa. The range covers the complete area of modern communication networks based on our own products and integrated solutions of partners.

The segment "Enterprise" relates to the system-integration business of corporate IT and communication solutions in CEE.

The segment „Others" relates to all tasks for managing the group as well as to solutions for intelligent energy management.

Development of the Group Structure.

The parent company (reporting entity) of this group is KAPSCH-Group Beteiligungs GmbH, Vienna. Immediate parent company of the reporting entity is DATAX HandelsgmbH, Vienna, which is the sole shareholder of KAPSCH-Group Beteiligungs GmbH, Vienna. DATAX HandelsgmbH, Vienna, is the controlling entity of the reporting entity and the ultimate parent of Kapsch Group.

The group currently holds 61.92 % of shares in Kapsch TrafficCom AG, Vienna. Since 26 June 2007, the free float shares of Kapsch TrafficCom AG, Vienna, have been listed in the Prime Market segment of the Vienna Stock Exchange.

Consolidated Group.

The parent company, KAPSCH-Group Beteiligungs GmbH, is a public limited company 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-Group Beteiligungs GmbH, Vienna
- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Austria Telecommunication International GmbH, Vienna
- FIPOFIX GmbH, Vienna
- ITM Informationstransport und -management Gesellschaft m.b.H., Vienna *)
- Jibesoev GmbH, Vienna
- Kapsch Aktiengesellschaft, Vienna
- Kapsch BusinessCom AG, Vienna
- Kapsch CarrierCom AG, Vienna
- Kapsch Cashpooling and Hedging GmbH, Vienna
- Kapsch Components GmbH & Co KG, Vienna
- Kapsch Components GmbH, Vienna
- Kapsch ConnexPlus GmbH, Vienna
- Kapsch IT Services for finance and industries GmbH, Vienna
- Kapsch Liegenschaft Management GmbH, Vienna *)
- Kapsch Partner Solutions GmbH, Vienna
- Kapsch Smart Energy GmbH, Vienna
- Kapsch Telematic Services GmbH, Vienna
- Kapsch TrafficCom AG, Vienna

Central and Eastern Europe

- Kapsch EOOD, Sofia, Bulgaria
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria
- FUN-AGENT d.o.o., Zagreb, Croatia
- Kapsch CarrierCom d.o.o., Zagreb, Croatia
- Kapsch DOOEL, Skopje, Macedonia
- Kapsch CarrierCom sp. z o.o., Warsaw, Poland
- Kapsch Road Services sp. z o.o., Warsaw, Poland **)
- Kapsch Sp. z o.o., Warsaw, Poland
- Kapsch Telematic Services sp. z o.o., Warsaw, Poland
- Kapsch S.R.L., Bucharest, Romania
- OOO Kapsch CarrierCom Russia, Moscow, Russia
- OOO Kapsch TrafficCom Russia, Moscow, Russia
- Kapsch d.o.o. Beograd, Belgrade, Serbia
- Kapsch s.r.o., Bratislava, Slovakia
- Kapsch BusinessCom d.o.o., Ljubljana, Slovenia
- Kapsch d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch BusinessCom s.r.o., Prague, Czech Republic
- Kapsch CarrierCom s.r.o., Prague, Czech Republic
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch BusinessCom Kft., Budapest, Hungary
- Kapsch CarrierCom Kft., Budapest, Hungary
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch FE, Minsk, Republic of Belarus
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus

Western Europe

- Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark
- Kapsch CarrierCom Deutschland GmbH, Frankfurt on Main, Germany
- Kapsch Carrier Solution GmbH, Neuss, Germany *)
- Kapsch Telematic Services GmbH Deutschland, Berlin, Germany
- Kapsch CarrierCom France SAS, Paris, France
- Kapsch TrafficCom France SAS, Paris, France
- Kapsch CarrierCom UK Ltd., Middlesex, United Kingdom
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy
- Kapsch TrafficCom B.V., Amsterdam, Netherlands
- Kapsch CarrierCom – Unipessoal LDA, Lisbon, Portugal
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch CarrierCom España, S.L.U., Madrid, Spain

Rest of World

- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom do Brasil, Sao Paulo, Brazil
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom Canada Inc., Mississauga, Canada
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia
- Kapsch CarrierCom SARL, Rabat, Morocco
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico
- Kapsch TrafficCom Limited, Auckland, New Zealand
- Kapsch TrafficCom PTE.LTD., Tripleone Somerset, Singapore
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa
- Electronic Toll Collection (PTY) Ltd., Centurion, South Africa
- Kapsch TrafficCom South Africa (Pty) Ltd., Johannesburg, 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
- VTI Industrial Electronics (Proprietary Limited) (South Africa), Germiston, South Africa
- Kapsch CarrierCom Taiwan Co., Ltd., Taipei, Taiwan
- Kapsch TrafficCom Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom Holding II US Corp., McLean, U.S.A.
- Kapsch TrafficCom Inc., Carlsbad, U.S.A.
- Kapsch TrafficCom IVHS Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom IVHS Inc., McLean, U.S.A.
- Kapsch TrafficCom IVHS Technologies Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom U.S. Corp., McLean, U.S.A.
- Transdyn, Inc., Duluth, U.S.A. *)
- Transport Telematic Systems – LLC, Abu Dhabi, United Arab Emirates
- Kapsch CarrierCom Hong Kong Ltd., Hong Kong, People’s Republic of China
- Kapsch (Beijing) Information and Communication Technology Co., Ltd., Beijing, People’s Republic of China

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

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

- In the fiscal year 2013/14 Kapsch CarrierCom Canada Inc., Mississauga, Canada, Foshan Shunde Kapsch CarrierCom Consulting Ltd., Foshan, People’s Republic of China, Kapsch CarrierCom Italia S.R.L., Rome, Italy, TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa, and Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark, were liquidated.
- Focus Net Consulting S.A., Sibiu, Romania, as well as Squario IT Solutions S.A., Bucharest, Romania, were merged into Kapsch S.R.L., Bucharest, Romania, as the receiving company.
- Data Storage s.r.o, Prague, Czech Republic, was merged into Kapsch BusinessCom s.r.o., Prague, Czech Republic, as the receiving company.
- 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:

- Kapsch Financial Services GmbH, Vienna
- 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	149,117	0	149,117
Other reserves	43,977	-4,763	39,214
Minority interests	111,830	-1,088	110,742
Total equity	**371,874**	**-5,852**	**366,022**
Liabilities from post-employment benefits to employees	42,360	7,790	50,150
Deferred income tax liabilities	18,598	-1,938	16,660
Total equity and liabilities	**955,821**	**0**	**955,821**

All amounts in TEUR	31 March 2013		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Consolidated retained earnings	139,507	201	139,708
Other reserves	35,209	-5,849	29,361
Minority interests	103,436	-1,617	101,819
Total equity	**345,102**	**-7,264**	**337,838**
Liabilities from post-employment benefits to employees	46,674	9,721	56,395
Deferred income tax liabilities	13,857	-2,457	11,400
Total equity and liabilities	**950,110**	**0**	**950,110**

All amounts in TEUR	31 March 2014		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Consolidated retained earnings	140,413	485	140,898
Other reserves	26,003	-6,099	19,904
Minority interests	91,373	-1,719	89,654
Total equity	**324,739**	**-7,333**	**317,406**
Liabilities from post-employment benefits to employees	48,955	9,746	58,701
Deferred income tax liabilities	15,163	-2,414	12,750
Total equity and liabilities	**952,513**	**0**	**952,513**

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	-5,104	3,474	-1,630
Staff costs	**-281,996**	**3,474**	**-278,522**
Operating result	**25,519**	**3,474**	**28,993**
Interest expense from liabilities from post-employment benefits to employees	0	-3,145	-3,145
Financial result	**-3,033**	**-3,145**	**-6,178**
Result before income taxes	**23,134**	**329**	**23,462**
Income taxes	-4,725	-82	-4,807
Result for the period	**18,409**	**247**	**18,655**
Profit attributable to:			
Equity holders of the company	7,590	201	7,791
Minority interests	10,819	45	10,864
	18,409	**247**	**18,655**
Actuarial gains/losses of liabilities from post-employment benefits to employees	0	-2,260	-2,260
Taxes on gains/losses recognized directly in equity	0	601	601
Other comprehensive income for the period	**-13,356**	**-1,659**	**-15,015**
Total comprehensive income for the period	**5,053**	**-1,412**	**3,640**
Total comprehensive income attributable to:			
Equity holders of the company	-115	-884	-999
Minority interests	5,167	-528	4,639
	5,053	**-1,412**	**3,640**

