

Kapsch TrafficCom

Corporate Governance Report.

Fiscal Year 2016/17.



125%
dedication

125 years of Kapsch

Corporate governance report.

Principles.

Kapsch TrafficCom AG declares its voluntary commitment to the January 2015 version of the Austrian Code of Corporate Governance (ACCG).

Code of corporate governance.

The ACCG was presented to the public on October 1, 2002 and has been amended several times since then. The publisher is the Austrian Working Group for Corporate Governance, and the current version of the ACCG is accessible at its website (www.corporate-governance.at).

The rules of the ACCG are divided into three categories:

- > L-rules (Legal Requirement): Rules which are based on mandatory legal requirements
- > C-rules (Comply or Explain): Rules for when a deviation is to be explained and justified
- > R-rules (Recommendation): Rules with the character of a recommendation, non-compliance requires neither disclosure nor explanation

Bodies of a stock company (Aktiengesellschaft).

Kapsch TrafficCom has the legal form of an "Aktiengesellschaft" (AG), the equivalent of a stock company, under Austrian law. Its organization is based on three organs, the Executive Board, the Supervisory Board and the annual general meeting. These are set up according to the principle of the separation of powers.

Under its own responsibility, the Executive Board manages the company as the well-being of the company requires, taking into consideration the interests of the stock holders and the employees, as well as the public interest. Members of the Executive Board shall be appointed by the Supervisory Board.

The Supervisory Board is to monitor the management of the company. For certain business transactions determined in the Austrian "Aktengesetz" (stock corporations act), in the articles of association and the by-laws, the Executive Board is to obtain the approval of the Supervisory Board. The members of the Supervisory Board shall be chosen by the annual general meeting. Moreover, the worker representation is entitled to delegate a member from their own ranks for every two members of the Supervisory Board chosen by the annual general meeting.

The annual general meeting serves to form the general will of the shareholders primarily in those matters of the company which are assigned to it for decision in accordance with the law and the articles, or which are submitted by the Executive Board and/or Supervisory Board for decision.

Kapsch TrafficCom in the Kapsch Group.

The Kapsch family indirectly holds 100% of KAPSCH-Group Beteiligungs GmbH, the parent company of the Group. Among other things, the following main companies of the group are direct subsidiaries: Kapsch Aktiengesellschaft (100%), Kapsch BusinessCom AG (94.9%), Kapsch CarrierCom AG (100%), Kapsch Public TransportCom GmbH (100%) and Kapsch TrafficCom AG (63.3%).

Statement of compliance.

In the 2016/17 fiscal year which ended on March 31, 2017, Kapsch TrafficCom satisfied all of the conditions of the January 2015 version of the ACCG in terms of content with the following statements:

- > C-rule 27 – The profit-based variable remuneration components of Mr. Laux and Mr. Lewald are based on the operative profitability of the company (concrete: the operating result, EBIT). The percentage rate to be applied for the calculation was measured at the time of the conclusion of the contract in such a way that the variable part is not forecast to exceed the fixed payment in any year of the appointment to the Executive Board. Upper limits for the variable remuneration going beyond this provision can be waived.
- > C-rule 27a – In order to limit the amount of possible severance pay in the case of the premature termination of an appointment to the Executive Board without cause, it is envisaged to limit the duration of employment contracts to three years per term of office. Further limitations in this regard are not to be implemented on the relevant labor market and shall not be considered expedient

The decision regarding these deviations was made by the Supervisory Board of Kapsch TrafficCom AG.



l. to r.:
Georg Kapsch, Chairman/Chief Executive Officer
Alexander Lewald, Member/Chief Technology Officer
André Laux, Member/Chief Operating Officer

Executive Board.

Name and function	Area of responsibility	Year of birth	Year first appointed	Year current term expires
Georg Kapsch Chairman, Chief Executive Officer	Finance, investor relations & compliance, mergers & acquisitions, strategy, new ventures, legal, human relations, marketing & PR, international subsidiaries & management systems, IT, innovation management, sales region North America as well as the Solution Centers: Urban Traffic & Mobility Management, Intelligent Mobility Services	1959	2002	2020
André Laux Member, Chief Operating Officer	All sales regions except for North America, supply chain management, production & logistics	1962	2010	2019
Alexander Lewald Member, Chief Technology Officer	Research & development as well as the Solution Centers: Tolling, Back Office, Connected Vehicles, Highway & Tunnel Traffic Management	1964	2015	2019

Mag. Georg Kapsch is employed by Kapsch AG and shall be delegated by this company to various management positions within the Kapsch Group. He is since

- > July 1989: Member of the Executive Board of Kapsch AG, and elected CEO in October 2001
- > October 2000: CEO of KAPSCH-Group Beteiligungs GmbH, now the core shareholder of Kapsch TrafficCom AG
- > December 2002: CEO of Kapsch TrafficCom AG
- > November 2000: Managing director of DATAX HandelsgmbH, the sole parent company of KAPSCH-Group Beteiligungs GmbH

In the past fiscal year, Georg Kapsch's appointment to the Executive Board at Kapsch TrafficCom AG ending at the end of March 2017 was extended by a further three years.

