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Corporate Governance Report. **Fiscal Year 2014/15.**

Corporate Governance Report.

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

Corporate Governance Declaration.

Code of Corporate Governance. In June 2007, the executive board (*Vorstand*) and supervisory board (*Aufsichtsrat*) resolved to apply the rules of the Austrian Code of Corporate Governance (the Code) as far as they are consistent with the specific situation of the company. The Code version from July 2012 as well as the current version from January 2015 are available for downloading from www.corporate-governance.at. Compliance with the Code is evaluated by the compliance officer together with internal audit on an annual basis.

In the fiscal year 2014/15 which ended 31 March 2015, Kapsch TrafficCom AG complied with the L-Rules and C-Rules of the Code in the July 2012 version, with the exception of

- ▶ C-Rule 53 – the company does not intend to establish independence criteria that differ from the general requirement set forth in the Code as it believes such additional criteria are not required,
- ▶ C-Rule 62 – an external evaluation of compliance with the C-Rules has not taken place to date; as well as
- ▶ C-Rule 67 – due to the intense competition in the industry in which the company is active, it will not make available or publish all information which is available to financial analysts to its shareholders at the same time.

The exceptions to the Rules C-53 and C-67 have already been established by the executive board at the time of the company's initial public offering in 2007 and are not subject to any time limits.

Management and Oversight Structure.

Kapsch TrafficCom AG has a dual management and oversight structure in accordance with the Austrian Stock Corporation Act (*Aktiengesetz*), consisting of the executive board (*Vorstand*) and the supervisory board (*Aufsichtsrat*).

The executive board is responsible for directing the business and represents the company in dealings with third parties. The supervisory board is responsible for appointing and dismissing the members of the executive board and supervising the business conducted by the executive board.

Although the supervisory board does not actively manage the company, the executive board must obtain the consent of the supervisory board before engaging in certain transactions in accordance with the Austrian Stock Corporation Act (*Aktiengesetz*), the company's articles of association and the executive board's internal rules of procedure (*Geschäftsordnung*).

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l. to r.:
Georg Kapsch, Chief Executive Officer
André Laux, Chief Operating Officer

Executive Board.

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Name	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch Chairman/CEO	Finance & Administration, Mergers & Acquisitions, Investor Relations, Compliance, Strategy, Legal Services, International Subsidiaries & Management Systems, Human Resources, Marketing & Communications, Solution Management, Engineering and Sales Region North America	1959	2002	2017
André Laux Member/COO	Sales Region 1 and 2 ¹ , Production & Logistics and Delivery & Operations	1962	2010	2016

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

In the fiscal year 2014/15, the executive board consisted of two members.

Georg Kapsch was appointed as CEO of Kapsch TrafficCom AG in December 2002 and he also holds functions in certain of its direct and indirect subsidiaries. Since October 2000, Georg Kapsch has also served as CEO of KAPSCH-Group Beteiligungs GmbH. He has been a member of the executive board of Kapsch AG since July 1989 and was appointed as its CEO in October 2001. Georg Kapsch studied business administration at the Vienna University of Economics and Business Administration (*Wirtschaftsuniversität Wien*) and graduated in 1981.

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

Georg Kapsch has been president of the Federation of Austrian Industries (*Industriellenvereinigung Österreich*) since June 2012.

André Laux joined the Kapsch TrafficCom Group in December 2007, has been a member of the executive board of Kapsch TrafficCom AG since 1 April 2010 and he also holds functions in certain of its direct and indirect subsidiaries. He began his professional career in different sales and management positions, both internationally and domestically (1988-1997), after 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.

André Laux holds no supervisory board positions outside of the Kapsch TrafficCom Group.

Executive board remuneration 2014/15 in TEUR

	Fixed	Variable	Total
Georg Kapsch	601	42	643
André Laux	372	100	472
Total	972	142	1,114

“Regular executive board meetings guarantee that mutual sharing of information is a firmly established practice.”

André Laux, COO

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

Remuneration. In the fiscal year 2014/15, the aggregate fixed and variable remuneration for the members of the executive board, including the cross-charge from Kapsch AG for the services of Georg Kapsch, amounted to EUR 1.11 million (fiscal year 2013/14: EUR 1.40 million).