All amounts in TEUR	2013/14		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Expenses for termination benefits and pensions	-4,153	2,516	-1,637
Staff costs	**-293,734**	**2,516**	**-291,218**
Operating result	**22,723**	**2,516**	**25,239**
Interest expense from liabilities from post-employment benefits to employees	0	-2,024	-2,024
Financial result	**-15,611**	**-2,024**	**-17,634**
Result before income taxes	**7,649**	**493**	**8,142**
Income taxes	-1,907	-123	-2,030
Result for the period	**5,742**	**370**	**6,112**
Profit attributable to:			
Equity holders of the company	906	284	1,190
Minority interests	4,836	85	4,922
	5,742	**370**	**6,112**
Actuarial gains/losses of liabilities from post-employment benefits to employees	0	-518	-518
Taxes on gains/losses recognized directly in equity	0	80	80
Other comprehensive income for the period	**-13,238**	**-438**	**-13,676**
Total comprehensive income for the period	**-7,496**	**-68**	**-7,564**
Total comprehensive income attributable to:			
Equity holders of the company	-7,138	34	-7,104
Minority interests	-358	-102	-460
	-7,496	**-68**	**-7,564**

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 in a way 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 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 EUR	**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 U.S. subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the management board of the Kapsch TrafficCom AG 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 U.S. 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 %	-2,708	-4,097
PLN	10 %	207	933
SEK	10 %	567	533
USD	10 %	3,085	2,869
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 40 % 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, interest rate swaps and caps exist in the group to minimize interest rate risk of financial liabilities as well as finance lease contracts which are based on a variable interest rate (see note 22).

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 (adjusted)
Other non-current financial assets and investments	33,602	42,818
Other non-current assets	72,834	3,655
Current securities	5,529	5,678
Trade receivables and other current assets	317,712	354,708
Cash and cash equivalents	91,933	119,536
	521,610	**526,396**

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 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 on 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 as well as from acquisition financing on the level of KAPSCH-Group Beteiligungs GmbH 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	150,752	142,777
Current financial liabilities	97,214	72,872
Liabilities from finance lease	17,179	17,702
Total financial liabilities	**265,145**	**233,351**
Cash on hand and at banks	91,933	119,536
Current securities	5,529	5,678
Net assets / Net debt	**-167,683**	**-108,137**
Equity	317,406	337,838
Net gearing	**53 %**	**32 %**

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 if an asset is sold 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 purpose 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, under 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 of Kapsch TrafficCom AG 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 24.

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 notes are presented in euro thousands (TEUR) unless otherwise stated.

1 Segment information.

As of 31 March 2014, the group has four operating segments (see section "General information"):

- ►Traffic (Intelligent Transportation Systems – ITS solutions)
- ►Carrier (communication solutions for mobile and fixed network operators and railway operators)
- ►Enterprise (speech, data and IT solutions for business customers including public authorities)
- ►Others

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):

	Traffic	Carrier	Enterprise	Others	Group
Total segment revenues	487.0	170.2	309.5	16.2	982.9
Inter-segment revenues	-18.3	-2.2	-26.9	-12.2	-59.6
Revenue from external customers	468.7	168.1	282.6	4.0	923.3
Operating result	20.3	0.4	2.5	2.1	25.2

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

	Traffic	Carrier	Enterprise	Others	Group
Total segment revenues	488.9	189.1	297.2	16.4	991.6
Inter-segment revenues	-13.9	-3.8	-33.2	-12.7	-63.5
Revenue from external customers	475.1	185.4	263.9	3.7	928.0
Operating result	16.5	5.3	5.3	1.9	29.0

Transfers and transactions between segments are recorded at the same conditions offered to third parties.

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):

	Traffic	Carrier	Enterprise	Others	Elimination	Group
Assets	565.2	167.3	140.3	274.0	-197.7	949.2
Investments in associates and joint ventures	1.6	0.0	1.8	0.0	0.0	3.4
Total assets	**566.8**	**167.3**	**142.1**	**274.0**	**-197.7**	**952.5**
Total liabilities	**353.7**	**129.3**	**131.1**	**78.6**	**-57.6**	**635.1**
Capital expenditure	15.7	2.1	4.4	3.4	0.4	26.0
Depreciation, amortization and impairment charge	16.6	10.6	6.0	0.4	-1.3	32.2
Other non-cash-effective positions	0.4	0.8	0.9	1.3	0.0	3.4

The segment assets include property, plant and equipment, intangible assets, other non-current financial assets and investments, other non-current assets, deferred tax assets, inventories, trade receivables and other current assets, other current financial assets as well as cash and cash equivalents.

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

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):

	Traffic	Carrier	Enterprise	Others	Elimination	Group
Assets	565.5	172.1	146.9	265.2	-203.1	946.7
Investments in associates and joint ventures	1.7	0.0	1.7	0.0	0.0	3.4
Total assets	**567.2**	**172.1**	**148.7**	**265.2**	**-203.1**	**950.1**
Total liabilities	**330.5**	**132.9**	**138.2**	**73.7**	**-63.1**	**612.3**
Capital expenditure	20.2	2.5	10.6	0.4	0.0	33.8
Depreciation, amortization and impairment charge	17.7	11.0	5.1	0.4	-1.3	32.9
Other non-cash-effective positions	1.0	0.1	0.2	1.3	0.0	2.5

The eliminations result from consolidation effects (mainly from capital consolidation and the consolidation of receivables and payables between the segments).

In the fiscal year 2013/14 as well as in the fiscal year 2012/13 no customer contributed more than 10 % of the group revenue.

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	CEE	Western Europe	Rest of World	Group
Revenues	274.1	343.7	129.9	175.6	923.3
Non-current non-financial assets	159.1	13.5	56.6	38.8	267.9

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

	Austria	CEE	Western Europe	Rest of World	Group
Revenues	271.5	343.6	120.3	192.6	928.0
Non-current non-financial assets	153.7	14.6	62.9	27.1	258.2

Revenues per category

Revenues are classified into the following categories (in EUR million):

	2013/14	2012/13
Sales of goods	408	372
Sales of services	404	357
Sales of maintenance	135	131
Accrued/deferred sales, license sales and discounts on invoiced sales	-24	67
	923	**928**

2 Other operating income.

	2013/14	2012/13
Income from costs recharged	907	826
Income from the sale of non-current assets	87	305
Exchange rate gains on operative activities	7,620	7,960
Sundry operating income	11,640	14,041
	20,254	**23,131**

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	9,681	1,322
Change in finished goods	-10,674	3,161
	-994	**4,483**

4 Cost of materials and other production services.

	2013/14	2012/13
Cost of materials	249,748	246,124
Cost of purchased services	211,608	237,617
	461,356	**483,741**

5 Staff costs.

	2013/14	2012/13 (adjusted)
Wages, salaries and other remunerations	229,021	220,022
Expenses for social security and payroll-related taxes and contributions	55,125	53,134
Expenses for termination benefits (see note 24)	1,104	1,085
Expenses for pensions (see note 24)	533	545
Contributions to pension funds and other external funds (see note 24)	905	850
Fringe benefits	4,530	2,887
	291,218	**278,522**

As of 31 March 2014, the number of staff amounted to 5,484 persons (31 March 2013: 5,266 persons) and averaged 5,406 persons in the fiscal year 2013/14 (2012/13: 4,974).