Mr. Kapsch studied business administration at the Vienna University of Economics and Business and graduated in 1981. In the following year he joined Kapsch AG, where he was active in the various areas of the company. In stock companies outside of Kapsch TrafficCom Group, he exercises the following Supervisory Board positions:

- > Chairman of the Supervisory Board of Kapsch CarrierCom AG
- > Deputy Chairman of the Supervisory Board of Kapsch BusinessCom AG
- > Member of the Supervisory Board of Teufelberger Holding AG

Georg Kapsch is also a member of the Executive Board of the Wunderer Private Foundation, the Mitterbauer Private Foundation and the Tabor Private Foundation, and has been President of the Federation of Austrian Industries since June 2012.

André Laux has been working for Kapsch TrafficCom Group since December 2007 and has been a member of the Executive Board of Kapsch TrafficCom AG since April 1, 2010. In November 2014 he was appointed COO.

Mr. Laux began his professional career following his studies in business management in Germany and England in various sales and management positions (1988–1997) both at home and abroad. In 1997 he was Managing Director of the German chip card manufacturer ODS Landis & Gyr in Munich. In 2000 André Laux moved within the group of companies to Salzburg as Chairman of the Executive Board at Skidata AG. In 2004 he took over the position of Chairman of the Executive Board of Winter AG in Munich. André Laux does not have any appointments to Supervisory Boards outside of Kapsch TrafficCom Group.

Dr.-Ing. Alexander Lewald has been a member of the Executive Board and CTO of Kapsch TrafficCom AG since November 2015.

Following his studies in electrical engineering at Munich Technical University, Mr. Lewald worked for three years at DLR (Deutsches Zentrum für Luft- und Raumfahrt – the German Aerospace Center) at the Institute for Robotics and System Dynamics. Within this framework, Mr. Lewald wrote his thesis in the field of system dynamics of multi-axle robots at the Ruhr University Bochum, and expanded on this subject at the Engineering School of Stanford University, Palo Alto, USA.

After his employment at McKinsey & Company, Alexander Lewald has for the past 15 years worked in various management positions at Kappa IT Ventures, Gilde IT, SAP as well as at Parametric Technology Corp. in particular with the development of new businesses in the information and communications technology (ICT) industry. Alexander Lewald does not have any appointments to Supervisory Boards outside of Kapsch TrafficCom Group.

Remuneration for the Executive Board.

In EUR thousand	Total 2015/16	Fixed 2016/17 (and in % of total remuneration)	Variable 2016/17 (and in % of total remuneration)	Total 2016/17		
Georg Kapsch	653	659	62%	401	38%	1,060
André Laux	490	437	65%	233	35%	670
Alexander Lewald	133	352	79%	93	21%	444
Total	1,276	1,447	67%	728	33%	2,175

Georg Kapsch is employed by Kapsch AG. His services are part of the management and consulting services provided by Kapsch AG and settled by Kapsch TrafficCom AG. These are shown in the notes to the consolidated financial statement under "Related parties". The remuneration on the level of Kapsch AG comprises a fixed and a variable element, which depends on the consolidated earnings before tax of KAPSCH-Group Beteiligungs GmbH.

The remuneration for André Laux and Alexander Lewald comprises both a fixed and a profit-based variable component. The latter amounts to 0.25% of the operating result (EBIT) provided that this exceeds EUR 20 million. In addition, both men possess an individual and contributory pension plan. In this context, the company pays EUR 65,000 annually for Mr. Laux and EUR 30,000 for Mr. Lewald into an external pension fund. If they leave the Executive Board, both men are subject to a non-compete clause for the period of one year (except in the case of a departure for good causes). For all members of the Executive Board there is also a financial incentive which is geared to employee satisfaction. An employee survey shall be carried out in intervals of several years. After submission of the results of the survey and it is found that all of the defined criteria are achieved, an amount of EUR 10,000 per member of the Executive Board shall be paid out for each year since the last such survey. For this, it is required that an appointment to the Executive Board has been retained for at least two years.