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

André Laux. The remuneration of André Laux is determined based on a compensation system that, in addition to the fixed compensation, provides for an annual variable compensation of up to 43 % of the fixed compensation. The variable compensation depends primarily on the achievement of certain predefined financial performance indicators. If his executive board contract is terminated at the end of the current term of office, André Laux is required to comply with a non-competition clause for one year following termination of his executive board position (unless he terminates for cause). André Laux has an individually defined pension scheme based on contributions for which Kapsch TrafficCom AG pays approximately TEUR 10 annually to an outside pension fund.

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

Share options program. There is no share options program at Kapsch TrafficCom AG.

Supervisory Board.

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

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

Franz Semmernegg has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002. Since June 2005, he has been chairman of the supervisory board. Franz Semmernegg has been the CFO of KAPSCH-Group Beteiligungs GmbH since April 2005. He also serves as the CEO of Kapsch BusinessCom AG and has been a member of the executive board of Kapsch BusinessCom AG since March 2003. In addition, he has also been the CFO of Kapsch AG since October 2001. Franz Semmernegg graduated with a degree in business administration (1992) and a Ph.D. (1997) from the University of Graz (*Karl-Franzens-Universität*).

Franz Semmernegg also holds other functions in direct and indirect associated companies of Kapsch BusinessCom AG and Kapsch AG. He is a member of the executive management of Kapsch Cashpooling and Hedging GmbH, Kapsch IT Services for finance and industries GmbH as well as the advisory boards of several subsidiaries.

In addition, Franz Semmernegg also holds functions outside of the Kapsch Group in Enso GmbH and Speech Processing Solutions GmbH.

Franz Semmernegg was a member of the executive board of Schrack BusinessCom AG from 1999 to September 2001. In 1998, he was responsible for the successful management buy-out of Schrack BusinessCom AG from Ericsson Austria AG and was previously involved in management functions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997).

Kari Kapsch has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002 and the deputy chairman since June 2005. He previously served as deputy chairman of the supervisory board from June 2002 to December 2002 and as chairman

of the supervisory board from December 2002 to June 2005. Kari Kapsch has also been the COO of KAPSCH-Group Beteiligungs GmbH since December 2005. In addition, he is also the COO of Kapsch AG and CEO of Kapsch CarrierCom AG. Kari Kapsch graduated with a degree (1988) and a Ph.D. (1992) in physics from the University of Vienna (*Universität Wien*). Kari Kapsch is the brother of Georg Kapsch, the CEO of Kapsch TrafficCom AG.

Kari Kapsch also holds other functions in direct and indirect associated companies of Kapsch CarrierCom AG, Kapsch BusinessCom AG and Kapsch AG. He is a member of the executive management of Kapsch ConnexPlus GmbH, Kapsch Immobilien GmbH, ASIMMOG Verwaltungs- und Verwertungs GmbH and a member of the executive board of ASIMMOG Privatstiftung, member of the executive board of the Austro-Arab Chamber of Commerce, member of the Sectors Conference of the Austrian Chamber of Commerce/Industry Sector, member of the Trade Association for Machines and Metal Goods of the Austrian Chamber of Commerce/Industry Sector and member of the executive board of the Austrian Electrotechnical Association.

Kari Kapsch is active in multiple industry-related associations, has been a member of the executive board of the University of Applied Sciences Technikum Wien since 2012 and is a committee member of the Association of Austrian Electrical and Electronics Industries. Previously, from 1996 to 2002, he was chairman of the management board of the Young Industry Vienna and deputy chairman of the Young Industry Austria.

Sabine Kauper has been the CFO of SKW Stahl-Metallurgie Holding AG, Munich, since 1 January 2014, and also holds functions in certain of its direct and indirect subsidiaries. Previously, she was on the supervisory board of the company since 2009. Since January 2014, she is appointed managing director for restructuring of an international mechanical engineering company. From the year 2000 to December 2011, she worked for Phoenix Solar AG, Germany, and was a member of the executive board

“With supervision and advice, we support the executive board in current developments and in the strategic orientation of the company.”