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

	2013/14	2012/13
Depreciation of property, plant and equipment	14,915	14,334
Amortization of intangible assets	15,386	15,368
Impairment charge (see note 13)	1,927	3,184
	32,228	**32,886**

7 Other operating expenses.

	2013/14	2012/13
Rental expenses	21,064	20,528
Legal and consulting fees	15,102	14,405
Automobile expenses	14,758	14,622
Marketing and advertising expenses	12,966	12,982
Travel expenses	11,824	13,467
Exchange rate losses on operative activities	10,403	11,032
Communication and IT expenses	9,396	9,259
Maintenance	5,462	5,567
License and patent expenses	4,725	4,014
Insurance costs	4,555	4,594
Taxes and charges	3,396	3,876
Allowance and write-off of receivables	3,262	2,415
Office expenses	3,041	3,119
Adjustment of provision for warranties	-2,202	405
Transport costs	2,061	1,704
Training costs	1,856	2,231
Commissions and other fees	1,239	1,814
Restructuring costs	263	0
Losses on disposal of non-current assets	147	132
Other	9,354	5,607
	132,671	**131,773**

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)
Finance income:		
Interest income	2,865	1,956
Income from securities	133	162
Income from interest accretion of non-current receivables	2,696	647
Gains from the disposal of financial assets and investments	478	9,184
Gains from changes of the fair value of derivative financial instruments	269	21
Currency translation gains	2,583	4,676
	9,024	**16,646**
Finance costs:		
Interest expense	-8,932	-12,381
Expense from interest accretion of non-current payables	-852	-501
Losses from changes of the fair value of derivative financial instruments	-1	-321
Expenses from the disposal of investments	-627	-201
Currency translation losses	-14,223	-6,275
Interest expense from liabilities from post-employment benefits to employees	-2,024	-3,145
	-26,658	**-22,825**
	-17,634	**-6,178**

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	-9,191	-15,990
Deferred taxes (see note 23)	7,161	11,183
	-2,030	**-4,807**

For the fiscal year 2013/14, the Austrian corporate income tax rate is at 25 % (2012/13: 25 %).

In March 2005, KAPSCH-Group Beteiligungs GmbH, Vienna, formed a tax group according to Sec. 9 of the Austrian Corporate Income Tax Act. The group taxation regime applies to the respective entities effective from the tax year 2005 (i.e. fiscal year 2004/05). Within the tax group, the taxable incomes of the group members are generally taxed at the level of the tax group leader. Therefore tax losses incurred by a member of the tax group can be set off by taxable earnings of other group members.

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)
Profit before income taxes	8,142	23,462
Arithmetic tax expense based on a tax rate of 25 % (2012/13: 25 %)	-2,036	-5,866
Unrecognized deferred tax assets on current losses	-3,225	-3,303
De-recognition of deferred tax assets recognized on prior-year losses	-1,471	0
Utilization of previously unrecognized tax losses	653	1,941
Different foreign tax rates	2,925	979
Tax allowances claimed and other permanent tax differences	-286	701
Income and expenses not subject to tax and other differences	1,819	1,765
Adjustment in respect to prior year	-410	-1,024
Recognized tax expense	**-2,030**	**-4,807**

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 23.

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	-7,548	-175	-7,723
Actuarial gains/losses according to IAS 19	-518	80	-438
Currency translation differences	-5,032		-5,032
Currency translation differences from net investments in foreign business	-644	161	-483
Fair value changes recognized in equity	**-13,742**	**65**	**-13,676**

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	-7,789	-296	-8,085
Gains/losses recognized in the profit for the period	-2,440	610	-1,830
Actuarial gains/losses according to IAS 19	-2,260	601	-1,659
Currency translation differences	-3,441		-3,441
Fair value changes recognized in equity	**-15,930**	**915**	**-15,015**

11 Additional disclosures on financial instruments by category.

	2013/14	2012/13
Financial assets at fair value through profit or loss		
Other current financial assets	102	93
	102	**93**
Available-for-sale financial assets		
Other non-current financial assets and investments	32,509	40,425
Other current financial assets	4,924	4,505
	37,433	**44,930**
Loans and receivables		
Other non-current assets	73,927	6,049
Other current assets	502	1,080
Trade receivables	226,266	153,052
Cash and cash equivalents	91,933	119,536
	392,629	**279,717**
Financial liabilities at (amortized) cost		
Non-current financial liabilities	150,752	142,777
Liabilities from finance lease	17,179	17,702
Other non-current liabilities	6,042	6,049
Trade payables	107,552	120,325
Current financial liabilities	97,124	72,872
	378,738	**359,725**

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

	2013/14	2012/13 (adjusted)
Financial assets at fair value through profit or loss	3	7
Available-for-sale financial assets	253	9,167
Loans and receivables	8,144	7,278
Financial liabilities at (amortized) cost	-26,034	-22,631
	-17,634	**-6,178**

12 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Construction in progress	Prepayments	Total
Carrying amount as of 31 March 2012	**29,013**	**10,508**	**17,765**	**1,644**	**0**	**58,930**
Currency translation differences	-3	53	-181	7	0	-125
Reclassification	4	496	199	-698	0	1
Addition resulting from company acquisition	0	0	107	0	0	107
Additions	1,625	6,515	11,605	4,173	0	23,918
Disposals	0	-60	-217	-2,804	0	-3,080
Scheduled depreciation	-2,205	-5,196	-6,933	0	0	-14,334
Carrying amount as of 31 March 2013	**28,433**	**12,316**	**22,345**	**2,323**	**0**	**65,417**
Acquisition/production cost	41,401	53,762	72,656	2,323	0	170,143
Accumulated depreciation	-12,968	-41,447	-50,311	0	0	-104,726
Carrying amount as of 31 March 2013	**28,433**	**12,316**	**22,345**	**2,323**	**0**	**65,417**
Currency translation differences	-36	-754	-713	-155	0	-1,658
Reclassification	0	999	72	-1,071	0	0
Addition resulting from company acquisition	1,585	1	181	0	0	1,766
Additions	1,387	4,527	7,371	6,027	71	19,383
Disposals	-16	-42	-406	-2,365	0	-2,828
Scheduled depreciation	-2,292	-4,917	-7,705	0	0	-14,915
Carrying amount as of 31 March 2014	**29,062**	**12,130**	**21,143**	**4,760**	**71**	**67,165**
Acquisition/production cost	44,188	55,233	65,705	4,760	71	169,957
Accumulated depreciation	-15,126	-43,103	-44,562	0	0	-102,792
Carrying amount as of 31 March 2014	**29,062**	**12,130**	**21,143**	**4,760**	**71**	**67,165**

The carrying amount of capitalized leases (land and buildings) as of 31 March 2014 amounts to TEUR 16,701 (31 March 2013: TEUR 17,161). With regard to the additions resulting from company acquisition, see note 29.

13 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayments	Total
Carrying amount as of 31 March 2012	**63**	**46,583**	**144,681**	**0**	**0**	**191,327**
Currency translation differences	0	-5	601	0	0	596
Reclassification	0	-1	0	0	0	-1
Addition resulting from company acquisition	0	5,049	1,384	0	0	6,433
Additions	0	5,801	483	0	3,264	9,548
Disposals	0	-7	0	0	0	-7
Impairment charge	0	0	-3,184	0	0	-3,184
Scheduled amortization	-60	-15,308	0	0	0	-15,368
Carrying amount as of 31 March 2013	**3**	**42,113**	**143,966**	**0**	**3,264**	**189,345**
Acquisition/production cost	9,199	108,084	147,110	0	3,264	267,657
Accumulated amortization	-9,196	-65,971	-3,144	0	0	-78,312
Carrying amount as of 31 March 2013	**3**	**42,113**	**143,966**	**0**	**3,264**	**189,345**
Currency translation differences	0	-133	-870	-1	0	-1,003
Addition resulting from company acquisition	0	16,046	4,200	0	0	20,246
Additions	0	2,542	443	1,158	2,514	6,656
Disposals	0	-78	0	-424	0	-501
Impairment charge	0	0	-1,927	0	0	-1,927
Scheduled amortization	-3	-15,384	0	0	0	-15,386
Carrying amount as of 31 March 2014	**0**	**45,106**	**145,812**	**734**	**5,778**	**197,429**
Acquisition/production cost	8,586	125,160	150,662	734	5,778	290,920
Accumulated amortization	-8,586	-80,054	-4,850	0	0	-93,491
Carrying amount as of 31 March 2014	**0**	**45,106**	**145,812**	**734**	**5,778**	**197,429**

The impairment charge in the fiscal year 2013/14 relates to an impairment of goodwill in the Carrier segment for the CGU Railways (2012/13: CGU Public Operators in the Carrier segment).