In accordance with the principles of the remuneration policy mentioned below, in the new contract with Mr. Laux (valid from April 1, 2016) the 43% cap provided up until then of profit-based variable payment of the fixed remunerations was scrapped.

Principles of the remuneration policy. The remuneration paid to the members of the Executive Board employed by Kapsch TrafficCom AG takes into consideration the size, international orientation, the business model and the financial situation of the company, as well as the scope of tasks and qualifications of the individual persons. In doing so, the payment to the directors should offer an incentive on the one hand, and on the other should not promote the taking of excessive risk. External benchmarks shall be drawn upon in order to ensure a payment which corresponds with the level on the market.

The profit-based variable remuneration is based on the operating result (EBIT). The percentage rate to be applied for the calculation is to be measured at the time of the conclusion of the contract in such a way that this variable part is not forecast to exceed the fixed payment in any year of the appointment to the Executive Board. In this way, additional upper limits for the variable remuneration components can be waived. In years with poor company results (a minimum EBIT is to be defined for this), the directors should not receive any such performance bonuses. Satisfied employees are an essential component for the success of Kapsch TrafficCom Group. Therefore, there exists a variable remuneration component for all members of the Executive Board, which is bound to the sustainable achievement of non-financial criteria, specifically to certain results of the employee survey. This survey shall take place at intervals of several years.

Due to the increasing significance of the company pension plans alongside the state pension fund, Kapsch TrafficCom AG pays into an external pension fund for the directors employed by it. Following the end of the appointment over time, a director cannot make any more claims whatsoever against the company. In order to limit the amount of possible severance pay in the case of the premature termination of an appointment to the Executive Board without cause, it is envisaged to limit the duration of employment contracts to three years per term of office.

There is no stock options program at Kapsch TrafficCom AG.

Directors and officers liability insurance.

The members of the Executive Board are insured against financial losses within the framework of directors and officers liability insurance. Alongside the Executive Board, the members of the Supervisory Board and the management staff of Kapsch TrafficCom Group are insured. Because a total premium is paid, it is not possible to allocate to individual members of the Executive Board.

Supervisory Board.

Name	Position	Year of birth	Year first appointed	Year current term expires
Franz Semmerneegg	Chairman	1968	2002	2019
Kari Kapsch	Deputy Chairman	1964	2002	2019
Sabine Kauper	Member	1968	2011	2018
Harald Sommerer	Member	1967	2013	2019
Christian Windisch	Member ¹	1963	2002	–
Martin Gartler	Member ¹	1970	2015	–

¹ delegated by the works council which may recall a member it has delegated at any time.

In accordance with the articles of association, the Supervisory Board is made up of three to six members elected by the annual general meeting, as well as representatives delegated by the works council in accordance with the Austrian "Arbeitsverfassungsgesetz" (Labor Constitutional Act). The current members of the Supervisory Board are:

Dr. Franz Semmerneegg has been a member since June 2002 and has been Chairman of the Supervisory Board since 2005. He has occupied the following positions within the Kapsch Group since:

- > October 2001: CFO of Kapsch AG
- > March 2003: CFO of Kapsch BusinessCom AG, since April 2010 also CEO
- > April 2005: CFO of KAPSCH-Group Beteiligungs GmbH
- > February 2010: Member of the Supervisory Board of Kapsch CarrierCom AG

In addition, Franz Semmerneegg exercises other functions in direct and indirect shareholdings of Kapsch BusinessCom AG and Kapsch AG. In 1992 Franz Semmerneegg concluded his studies in business administration at the Karl-Franzens University in Graz, where he also wrote his thesis in 1997. From 1993 – 1996 Mr. Semmerneegg worked in a firm of chartered accountants and tax consultants and in 1996 moved to Schrack Seconet AG, where he rose to become the Manager and Authorized Representative for Finance and Controlling after a stopover at Ericsson Austria. Together with a partner, in January 1999 Franz Semmerneegg executed a management buy-out and founded Schrack BusinessCom AG. At the start of 2001, Kapsch AG acquired a majority share in the company, which was renamed Kapsch BusinessCom AG in 2002.

