

Corporate Governance Report for Fiscal Year 2009/10.

Corporate Governance Report.

In June 2007, the managing board (*Vorstand*) and the 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 evaluation of compliance with the Code is made by the compliance officer together with the internal audit on an annual basis.

Corporate Governance Declaration.

In the fiscal year 2009/10 ended 31 March 2010, Kapsch TrafficCom AG complied with the L-Rules and C-Rules of the Code in the version of January 2010, except for C-Rule 53 (the company does not intend to establish criteria of independence different from the general requirement set forth in the Code as it believes that such additional criteria are not required) and C-Rule 65 (due to the intense competition in the industry in which the company is active, it will not make available to all shareholders or publish on its website with an opportunity to download all information it may make available to financial analysts).

Managing Board.

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



Erwin Toplak, Chief Operating Officer Georg Kapsch, Chief Executive Officer André F. Laux, Executive Board Member

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

Name	Area of responsibility	Age	Year first appointed	Year current Term expires
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Production, Telematic Services and North American Market	51	2002	2011
Erwin Toplak (COO)	Sales region 1, Business Development, System Engineering, Research & Development and Technical Operations	48	2002	2011
André F. Laux (Executive Board Member)	Sales region 2, Business Development, Product and Project Management	47	2010	2013

Georg Kapsch was appointed to CEO of Kapsch TrafficCom AG in December 2002 and holds functions in certain of its direct and indirect subsidiaries. Since October 2000, Georg Kapsch is also the CEO of KAPSCH-Group Beteiligungs GmbH. He has been a member of the managing board of Kapsch AG since July 1989 and was appointed as its CEO in October 2001. Georg Kapsch, who studied business administration at Vienna University of Economics and Business Administration (*Wirtschaftsuniversität Wien*) and graduated in 1981, is the chairman of the Technikum Wien Academy (*Fachhochschule Technikum Wien*) (since September 2002), and the vice president of the Austrian Electrotechnical Association (*Fachverband der Elektro- und Elektronikindustrie*) (since January 2003). Since December 2008, Georg Kapsch is the president of the Federation of Austrian Industries Vienna (*Industriellen Vereinigung Wien*). In addition, Georg Kapsch exercises functions as CEO of DATAX HandelsgmbH, chairman of the supervisory board of Kapsch BusinessCom AG and Kapsch CarrierCom AG as well as member of the supervisory board of Teufelberger Holding AG.

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

André Friedrich Laux has been a member of the managing board of Kapsch TrafficCom AG since April 1, 2010 and holds functions in certain of its direct and indirect subsidiaries. He began his professional career in different sales and management functions 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.

Remuneration. In the fiscal year 2009/10 ended 31 March 2010, the total base and variable remuneration for the members of the managing board including the cross-charge from Kapsch AG relating to the services of Georg Kapsch amounted to EUR 1.46 million (fiscal year 2008/09 EUR 1.26 million). Georg Kapsch is employed with Kapsch AG. His services are part of the management and consulting services invoiced by Kapsch AG to the company.

Remuneration of Erwin Toplak is determined based on a compensation system that, in addition to the base compensation, provides for annual variable compensation of up to 40 % of the base compensation. The variable compensation primarily depends on achieving certain financial performance figures. In case of termination of the managing board contract at the end of the current term of office, Erwin Toplak is entitled to a severance payment of a ten-fold monthly salary. Erwin Toplak is subject to a non-competition clause for one year following termination of his managing board position (unless he is terminated for cause). Erwin Toplak has an individual defined pension scheme for which Kapsch TrafficCom AG pays an annual amount of approximately TEUR 14 to an outside pension fund (*Pensionskasse*). Erwin Toplak holds 154,528 shares of Kapsch TrafficCom AG.

Supervisory Board.

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

Name	Position	Age	Year first appointed	Year current term expires
Franz Semmerneegg	Chairman	41	2002	2010
Kari Kapsch	Deputy chairman	46	2002	2010
William Morton Llewellyn	Member ¹	45	2008	2010
Christian Windisch	Member ²	46	n.a.	n.a.
Werner Dreschl	Member ²	38	n.a.	n.a.