The addition to the goodwill in the fiscal year 2013/14, amounting to TEUR 443, 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 of the segment **"Traffic"** was allocated to two cash-generating units (CGU) (**"Road Solution Projects"** as well as **"Services, System Extensions, Components Sales"**). In the segment **"Carrier"** the allocation of goodwill result to two cash-generating units (CGU) (**"Railways"** as well as **"Public Operators"**). The cash-generating unit (CGU) **"Enterprise"** is consistent with the segment.

The following assumptions were made pursuant to IAS 36 paragraph 134:

	The carrying amount of goodwill allocated to the CGU	
	2013/14	2012/13 (adjusted)
Traffic		
Road Solutions Projects	52,804	50,228
Services, System Extensions, Components Sales	41,511	41,068
	94,315	**91,296**
Carrier		
Railways	9,407	11,336
Public Operators	24,460	24,464
	33,866	**35,800**
Enterprise	17,631	16,869
Total	**145,812**	**143,966**

The carrying amount of intangible assets with indefinite useful lives allocated to cash-generating units is respectively zero. In the fiscal year 2013/14 intangible assets which are not yet ready for use are assigned to the cash-generating unit „Services, System Extensions, Components Sales“ amounting to TEUR 6,512 (2012/13: TEUR 3,264). The value in use was taken for the determination of recoverable amount for cash-generating units.

Cash-generating unit “Road Solution Projects”

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that after the successful implementation of road toll collection systems and Intelligent Transportation Systems (ITS), in particular in Austria, the Czech Republic, Switzerland, Australia, South America, South Africa, Poland, the Republic of Belarus and North America, demand for toll collection systems and Intelligent Transportation Systems will further increase.
- The planning for the CGU “Road Solution Projects” is based on existing projects on road toll collection systems, road safety and traffic monitoring systems in the Republic of Belarus, America, France, Australia, South Africa, the Czech Republic and Poland as well as the fact that tenders in several countries are already in the pipeline or in progress.
- 4 years of detailed planning
- 11.3 % (2012/13: 11.6 %) discount rate before tax
- Due to 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 21.1 % (2012/13: 16.0 %).

Cash-generating unit „Services, System Extensions, Components Sales”

Key assumptions for determining expected cash flows of the CGU:

- The Management has based its determination on the assumption that the group will remain the preferred supplier for operation, maintenance and supply of components for toll collection and ITS projects installed in previous years and has based its determination on the assumption that Kapsch will perform the technical maintenance and commercial operation after implementation of toll collection and Intelligent Transportation Systems respectively expansions of these systems and the supply with specific components are included here as well.

- The planning for the CGU “Services, System Extensions, Components Sales” is based on ongoing maintenance for existing toll collection and ITS-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 and ITS-systems of Kapsch 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:

- 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 46.3 % (2012/13: 65.6 %).

Cash-generating unit “Railways”

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that stabilization and further expansion of the market leadership in the GSM-R area is in the foreground. In the past fiscal year the position as a sound partner to existing costumers was consolidated as well as new customer relationships could be established. Important projects in the Czech Republic, Slovenia, Great Britain, Algeria, Saudi Arabia, Turkey, Slovakia as well as France and Germany have been acquired and realized respectively are in the implementation phase. In the coming years, the focus will be on the markets Central- and Eastern Europe as well as North Africa, South America as well as the Arabic and the Asian area. Furthermore the existing Kapsch GSM-R networks is expected to further expansion in many Western European countries.
- 4 years of detailed planning
- 11.1 % (2012/13: 12.8 %) discount rate before tax
- The cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 2.0 % (2012/13: 1.5 %) 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 which the value in use corresponds to the carrying amount is 18.7 % (2012/13: 27.2 %).

Cash-generating unit “Public Operators”

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that in the public operators sector a slight decline in global business is being expected. The focus, however, will not only be on the maintenance of existing networks, but on new solutions and on innovations of Professional Services, which offer significant value-added to existing customers. In addition to the core markets in Austria, France, Taiwan and Russia, management continues to focus on the entities in Germany, Belgium, Slovenia, Croatia, Serbia, Macedonia, Bulgaria and the Republic of Belarus.
- 4 years of detailed planning

- 10.2 % (2012/13: 12.8 %) discount rate before tax
- The cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 2.0 % (2012/13: 1.5 %) 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 which the value in use corresponds to the carrying amount is 10.3 % (2012/13: 12.8 %).

Cash-generating unit “Enterprise”

Key assumptions for determining expected cash flows of the CGU:

- In the segment “Enterprise”, it is assumed that the company will be able to increase business with existing customers and expand in the segments ICT Facility, ICT Infrastructure and ICT Workspace and Applications. In Austria, the strong market position in ICT Infrastructure was extended, and management assumes to strengthen this position further.
- Based on its more clearly defined IT strategy, Kapsch’s positioning as an attractive and reliable service partner for ICT solutions. Continuing improvements in the past years are taking effect – Kapsch BusinessCom is beginning to utilize the newly created sales potential in this area. Management assumes that sales in the IT segment will grow further. Target customers are small and medium-sized companies with 50 to 500 users, some of which already belong to the customer base of the “Enterprise” segment. For management, outsourcing and out tasking are potential growth areas.
- The solutions offered cover all areas of voice and data transmission as well as parts of infrastructure of companies, starting with basic telecommunication, wireless and mobile business solutions and voice over IP including IT solutions, network security, network management, integration of the Internet, call center solutions, communication consulting, IP-TV, video solutions, managed services and much more.
- Ongoing cost optimizations result in improvements in efficiency but also in under proportional increases in cost (especially staff costs) compared to revenue increases.
- 4 years of detailed planning
- 13.1 % (2012/13: 10.9 %) discount rate before tax
- The cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 2.0 % (2012/13: 1.5 %) 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 which the value in use corresponds to the carrying amount is 15.0 % (2012/13: 17.6 %).

Capitalized development costs

Development costs relate to expenses, which in accordance with IAS 38 are capitalized and amortized over three 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 95.5 million (2012/13: EUR 96.6 million). In the fiscal year 2013/14, EUR 40.2 million thereof (2012/13: EUR 39.3 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 55.3 million (2012/13: EUR 57.3 million) was recognized as an expense.

14 Interests in associates and joint ventures.

	2013/14	2012/13
Carrying amount as of 31 March of prior year	**3,438**	**1,955**
Addition from foundation and acquisition	0	1,547
Disposal through sale of shares and dividend payments	-364	-704
Proportionate profit (after tax)	537	648
Currency translation differences	-257	-8
Carrying amount as of 31 March of fiscal year	**3,355**	**3,438**
thereof shares in associates	3,355	3,438
thereof interests in joint ventures	0	0

Shares in **associated companies:**

The group holds a 26 % interest in Kapsch Financial Services GmbH, Vienna. As of 30 September 2013 (last balance sheet date), total assets amounted to TEUR 36,092 (30 September 2012: TEUR 37,901), liabilities amounted to TEUR 32,715 (30 September 2012: TEUR 34,704), revenue amounted to TEUR 43,391 (30 September 2012: TEUR 42,123), and the profit for the year amounted to TEUR 1,399 (30 September 2012: TEUR 1,222).

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 to 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	33,602	42,818
Other current financial assets	5,529	5,678
	39,131	**48,496**

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	**7.461**	**41.328**	**6.629**	**55.418**
Currency translation differences	0	0	202	202
Additions	149	0	47	197
Disposals	-20	0	-4,485	-4,505
Change in fair value	480	-8,974	0	-8,494
Carrying amount as of 31 March 2013	**8,070**	**32,355**	**2,394**	**42,818**
Currency translation differences	0	0	-138	-138
Addition resulting from company acquisition	6	0	0	6
Additions	667	0	1,126	1,792
Disposals	-621	0	-2,289	-2,910
Change in fair value	282	-8,249	0	-7,967
Carrying amount as of 31 March 2014	**8,404**	**24,105**	**1,093**	**33,602**

Other current financial assets	**Available-for sale securities**	**Other current financial assets**	**Total**
Carrying amount as of 31 March 2012	**8.213**	**2.486**	**10.699**
Disposals	-4,413	-1,247	-5,660
Change in fair value	705	-67	639
Carrying amount as of 31 March 2013	**4,505**	**1,173**	**5,678**
Additions	0	2	2
Disposals	0	-578	-578
Change in fair value	419	7	426
Carrying amount as of 31 March 2014	**4,924**	**605**	**5,529**

As of 31 March 2014, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. The other 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.