Dr. Kari Kapsch, brother of Georg Kapsch (CEO), has been a member of the Supervisory Board since June 2002 and has been its Deputy Chairman since June 2005. He has occupied the following positions within the Kapsch Group since:

- > March 2001: COO of Kapsch AG
- > December 2005: COO of KAPSCH-Group Beteiligungs GmbH
- > April 2010: CEO of Kapsch CarrierCom AG
- > June 2010: Chairman of the Supervisory Board of Kapsch BusinessCom AG
- > October 2016: Managing Director of Kapsch PublicTransportCom GmbH

In addition, Kari Kapsch exercises other functions in both direct and indirect shareholdings of Kapsch CarrierCom AG, Kapsch BusinessCom AG as well as Kapsch AG and also outside of the Kapsch Group. He completed his studies in physics at the University of Vienna (1988), where he also wrote his thesis in 1992. In terms of his career, following his experiences at Kapsch he had a stay abroad at ANT, a member of the Bosch Group. In 1990, Mr. Kapsch returned as Head of the Road Telematics Solutions division and developed the road tolling business segment. During the following ten years, Kari Kapsch managed several business units within the Kapsch Group.

Sabine Kauper, a graduate in business administration, was the CFO of Heliocentris Energy Solutions AG (Berlin) from January 1, 2016 to December 1, 2016 and before that, from 2014 to 2015, CFO of SKW Stahl-Metallurgie Holding AG (Munich). From December 2012 to 2013, Sabine Kauper managed the restructuring of an internationally acting mechanical engineering company. From 2000 to December 2011, she was employed by Phoenix Solar AG, Germany, and was CFO from 2007. After her studies in business administration at Munich University MUAS with majors in tax and auditing, she worked for an auditing company for four years. Mrs Kauper completed training for qualification to Supervisory Boards with a certificate from Deutsche Börse AG.

Dr. Harald Sommerer has been self-employed since December 2013 and is working on establishing an investment portfolio. Before that he was CEO and Chairman of the Executive Board of Zumtobel AG from May 2010 to September 2013. From 1997 to 2010, Harald Sommerer was a member of the Executive Board of AT&S Austria Technologie & Systemtechnik AG, CFO between 1998 and 2005 and CEO from 2005 to January

2010. He is a doctor of social and economic sciences from the Vienna University for Economics and Business and Master of Management from the J. L. Kellogg Graduate School of Management, Northwestern University.

Ing. Christian Windisch has been working for the Kapsch Group since September 1984 and is currently employed in the area of quality assurance. He graduated from the polytechnic in Vienna with a degree in telecommunications and electrical engineering.

Martin Gartler has been working in the area of operations at Kapsch TrafficCom AG since February 2008. He holds a degree from the Technical School of Electrical and Telecommunications Technology and in 1992 completed his training as foreman for industrial electronics.

None of the persons mentioned above

- > exercises appointments to Supervisory Boards or comparable positions in other publicly listed companies or
- > is a director of a publicly listed company and simultaneously fulfils more than four appointments to Supervisory Boards in stock companies outside of the Group or
- > occupies a position in one of the bodies of companies which are in competition with Kapsch TrafficCom AG.

In the fiscal year 2016/17 (from April 1, 2016 to March 31, 2017), besides the constituting meeting the Supervisory Board held another four meetings. The Executive Board also took part in the latter. No member of the Supervisory Board took part in less than half of the meetings.

Committees of the Supervisory Board.

The **audit committee** has the duties listed in Section 92 (4)(a) "Aktiengesetz" (Austrian Stock Corporation Act) and is competent to make decisions to this extent. This includes auditing and preparing the approval of the annual and consolidated accounts, auditing the corporate governance report, handling the report on risk management pursuant to C-rule 83 of the ACCG, the review of the audit process and the independence of the auditor, the preparation of a proposal for the distribution of profit as well as the preparation of the report to the annual general meeting. Moreover, the audit committee prepares the proposal of the Supervisory Board for the selection of the annual auditor (consolidated accounts auditor), reviews the accounting process as well as the effectiveness of the internal control system and the risk management system. A member of the audit committee must be a so-called financial expert. Persons who were formerly members of the Executive Board, managing director or annual auditor, as well as persons who certified the annual or consolidated accounts in the last three years, cannot act as financial experts or as chairperson of the audit committee. This committee is made up of Franz Semmerneegg (Chairman and financial expert), Harald Sommerer (financial expert) and Christian Windisch. The annual auditor is to be included in the meetings of the audit committee which concern the preparation of the approval of the annual accounts (consolidated accounts) and their auditing. The audit committee held a total of four meetings in the 2016/17 fiscal year. The annual auditor was present at two meetings; there was no need for a joint meeting without the presence of the Executive Board. No member of the audit committee took part in less than half of the meetings.

Committees of the Supervisory Board:

- > audit committee
- > committee for Executive Board matters.