Franz Semmernegg,

Chairman of the Supervisory Board

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmernegg	Chairman	1968	2002	2016
Kari Kapsch	Deputy chairman	1964	2002	2016
Sabine Kauper	Member ¹	1968	2011	2018
Harald Sommerer	Member ¹	1967	2013	2016
Christian Windisch	Member ²	1963	2002	—
Claudia Rudolf-Misch	Member ^{2,3}	1967	2010	—
Manfred Schmid	Member ^{2,3}	1964	2014	—
Martin Gartler	Member ^{2,3}	1970	2015	—

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

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

3 Claudia Rudolf-Misch was replaced on 20 November 2014 by Manfred Schmid, who was replaced on 11 March 2015 by Martin Gartler

of Phoenix Solar AG as of 2007. As CFO, she was responsible for Finance, Personnel and Organizational Development, International Processes and IT, Internal Audit and Legal. Thereafter, she completed a training program to become a qualified supervisory board member with certification by Deutsche Börse AG. She obtained a master's degree in business administration with electives in tax and auditing. After completion of her degree course, she worked for an auditing company for four years.

Harald Sommerer has been acting on his own initiative to establish an investment portfolio since December 2013. Before that, he was CEO and chairman of the management board of Zumtobel AG from May 2010 to September 2013. He received a Doctorate in Social and Economic Sciences from the University of Economics and Corporate Management in Vienna as well as a Master of Management from the J. L. Kellogg Graduate School of Management at Northwestern University. From 1997 to 2010 Harald Sommerer was a member of

the management board of AT&S Austria Technologie & Systemtechnik AG, where he served as CFO from 1998 to 2005 and CEO from 2005 to January 2010.

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

Martin Gartler has been a member of the supervisory board delegated by the works council since 11 March 2015. He has been employed in Technical Operation at Kapsch TrafficCom AG since February 2008. Martin Gartler has a degree from the Technical School of Electrical and Telecommunications Technology and in 1992 completed training as a foreman for industrial electronics.

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

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

Remuneration. The members of the supervisory board and its committees receive reimbursement of actual expenses, including reasonable travel expenses. In addition, the annual shareholders' meeting may provide for a remuneration of supervisory board members. On 1 September 2014, the annual shareholders' meeting resolved to grant Sabine Kauper a remuneration of TEUR 4 per meeting and on 12 September 2013, the annual shareholders' meeting resolved to grant Harald Sommerer a remuneration of TEUR 4 per meeting. Remuneration of TEUR 46 including travel expenses was expensed for the past fiscal year of which TEUR 8 were related to the fiscal year 2013/14. TEUR 8 were set aside as a reserve for the remuneration of Harald Sommerer for his attendance of the audit committee meetings subject to the approval of the annual shareholders' meeting (assuming that such amount will be resolved retroactively in the annual shareholders' meeting on 9 September 2015). No other member of the supervisory board receives specific remuneration for such office.

Kapsch AG renders additional, remunerated consulting services in the amount of approximately TEUR 90 to Kapsch TrafficCom AG, which are performed in part by Franz Semmerneegg and/or Kari Kapsch.

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

Committees of the Supervisory Board.

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

The committee for executive board matters is responsible for the relationship between the company and the members of the executive board (including remuneration issues), except for the appointment or dismissal of members of the executive board. It consists of two members of the supervisory board elected by the shareholders' meeting, including the chairman of the supervisory board. The current members of the committee for executive board matters are Franz Semmerneegg (chairman) and Harald Sommerer (since 1 September 2014, until then Kari Kapsch).

The audit committee is responsible for the duties set out in section 92 para 4a Stock Corporation Act (*Aktiengesetz*). These responsibilities include the review and preparation of the approval of the financial statements and consolidated financial statements, the audit of the corporate governance report, the report of the risk management according to Rule 83 of the Code, the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profit and the preparation of a report to the annual shareholders' meeting. Furthermore, the audit committee prepares the proposal of the supervisory board for the selection of an auditor and reviews the accounting process and the effectiveness of the internal control and risk management systems.

One member of the audit committee must be a financial expert (*Finanzexperte*). Persons who were previously members of the executive board, managing directors or auditors of the company or persons who certified the company's annual or consolidated financial statements within the last three years do not qualify as financial experts and may not serve as chairman of the audit committee. The current members of the audit committee are Franz Semmerneegg (chairman/financial expert), Harald Sommerer (since 1 September 2014, until then Kari Kapsch) and Christian Windisch.