Other securities held for trading mainly relate to a listed money market fund.

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 is 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	7,654	749	0	8,404
Available-for-sale investments	23,753	0	0	23,753
	31,408	**749**	**0**	**32,157**
Current financial assets				
Available-for-sale securities	4,924	0	0	4,924
Shares (Kapsch TrafficCom) – Held for Trading	102	0	0	102
	5,027	**0**	**0**	**5,027**
Total	**36,435**	**749**	**0**	**37,184**

In the fiscal year 2013/14, other non-current financial assets amounting to TEUR 1,947 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	7,317	753	0	8,070
Available-for-sale investments	32,003	0	0	32,003
	39,320	**753**	**0**	**40,073**
Current financial assets				
Available-for-sale securities	4,505	0	0	4,505
Shares (Kapsch TrafficCom) – Held for Trading	93	0	0	93
	4,598	**0**	**0**	**4,598**
Total	**43,918**	**753**	**0**	**44,671**

In the fiscal year 2012/13, other non-current financial assets amounting to TEUR 3,825 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	1,726	2,715
	72,834	**3,655**

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 previous year, they fall due between 1 and 5 years as of the balance sheet date.

Sundry other non-current assets mainly relate to interest receivable from a stock option (2013/14: TEUR 728, 2012/13: TEUR 476), as an insurance cover for pension commitments (2013/14: TEUR 523, 2012/13: TEUR 585) as well as in the previous fiscal year a deposit (2013/14: TEUR 0, 2012/13: TEUR 1,325).

Non-current receivables were discounted on the basis of cash flows using an interest rate of 3.08 – 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	53,766	1,457
Between 2 and 3 years	23,320	209
More than 3 years	3,157	2,220
	80,243	**3,887**

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	40,943	46,296
Unfinished goods and work in progress, at production cost	54,283	44,602
Finished goods, at production cost	14,914	25,589
Prepayments on inventory	3,254	1,892
	113,395	**118,379**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 21,235 (2012/13: TEUR 17,068). In the reporting period TEUR 4,167 were recognized in the statement of comprehensive income (2012/13: TEUR 1,910).

18 Trade receivables and other current assets.

	2013/14	2012/13
Trade receivables	232,270	157,022
Allowance for bad debts	-6,004	-3,969
Trade receivables – net	226,266	153,052
Amounts due from customers for contract work	23,165	96,709
Amounts due from customers for service and maintenance contracts	8,201	31,296
Receivables from tax authorities (other than income tax)	19,429	21,438
Other receivables and prepaid expenses	40,650	52,213
	317,712	**354,708**

Allowances for bad debts developed as follows:

	2013/14	2012/13
Balance as of 31 March of the prior year	**3,969**	**4,505**
Addition	2,702	1,711
Utilization	-327	-1,905
Disposal	-305	-310
Currency translation differences	-35	-32
Balance as of 31 March of the fiscal year	**6,004**	**3,969**

Maturity structure of trade receivables and other current assets:

	2013/14	2012/13 (adjusted)
Not yet due	218,241	243,951
Overdue, but not impaired:		
Less than 60 days	24,405	25,870
More than 60 days	20,990	15,205
	263,637	**285,026**

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 BelToll.

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 relate to the segment “Traffic” and detail 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 in the previous year extensions to the toll collection system in Poland amounting to TEUR 11,136.

Revenues from construction contracts amount to TEUR 136,949 in 2013/14 (2012/13: TEUR 92,702).

19 Cash and cash equivalents.

	2013/14	2012/13
Cash on hand	138	172
Deposits held with banks	91,795	119,364
	91,933	**119,536**

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	**727**	**727**

The registered share capital of the company amounts to EUR 726,728. The share capital is fully paid in.

21 Current and non-current financial liabilities.

	2013/14	2012/13
Current		
Loans for acquisitions	3,125	2,750
Loans for project financing	20,753	5,833
Jouissance right	0	7,000
Other current loans	73,335	57,289
	97,214	**72,872**
Non-current		
Loans for acquisitions	5,425	6,150
Loans for project financing	58,475	49,167
Capital expenditure loan	5,850	11,680
Corporate bond	74,301	74,125
Other non-current loans	6,702	1,655
	150,752	**142,777**
Total	**247,966**	**215,649**

In November 2010, Kapsch TrafficCom AG, Vienna, issued a corporate bond with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25 %. The effective interest rate is 4.54 %.

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

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

	2013/14	2012/13
Carrying amount	**247,966**	**215,649**
Fair value	**249,700**	**219,093**
Gross cash flow		
Up to 1 year	102,403	77,748
Between 1 and 3 years	55,103	43,694
Between 3 and 5 years	100,047	110,154
More than 5 years	7,108	0
	264,660	**231,597**

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	170,837	0	170,837
Total	**78,863**	**170,837**	**0**	**249,700**

	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	139,030	0	139,030
Total	**80,063**	**139,030**	**0**	**219,093**

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	144,867	149,924
Carrying variable interest rates	103,100	65,725
	247,966	**215,649**
Average interest rates:		
Current loans	0.80 – 5.97 %	1.10 – 7.39 %
Loans for acquisitions	2.00 – 2.88 %	2.00 – 2.88 %
Loans for project financing	2.29 – 5.46 %	1.37 – 5.23 %
Jouissance right	7.80 %	6.90 – 7.80 %
Capital expenditure loan	2.96 %	2.88 %
Corporate bond	4.54 %	4.54 %
Other	1.70 – 3.10 %	2.00 – 3.10 %

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.

Liabilities to banks in the amount of TEUR 21,000 (2012/13: TEUR 23,000) are pledged with shares in Kapsch Financial Services GmbH, Vienna.

The capital expenditure loan of KAPSCH-Group Beteiligungs GmbH, Vienna, with a total liability of TEUR 11,680 as of 31 March 2014 (2012/13: TEUR 17,510) is secured by collateral pledges of shares held in Kapsch TrafficCom AG, Vienna. The maximum amount of pledge is limited to TEUR 40,000.

A bill of exchange amounting to TEUR 1,425 (2012/13: TEUR 1,425) was issued for an export promotion credit.

22 Liabilities from finance lease.

Finance lease mainly concerns two lease contracts for buildings entered into by Kapsch BusinessCom AG, Vienna. The duration of the contracts are 18 and 20 years and include a purchase option to buy the buildings at their carrying amount at the end of the lease period. For the calculation of the present value, an interest rate of 3.96 % was applied.

	2013/14	2012/13
Up to 1 year	693	690
Between 1 and 5 years	2,773	2,761
More than 5 years	14,724	15,409
Minimum lease payments (purchase option included)	**18,190**	**18,860**
Accrued interest	-1,012	-1,158
Present value of the lease liabilities	**17,179**	**17,702**
Thereof disclosure as non-current liabilities	16,651	17,179
Thereof disclosure as current liabilities	528	523
	17,179	**17,702**

The fair values approximate the carrying amounts.

The maturity of finance lease liabilities is as follows:

	2013/14	2012/13
Up to 1 year	528	523
Between 1 and 5 years	2,111	2,092
More than 5 years	14,539	15,087
	17,179	**17,702**

Finance lease liabilities are collateralized in the way that in case of delayed payments the ownership of the leased property is transferred back to the lessor.