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

² Delegated by the works council

Franz Semmerneegg has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002. Since September 2005, he has been the chairman of the supervisory board. Franz Semmerneegg 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 managing board of Kapsch BusinessCom AG since March 2003. He has also been the CFO of Kapsch AG since October 2001 and was a member of the managing board of Schrack BusinessCom AG from 1999 to September 2001. In 1998, Franz Semmerneegg was responsible for the successful management buy-out of Schrack BusinessCom AG from Ericsson Austria AG and had previously been involved in management functions at Ericsson Austria AG (1998) and Schrack Seconet AG (1997). He graduated with a degree in business administration (1992) and a Ph.D. (1997) from the University of Graz (*Karl-Franzens-Universität*). In addition, Franz Semmerneegg exercises functions as member of the managing board of CALPANA business consulting GmbH and Kapsch Smart Energy GmbH, deputy chairman of Kapsch CarrierCom AG, member of the supervisory board of the Austrian Regulatory Authority for Broadcasting and Telecommunications (*Rundfunk und Telekom Regulierungs-GmbH*) and member of the advisory board of Kapsch Sp. z.o.o., Kapsch Telecom Kiev, Kapsch Kft., Kapsch s.r.o., Prague, Kapsch s.r.o., Bratislava, as well as Enso GmbH.

Kari Kapsch has been a member of the supervisory board of Kapsch TrafficCom AG since June 2002. He 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. He is also the COO of Kapsch AG and CEO of Kapsch CarrierCom AG. He is involved in several industry-related associations and was the chairman of the managing board of Young Industry Vienna (*Junge Industrie Wien*) and vice-chairman of Young Industry Austria (*Junge Industrie Österreich*) from 1996 to 2002. Kari Kapsch graduated with a degree in physics (1988) and a Ph.D. (1992) from the University of Vienna (*Universität Wien*). In addition, Kari Kapsch exercises functions as member of the managing board of Kapsch Immobilien GmbH and member of the advisory board of Kapsch Sp. z.o.o., Kapsch Telecom Kiev, Kapsch Kft., Kapsch s.r.o., Prague, as well as Kapsch s.r.o., Bratislava. Kari Kapsch is the brother of Georg Kapsch, the CEO of Kapsch TrafficCom AG.

William Morton Llewellyn was elected as a member of the company's supervisory board in the annual shareholders' meeting on 10 July 2008. He has worked in the banking industry since 1994 and has worked with ING, WestLB and HSBC Groups, where he has been responsible for corporate and project finance as well as debt capital market. He is currently head of debt capital markets at Evolution Securities Ltd., UK. He qualified as a chartered accountant in 1991 with Robson Rhodes, where he worked in auditing, accounting, and insolvency services. He graduated from London University in 1987 with a BA in Law and Economics.

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

Werner Dreschl has been a member of the supervisory of Kapsch TrafficCom AG delegated by the works council since November 2006. He joined Kapsch Group in June 2000 as a participant in the trainee program and is currently employed in product management. Werner Dreschl graduated from Graz University of Technology (*Technische Universität Graz*) with a degree in engineering (2000).

Remuneration. Members of the supervisory board and its committees receive reimbursement of actual expenses, including reasonable travel expenses. In addition, the shareholders' meeting may provide for a remuneration of supervisory board members. On 24 June 2009, the annual shareholders' meeting resolved to grant William Morton Llewellyn a remuneration of TEUR 3 per meeting. A remuneration of TEUR 19 was paid for the past fiscal year. No other member of the supervisory board receives specific remuneration for such office. It is noted that Kapsch AG renders remunerated consulting services, performed in part by Franz Semmernegg and/or Kari Kapsch, to Kapsch TrafficCom AG. The Kapsch Group obtains directors & officers insurance for management. Such insurance includes the members of the managing board and the supervisory board of the company.

Committees of the Supervisory Board.

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

The committee for managing board matters is responsible for the relationship between the company and the members of the managing board (including remuneration issues), except for the appointment or dismissal of members of the managing board. It consists of two members of the supervisory board elected by the shareholders' meeting, including the chairman of the supervisory board and two members appointed by the shareholders' meeting. The current members of the committee for managing board matters are Franz Semmernegg (chairman) and Kari Kapsch.