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

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

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

Kapsch TrafficCom AG has no specific plan for promoting women to the executive board, the supervisory board or senior positions in the company and its subsidiaries. Candidates are always selected with a view to identifying the best person for the job, regardless of gender. Women are employed in various key management positions within Kapsch TrafficCom AG (such as the head of Finance & Administration, the head of Legal and the head of Engineering) and its subsidiaries. In the past fiscal year, two members of the supervisory board were female, Claudia Rudolf-Misch (appointed by the works council) and Sabine Kauper (elected by the annual shareholders' meeting). There were no female members of the executive board.

Women are supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, Kapsch TrafficCom AG cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals.

The company also promotes women in the workforce through participation in specific programs such as "*FIT Frauen in die Technik*" or "FemTech".

In addition, the Kapsch TrafficCom Group has established a committee for non-discrimination.

Report Of the Supervisory Board.

Dear Shareholders,

Kapsch TrafficCom AG's supervisory board held a total of four meetings during the fiscal year from 1 April 2014 to 31 March 2015. No member of the supervisory board attended less than half of all meetings.

The supervisory board was informed by the executive board on an ongoing basis in writing and verbally as well as in the meetings held jointly with the executive board on the position, development and strategy of the company. It also monitored and advised the executive board during the period under review.

As the chairman of the supervisory board, I was in regular contact with the chairman of the executive board in order to discuss business development, strategy and risk management.

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

PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, as independent auditor appointed by the annual shareholders' meeting, has audited and issued an unqualified audit opinion on the annual separate financial statements and the annual consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2015 as well as the management report of the company dated 1 June 2015 and the management report of the group dated 8 June 2015, each as prepared by the executive board.

The annual separate financial statements and the annual consolidated financial statements, the executive board's proposal for the distribution of profit, the auditors' reports (including the management letter) as well as the corporate governance report were discussed in detail with the executive board and the independent auditors at a meeting of the audit committee and subsequently presented to the supervisory board.

The supervisory board reviewed such documents in accordance with section 96 of the Austrian Stock Corporation Act (*Aktiengesetz*) and approved the annual separate financial statements in line with section 96 para. 4 of the Austrian Stock Corporation Act (*Aktiengesetz*). The supervisory board concurs with the executive board's proposal for the distribution of profits. Accordingly, the executive board will propose to the annual shareholders' meeting on 9 September 2015 payment of a dividend in the amount of EUR 0.50 per share for fiscal year 2014/15.

The audit committee held a total of four meetings during the fiscal year from 1 April 2014 to 31 March 2015 and met the responsibilities as set out in section 92 para 4a of the Austrian Stock Corporation Act (*Aktiengesetz*). In addition to the review and preparation of the approval of the financial statements and consolidated financial statements as well as the audit of the corporate governance report, these responsibilities included the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profit, of a report to the annual shareholders' meeting and of the proposal for the selection of an auditor, as well as the review of the accounting process, of the effectiveness of the internal control and of the risk management systems. No member of the audit committee attended less than half of all meetings.

The committee for executive board matters held one meeting in the past fiscal year.

The supervisory board extends its thanks to the members of the executive board and all employees of Kapsch TrafficCom AG for their work in fiscal year 2014/15.

Vienna, 15 June, 2015



Franz Semmernegg
Chairman of the supervisory board



Franz Semmernegg, Chairman of the supervisory board

Kapsch TrafficCom is a provider of intelligent transportation systems (ITS) in the solution segments of road user charging, urban access and parking, traffic management, road safety enforcement, commercial vehicle operations, electronic vehicle registration and V2X cooperative systems. With end-to-end solutions, Kapsch TrafficCom covers the entire value creation chain of its customers as a one-stop shop, from components and design to the installation and operation of systems. The core business is to design, build and operate electronic toll collection and traffic management systems. References in 44 countries on all continents make Kapsch TrafficCom a recognized ITS provider worldwide. As part of the Kapsch Group, a family-owned Austrian technology group founded in 1892, Kapsch TrafficCom, headquartered in Vienna, Austria, has subsidiaries and offices in 33 countries, has been listed on the Vienna Stock Exchange (KTCG) since 2007, and generated with more than 3,500 employees revenues of EUR 456 million in fiscal year 2014/15.

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