23 Deferred tax assets/liabilities.

	2013/14	2012/13 (adjusted)
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	39,705	35,003
Deferred tax assets to be recovered within 12 months	9,853	12,133
	49,559	**47,136**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	6,941	2,788
Deferred tax liabilities to be recovered within 12 months	5,809	8,611
	12,750	**11,400**
Deferred tax assets (+)/deferred tax liabilities net (-)	**36,809**	**35,736**

Deferred taxes due to tax loss carry-forwards and other temporary differences deductible in the future are recognized only to the extent of their potential realization. In these consolidated financial statements, tax loss carry-forwards in the amount of EUR 32.1 million (2012/13: EUR 26.8 million) 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 on the one hand from Austrian companies which do not expire and on the other hand 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 resulting from company acquisition	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2013 (adjusted)
Deferred tax assets						
Tax loss carry-forwards	36,397	0	-7,750	0	-177	28,470
Provisions disallowed for tax purposes	12,589	0	162	601	-79	13,273
Depreciation disallowed for tax purposes	1,619	0	344	0	3	1,966
Other	9,476	0	900	314	-22	10,668
	60,081	**0**	**-6,343**	**915**	**-276**	**54,377**
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	8,800	674	-2,231	0	0	7,244
Other	2,846	0	1,145	0	-6	3,986
	35,581	**674**	**-17,526**	**0**	**-89**	**18,641**
Total change	**24,500**	**-674**	**11,183**	**915**	**-186**	**35,736**

	31 March 2013 (adjusted)	Additions resulting from company acquisition	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2014
Deferred tax assets						
Tax loss carry-forwards	28,470	0	742	0	-635	28,578
Provisions disallowed for tax purposes	13,273	0	-1,713	80	-83	11,556
Depreciation disallowed for tax purposes	1,966	0	-316	0	-16	1,634
Construction contracts	0	0	804	0	0	804
Other	10,668	0	-3,179	-14	-281	7,193
	54,377	**0**	**-3,662**	**65**	**-1,015**	**49,765**
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	7,244	5,267	-3,002	0	0	9,509
Other	3,986	0	-1,076	0	-35	2,875
	18,641	**5,267**	**-10,823**	**0**	**-128**	**12,956**
Total change	**35,736**	**-5,267**	**7,161**	**65**	**-887**	**36,809**

24 Liabilities from post-employment benefits to employees.

Amounts recognized in the balance sheet:

	2013/14	2012/13 (adjusted)
Termination benefits	34,524	34,955
Pension benefits	24,177	21,440
	58,701	**56,395**

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 and active employees. All pension agreements are based on the final salary, are granted as fixed monthly pension payments and are partially 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 % for retirees and 3.75 % for active employees (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 balance sheet and the statement of comprehensive income 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	**34,955**	**33,040**
Addition resulting from company acquisition	25	0
Current service cost	1,104	1,085
Interest expense	1,359	1,740
Remeasurements (actuarial gains/losses)	0	53
Payments	-2,901	-963
Currency translation differences	-18	0
Carrying amount as of 31 March of fiscal year	**34,524**	**34,955**
Total, included in staff costs (note 5)	1,104	1,085
Total, included in financial result (note 8)	1,359	1,740

Actuarial gains/losses are attributable to the following positions:

	2013/14	2012/13 (adjusted)
Actuarial gain/loss from changes in demographic assumptions	33	-328
Actuarial gain/loss from changes in financial assumptions	408	1.004
Actuarial gain/loss from other changes (experience adjustments)	-441	-622
Total	**0**	**53**

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.	1,476	-1,379
Expected annual interest expenses (IC)	± 0,5 % pt.	-122	111
Expected annual service costs (CSC)	± 0,5 % pt.	44	-40
Impact of changes in **salary increases**			
Defined benefit obligation (DBO)	± 0,5 % pt.	-1,329	1,409
Expected annual interest expenses (IC)	± 0,5 % pt.	-48	51
Expected annual service costs ((CSC)	± 0,5 % pt.	-43	46
Impact of changes in **fluctuation**			
Defined benefit obligation (DBO)	± 5 %	53	-52
Expected annual interest expenses (IC)	± 5 %	2	-2
Expected annual service costs (CSC)	± 5 %	2	-2

The amounts recognized in the balance sheet for **retirement benefits** are determined as follows:

	2013/14	2012/13 (adjusted)
Present value of funded obligations	5,429	4,984
Fair value of plan asset	-1,279	-1,076
Deficit of funded plans	**4,150**	**3,908**
Present value of unfunded obligations	20,027	17,532
Liability in the balance sheet	**24,177**	**21,440**

Change in defined benefit obligation:

	2013/14	2012/13 (adjusted)
Carrying amount as of 31 March of prior year	**22,516**	**19,227**
Addition resulting from reclassification (from other personnel liabilities)	2,361	0
Addition resulting from company acquisition	59	0
Current service costs	533	545
Interest expense	665	1,405
Actuarial gains/losses	517	2,207
Payments	-930	-908
Currency translation differences	-265	40
Carrying amount as of 31 March of fiscal year	**25,456**	**22,516**

Change in fair value of plan assets:

	2013/14	2012/13
Carrying amount as of 31 March of prior year	**1,076**	**883**
Actuarial adjustments	-5	14
Expected return on plan assets	65	40
Employer contribution	143	15
Benefits paid	0	123
Carrying amount as of 31 March of fiscal year	**1,279**	**1,076**

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

	2013/14	2012/13 (adjusted)
Total, included in staff costs (note 5)	533	545
Total, included in the financial result (note 8)	665	1,405

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	440	2,019
Actuarial gain/loss from other changes (experience adjustments)	91	203
Total	**513**	**2,222**

Plan assets are comprised as follows:

	2013/14	2012/13
Equity instruments	28 %	28 %
Debt instruments	66 %	66 %
Property	0 %	0 %
Other	6 %	6 %
	100 %	**100 %**

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.	1,567	-1,394
Expected annual interest expenses (IC)	± 0,5 % pt.	-52	44
Expected annual service costs (CSC)	± 0,5 % pt.	46	-39
Impact of changes in **salary/pension increases**			
Defined benefit obligation (DBO)	± 0,5 % pt.	-886	962
Expected annual interest expenses (IC)	± 0,5 % pt.	776	829
Expected annual service costs (CSC)	± 0,5 % pt.	738	741

25 Other non-current liabilities.

	2013/14	2012/13
Truck toll collection system Czech Republic	1,207	778
Liabilities resulting from earn-out clauses	1,222	2,848
Other	3,612	2,424
	6,042	**6,049**

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. as well as liabilities from derivative financial instruments.

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

	2013/14	2012/13
Up to 2 years	2,670	3,057
Between 2 and 3 years	1,968	1,484
More than 3 years	1,991	2,338
	6,629	**6,879**

26 Other liabilities and deferred income.

	2013/14	2012/13
Amounts due to customers for contract work	14,756	12,333
Prepayments received	9,399	5,933
Non-current employee liabilities	39,602	41,216
Liabilities to tax authorities (other than income tax)	23,149	14,833
Other liabilities and deferred income	41,616	39,239
	128,521	**113,556**

Amounts due to customers for contract work relate to the segment “Traffic” and 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), especially in the course of the business activities of Transdyn, Inc., Duluth, U.S.A.

27 Provisions.

	2013/14	2012/13
Non-current provisions	4,104	4,057
Current provisions	49,821	56,727
	53,925	**60,783**

The provisions changed as follows:

	31 March 2012	Additions from the acquisition of companies	Addition	Utilization	Disposal	Re-classifi-cation	Currency translation differences	31 March 2013
Obligations from anniversary bonuses	3,307	0	843	0	-346	0	-1	3,803
Other	260	0	103	-58	-57	0	5	254
Non-current provisions, total	**3,568**	**0**	**946**	**-58**	**-403**	**0**	**4**	**4,057**
Warranties	9,003	0	2,381	-573	-1,592	0	67	9,286
Losses from pending transactions and rework	17,968	0	8,303	-3,693	0	0	-100	22,479
Legal fees, costs of litigation and contract risks	11,721	0	6,046	-3,433	-1,787	0	-5	12,543
Other	13,162	0	12,260	-10,361	-2,681	0	39	12,419
Current provisions, total	**51,855**	**0**	**28,990**	**-18,060**	**-6,059**	**0**	**0**	**56,727**
Total	**55,423**	**0**	**29,936**	**-18,118**	**-6,462**	**0**	**5**	**60,783**

	31 March 2013	Additions from the acquisition of companies	Addition	Utilization	Disposal	Re-classifi-cation	Currency translation differences	31 March 2014
Obligations from anniversary bonuses	3,803	0	613	-11	-517	0	-4	3,884
Other	254	0	251	-5	-25	-173	-81	221
Non-current provisions, total	**4,057**	**0**	**864**	**-16**	**-542**	**-173**	**-85**	**4,104**
Warranties	9,286	134	2,050	-1,273	-2,048	173	-139	8,184
Losses from pending transactions and rework	22,479	0	64	-2,747	-1,157	0	13	18,651
Legal fees, costs of litigation and contract risks	12,543	991	4,467	-2,409	-6,117	5	10	9,489
Other	12,419	91	17,982	-14,607	-1,899	-5	-486	13,496
Current provisions, total	**56,727**	**1,216**	**24,563**	**-21,036**	**-11,220**	**173**	**-602**	**49,821**
Total	**60,783**	**1,216**	**25,427**	**-21,052**	**-11,762**	**0**	**-687**	**53,925**

The provision for anniversary bonuses relates to non-current entitlements by employees based on Collective Agreement. The valuation was based on an interest rate of 3.60 % (2012/13: 3.75 %), the earliest possible statutory retirement age including transitional provisions and using the mortality tables AVÖ 2008-P (2012/13: AVÖ 2008-P) by Pagler & Pagler; increases in salary were considered at 3.0 % (2012/13: 2.0 %). In the position “Addition” interest effects amounting to TEUR 134 (2012/13: TEUR 155) 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, credits receivable and project costs, discounts granted to customers and legal and consulting fees.