The audit committee has the responsibilities as set out in section 92 para 4a Stock Corporation Act (*Aktien-gesetz*). These responsibilities include the review and preparation of the approval of the financial statements and consolidated financial statements, the audit of the corporate governance report, the review of the audit process and the auditor's independence, the preparation of a proposal for the distribution of profits and the preparation of a report to the annual shareholders' meeting. Furthermore, the audit committee prepares the proposal of the supervisory board for the auditor, reviews the accounting process and the effectiveness of the internal control and the risk management system.

One member of the audit committee must be a financial expert (*Finanzexperte*). Persons who were previously members of the managing board, executives, auditor or auditors of the company or persons having certified the consolidated or unconsolidated financial statements of the company within the last three years do not qualify as financial expert and may not serve as chairman of the audit committee.

In addition to the members of the audit committee, the managing board and a representative of the auditor, if required by the chairman of the audit committee or required by law, attend the audit committee meetings. The audit committee meets at least twice a year. The current members of the audit committee are Franz Semmernegg (chairman/financial expert), Kari Kapsch and Werner Dreschl.

Report of the Supervisory Board.



Franz Semmernegg, Chairman of the Supervisory Board

The Kapsch TrafficCom AG supervisory board held a total of four meetings during the fiscal year from 1 April 2009 to 31 March 2010. No member of the supervisory board attended fewer than half of the meetings. The supervisory board was informed by the managing board on an ongoing basis in writing and orally as well as in the meetings held jointly with the managing board on the situation, development and strategy of the company and monitored and advised the managing board during the period under review. The chairman of the supervisory board was in regular contact with the chairman of the managing board in order to discuss business development, strategy and risk management within the company.

The unconsolidated financial statements of Kapsch TrafficCom AG presented by the managing board and the consolidated financial statements, each as of 31 March 2010, the managing board's management report and consolidated management report dated 14 May 2010 were audited by the appointed independent auditor PwC INTER-TREUHAND GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna and given an unqualified audit opinion. The unconsolidated and consolidated financial statements, the managing board's profit distribution proposal and the auditors' audit reports as well as the corporate governance report were discussed in detail with the managing board and the independent auditors in the audit committee and presented to the supervisory board. The supervisory board has reviewed these documents in accordance with Section 96 of the Austrian Stock Corporation Act (*Aktiengesetz*) and approved the unconsolidated financial statements in line with Section 96 Para. 4 of the Austrian Stock Corporation Act (*Aktiengesetz*). The supervisory board concurs with the managing board's proposal for the distribution of profits.

The audit committee held a total of four meetings during the fiscal year from 1 April 2009 to 31 March 2010 and followed the responsibilities as set out in section 92 para 4a Stock Corporation Act (*Aktiengesetz*).

The supervisory board extends its thanks to the members of the managing board and all employees of Kapsch TrafficCom AG for their work in the fiscal year from 1 April 2009 to 31 March 2010.

Vienna, 16 June 2010

Franz Semmernegg
Chairman of the Supervisory Board

Kapsch TrafficCom ist ein internationaler Anbieter von anspruchsvollen Intelligent Transportation Systems (ITS). Kapsch TrafficCom entwickelt und liefert vorrangig Elektronische Mautsysteme (Electronic Toll Collection – ETC), insbesondere für den mehrspurigen Fließverkehr (Multi-Lane Free-Flow – MLFF), und bietet den technischen und kommerziellen Betrieb dieser Systeme an. Darüber hinaus bietet Kapsch TrafficCom Verkehrsmanagement-Lösungen mit den Schwerpunkten Verkehrssicherheit und Verkehrsbeeinflussung, elektronische Zutrittskontrollsysteme und Parkraumbewirtschaftung an. Mit weltweit mehr als 230 Referenzen in 38 Ländern in allen 5 Kontinenten und mit insgesamt beinahe 18 Millionen ausgelieferten On-Board Units (OBUs) und nahezu 13.000 ausgestatteten Mautspuren (Lanes) hat sich Kapsch TrafficCom bei Elektronischen Mautsystemen unter den weltweiten Marktführern positioniert. Kapsch TrafficCom hat ihren Sitz in Wien, Österreich, und verfügt über Tochtergesellschaften und Repräsentanzen in 25 Ländern.

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