28 Contingent liabilities, other commitments and operating lease commitments.

The group's contingent liabilities primarily result from large-scale projects in the segment "Traffic". Other commitments mainly relate to contract and warranty bonds, financial retentions, bank guarantees, performance and bid bonds, sureties and acceptance of guarantees for subsidiaries vis-à-vis third parties.

Details of contingent liabilities and other commitments are as follows:

	2013/14	2012/13 (adjusted)
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
GSM-R project Spain	30,000	0
GSM-R project Germany	16,500	16,500
Truck toll collection system Austria	8,500	8,500
Toll collection system Poland	7,115	9,194
City Highway Sydney and Melbourne	6,439	2,775
Truck toll collection system Czech Republic	1,448	2,494
Toll collection system Portugal	573	1,820
Tender Slovenia	0	2,000
Other	11,843	8,122
	223,863	**170,832**
Bank guarantees	9,675	13,203
Sureties	1,883	1,569
Acceptance of guarantees for subsidiaries vis-à-vis third parties	22,141	23,493
	33,698	**38,265**
	257,562	**209,096**

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, as well as assets of Kapsch CarrierCom France SAS, Paris, France, amounting to TEUR 502 (2012/13: TEUR 2,373) were pledged in favor of a French bank in order to secure contingent liabilities.

Financial obligation 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	16,347	15,493
Between 1 and 5 years	38,035	36,570
Over 5 years	25,109	23,351
	79,491	**75,413**

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	15,677	10,362
Motor vehicle leases	5,187	3,654
IT leases	4,327	3,712
Other	931	1,104
	26,122	**18,832**

29 Business combinations.

Kapsch Liegenschaftsmanagement GmbH, Vienna (former: VB Real Estate Leasing drei GmbH, Vienna)
On 30 April 2013, the group acquired all shares in VB Real Leasing drei GmbH, Vienna, which was then renamed to Kapsch Liegenschaftsmanagement GmbH, Vienna. The purchase price was TEUR 317. The company was sole owner of a landed property which was used until the acquisition date by the group under a lease contract.

Consideration paid	317
Less fair value of net assets acquired	197
Goodwill	**119**
Less minority interests	6
Goodwill (attributable to equity holders)	**113**

Assets and liabilities resulting from the acquisition are shown as follows:

	Fair value	Carrying amount of the seller
Property, plant and equipment	1,569	1,569
Receivables and other assets	4	4
Cash and cash equivalents	234	234
Provisions	-3	-3
Liabilities, other liabilities and deferred income	-1,607	-2,618
Net assets acquired	**197**	**-814**

The acquired company contributed revenue of TEUR 0 and a net income of TEUR 14 to the group's result for the period from 30 April 2013 to 31 March 2014. If the acquisition had occurred on 1 April 2013, there would not have been a significant change in revenue or profit of the group.

ITM Informationstransport und -management Gesellschaft m.b.H., Vienna

Effective 30 September 2013, the group acquired all shares in ITM Informationstransport und -management Gesellschaft m.b.H., Vienna, through its subsidiary Kapsch CarrierCom AG, Vienna. The purchase price was TEUR 3,200.

Consideration paid	3,200
Less fair value of net assets acquired	2,517
Goodwill	**683**
Less minority interests	35
Goodwill (attributable to equity holders)	**648**

Assets and liabilities resulting from the acquisition are shown as follows:

	Fair value	**Carrying amount of the seller**
Property, plant and equipment	8	8
Intangible assets	2,100	0
Securities	6	6
Inventories	215	215
Receivables and other assets	588	588
Cash and cash equivalents	571	571
Deferred tax liabilities	-525	0
Provisions, liabilities and deferred income	-447	-447
Net assets acquired	**2,517**	**942**

The acquired company contributed revenue of TEUR 492 and a net income of TEUR -638 to the group's result for the period from 30 September 2013 to 31 March 2014. If the acquisition had occurred on 1 April 2013, there would not have been a significant change in revenue or profit of the group.

Kapsch Carrier Solutions GmbH, Neuss, Germany
(former: ITM Gesellschaft für Informationstransport und -management GmbH)

Effective 30 September 2013, the group acquired all shares in ITM Gesellschaft für Informationstransport und -management GmbH, Neuss, Germany, which was then renamed to Kapsch Carrier Solutions GmbH, Neuss, Germany. The purchase price was TEUR 4,800.

Consideration paid	4,800
Less fair value of net assets acquired	4,800
Goodwill	**0**

Assets and liabilities resulting from the acquisition are shown as follows:

	Fair value	Carrying amount of the seller
Property, plant and equipment	79	79
Intangible assets	4,979	0
Inventories	599	599
Receivables and other assets	2,794	2,794
Cash and cash equivalents	526	526
Deferred tax liabilities	-1,245	0
Liabilities, other liabilities and deferred income	-2,933	-2,933
Net assets acquired	**4,800**	**1,066**

The acquired company contributed revenue of TEUR 6,022 and a net income of TEUR -219 to the group's result for the period from 30 September 2013 to 31 March 2014. If the acquisition had occurred on 1 April 2013, there would not have been a significant change in revenue or profit of the group.

Transdyn, Inc., Duluth, U.S.A.

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**
Less minority interests	2,114
Goodwill (attributable to equity holders)	**3,439**

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.

30 Related parties.

The following transactions were performed with related parties:

Kapsch Immobilien GmbH, Vienna
The managing directors of Kapsch Immobilien GmbH are also members of the supervisory board of several subsidiaries. In addition, one managing director is also managing director of KAPSCH-Group Beteiligungs GmbH and member of the executive board of two subsidiaries.

The subsidiaries Kapsch BusinessCom AG, Kapsch TrafficCom AG, Kapsch Aktiengesellschaft and Kapsch Partner Solutions GmbH entered into lease contracts with Kapsch Immobilien GmbH as lessor regarding buildings in Vienna.

The lease contract regarding the building in Vienna, Johann-Hoffmann-Platz 9, with Kapsch Partner Solutions GmbH was signed on 1 December 2004 and agreed for an indefinite period of time.

On 19 December 2008, a lease contract regarding the location Wagenseilgasse 14 was signed.

Furthermore, the company invoiced other deliveries and services in the year 2013/14 in the amount of TEUR 237 (2012/13: TEUR 160) to the group.

Kapsch Financial Services GmbH, Vienna
The company leases equipment for speech, data and IT solutions of Kapsch BusinessCom AG to business customers. Intra-group lease revenues and other revenues of Kapsch Financial Services GmbH, Vienna, amounted to EUR 8.0 million in the fiscal year 2013/14 (2012/13: EUR 6.8 million). Sales of hardware and maintenance services, as well as other deliveries and services of Kapsch BusinessCom AG, Vienna, to Kapsch Financial Services GmbH, Vienna, amounted to EUR 41.2 million in the fiscal year 2013/14 (2012/13: EUR 42.3 million).

As of 31 March 2014, receivables due to related parties amount to TEUR 5,586 (31 March 2013: TEUR 3,400).

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”. With regard to additional disclosures in accordance with § 265 (2) UGB for subsidiaries where the group directly or indirectly holds less than 100 % of the shares, the protection-of-interest clause pursuant to § 265 (3) UGB was applied. With regard to additional disclosures for group companies accounted for using the equity method, see note 14.

The average number of staff in the fiscal year 2013/14 was 5,406, thereof 5,207 salaried employees and 199 waged workers (2012/13: 4,974 total, thereof 4,757 salaried employees and 217 waged workers).

Expenses for the auditor

The expenses for the auditor amount to TEUR 53 (2012/13: TEUR 58) and are broken down as follows:

	2013/14	2012/13
Audit of the consolidated financial statements	43	46
Other assurance services	5	6
Tax consulting services	0	0
Other services	4	7
	53	**58**

Disclosures on members of the executive board and the supervisory board

Total remuneration of the members of the managing board of KAPSCH-Group Beteiligungs GmbH, Vienna, for their activities in the parent company and in other group companies is as follows:

	2013/14	2012/13
Fix	1,742	1,793
Variabel	276	1,365
Gesamt	**2,018**	**3,158**

Expenses for termination benefits and pensions for the executive board in the fiscal year 2013/14 amounted to TEUR 38 (2012/13: TEUR 1,698).

Total compensation of the members of the supervisory board amounted to TEUR 52 in total in the fiscal year 2013/14 (2012/13: TEUR 48).

As in the previous years, no advances or loans were granted to members of the managing and supervisory board, nor any guarantees issued in their favor.

In the fiscal year 2013/14, the following persons served on the executive board:
Georg Kapsch
Kari Kapsch
Franz Semmernegg

In the fiscal year 2013/14, the following persons served on the supervisory board:
Veit Schmid-Schmidsfelden (Chairman)
Christian Gassauer-Fleissner (Deputy Chairman)
Elisabeth Kapsch (since 13 September 2013)
Karl-Heinz Strauss

Authorized for issue:
Vienna, 23 June 2014

Georg Kapsch
Managing Director

Kari Kapsch
Managing Director

Franz Semmernegg
Managing Director

Auditor's Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of KAPSCH-Group Beteiligungs GmbH, Vienna, for the fiscal year from 1 April 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.

In our opinion, the management report for the group is consistent with the consolidated financial statements.

Vienna, 23 June 2014

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:
Peter Pessenlehner
Austrian Certified Public Accountant

Glossary.

3GPP	3GPP – 3rd Generation Partnership Project is a global collaboration of standardization bodies aiming to achieve standardization in mobile telephony
Big Data	Big data describes corporate data volumes growing exponentially. They must be saved and structured and be trackable at a later date with the help of intelligent searches
ETC	Electronic Toll Collection, enabling vehicle drivers to pay for tolls without having to stop at the toll booth
ETCS	European Train Control System – one component of the ERTMS. The ETCS is designed to replace and standardize the variety of train safety systems in place throughout the European Union
GPRS	General Packet Radio Service – description for packet-based service transmitting data in GSM and UMTS networks
GPS	Global Positioning System – a global navigation satellite system used to pinpoint positions and measure time
GSM	Global System for Mobile Communication – standard for fully digital mobile telephony networks
GSM-R	GSM for Railways – a mobile telephony system built on the leading global radio standard, which was adapted specifically for use in the rail industry
ICT	Information and Communication Technology signifies technologies in the field of information and communication
IG	GSM-R Industry Group – established to promote GSM-R technology and its successful deployment in projects throughout Europe
ISO	International Organization for Standardization
ITIL	The IT Infrastructure Library (ITIL) is a collection of best practices describing the possible implementation of IT service management, which is taken as the de facto international standard in this field
ITS	IntelligentTransportation Systems – systems employing information and communication technologies, which support and optimize transport, including infrastructure, vehicles and users
OHS	Coordinate switchboard – electromagnetic switching equipment for analog switched telephony; was used to connect voice communication in a telephone exchange or in remote equipment
On-board unit	An on-board unit (OBU) is an electronic device readable and writeable via wireless communication. An OBU identifies a vehicle and/or serves as a payment means and/or as data memory for vehicle and/or personal data
OSS/BSS	Operation Support System/Business Support System – a network management system supporting automated service processes
TETRA	Terrestrial Trunked Radio – standard for digital trunked radio, which facilitates the construction of universal networks
UIC	Union Internationale des Chemins de Fer – the International Union of Railways acts as a global association for the rail industry and comprises almost 200 members throughout the world
UMTS	Universal Mobile Telecommunications System – third-generation mobile telephony standard. Facilitates much faster data transmission rates than previous systems
V2X	Vehicle-to-X is the abbreviation for vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication, a core technology for managing and improving future traffic safety and mobility
Voice over IP	IP telephony, also known as internet telephony or voice-over-IP, describes the act of telephoning over computer networks constructed in accordance with internet standards
VÖNIX	The VBV Austrian Sustainability Index is a stock index comprising listed Austrian companies that play a leading role in terms of their social and environmental performance

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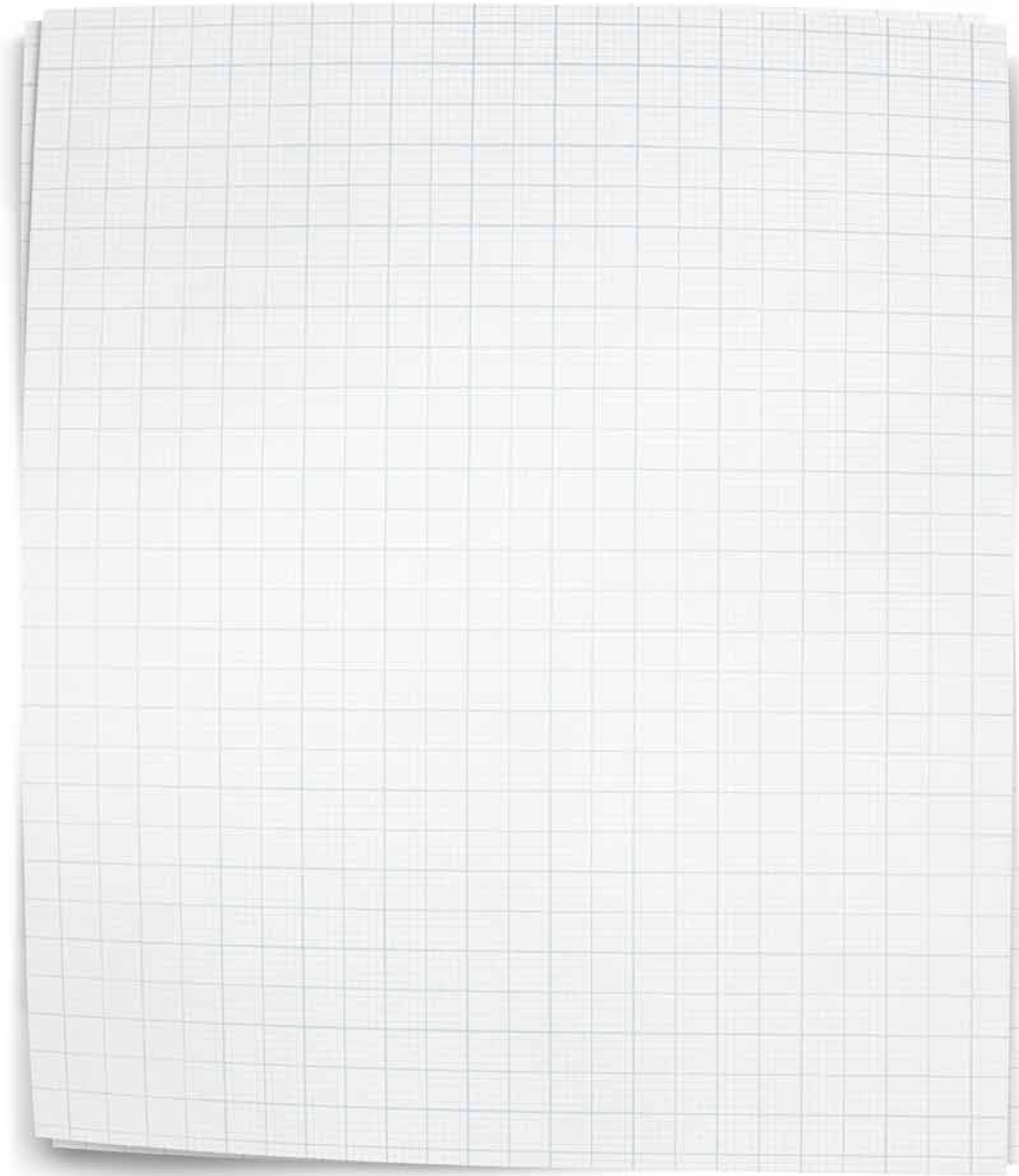

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