The **committee for Executive Board matters** is responsible for the relations between the company and the members of the Executive Board (including remuneration issues) and to this extent has decision-making authority. This excludes the appointment and recall of members of the Executive Board, however (responsibility of the full Supervisory Board). The committee is composed of two members of the Supervisory Board who are selected by the annual general meeting, including the Chairman of the Supervisory Board. This committee is made up of Franz Semmerneegg (Chairman) and Harald Sommerer. Both men possess knowledge and experience in the area of remuneration policy. Mr. Semmerneegg is CEO and is the director responsible for personnel agenda at Kapsch BusinessCom. Mr. Sommerer was CEO and also the director responsible for personnel agenda at Zumtobel AG, as well as previously at AT&S Austria Technologie & Systemtechnik Aktiengesellschaft. The committee for matters of the Executive Board held one meeting in the past fiscal year. In this meeting, both the remuneration for the Executive Board as well as the extension of Georg Kapsch's appointment to the board were discussed. No member of the committee for matters of the Executive Board took part in less than half of the meetings.

Remuneration for the Supervisory Board.

In EUR thousand	2015/16	2016/17
Franz Semmerneegg	50	50
Kari Kapsch	30	30
Sabine Kauper	16	16
Harald Sommerer	24	24
Total	120	120

With the resolution of the annual general meeting of September 9, 2015, the total remuneration of the selected members of the Supervisory Board was determined to be EUR 120,000 per year, whereby the Chairman is responsible for distributing this amount. This shall apply until a future annual general meeting decides on another remuneration. In addition, the members of the Supervisory Board are entitled to expenses. In the 2016/17 fiscal year, travel costs amounting to EUR 2,000 were compensated. No stock options program is provided for members of the Supervisory Board.

Directors and officers liability insurance.

The members of the Supervisory Board are insured against financial losses within the framework of Directors and officers liability insurance. Alongside the Supervisory Board, the members of the Executive Board and the management staff of Kapsch TrafficCom Group are insured. Because a total premium is paid, it is not possible to allocate to individual members of the Supervisory Board.

Independence of the Members of the Supervisory Board.

A member of the Supervisory Board shall be deemed as independent according to C-rule 53 ACCG if said member does not have any business or personal relations with the company or its Executive Board that constitute a material conflict of interests and is therefore suited to influence the behavior of the member.

Kapsch TrafficCom AG is part of the Kapsch Group. All members of the management of the parent company (KAPSCH-Group Beteiligungs GmbH) are equal and exercise various positions in companies of the Kapsch Group. No significant conflict of interests is to be assumed here. DATAX HandelsgmbH acts purely as an investment company and has no influence on the business activity of its 100% subsidiary KAPSCH-Group Beteiligungs GmbH. For these reasons, any Supervisory Board member of Kapsch TrafficCom AG, which are at the same time members of the management of KAPSCH-Group Beteiligungs GmbH (and therefore representatives of shareholders with an entrepreneurial stake) are to be declared independent of Kapsch TrafficCom AG, even if they do not formally satisfy points 1, 5 or 7 of the following catalogue.

1. The Supervisory Board member shall not have served as member of the Executive Board or as a management-level staff of the company or one of its subsidiaries in the past five years.
2. The Supervisory Board member shall not maintain or have maintained in the past year any business relations with the company or one of its subsidiaries to an extent of significance for the member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a considerable economic interest, but not for exercising functions in the bodies of the group.
3. The approval of individual transactions by the Supervisory Board pursuant to L-rule 48 ACCG does not automatically mean the person is qualified as not independent.
4. The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
5. The Supervisory Board member shall not be a member of the Executive Board of another company in which a member of the Executive Board of the company is a Supervisory Board member.
6. A Supervisory Board member may not remain on the Supervisory Board for more than 15 years. This shall not apply to Supervisory Board members who are shareholders with an entrepreneurial stake in the company or who represent the interests of such a shareholder.
7. The Supervisory Board member shall not be a closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) of a member of the Executive Board or of persons having one of the aforementioned relations.

Declaration of independence. All members of the Supervisory Board have declared themselves to be independent of Kapsch TrafficCom AG pursuant to C-rule 53 ACCG. Sabine Kauper and Harald Sommerer are also independent pursuant to C-rule 54 ACCG.

Transactions which require approval.

Besides those transactions requiring approval listed alongside the "Related parties" in the group notes, in 2016/17 there were no transactions requiring approval pursuant to Section 95 (5) (12) Aktiengesetz.

Operation of the Executive Board and Supervisory Board.

The areas of responsibility of the individual members of the Executive Board, the procedures (such as resolution requirements and procedures) as well as the transactions which require authorization from the Supervisory Board are determined in the articles of association as well as in the rules of procedure for the Executive Board. The Executive Board holds regular meetings with open discussions and mutual exchange of information and passes resolutions in all matters which fall within the responsibility of the full Executive Board.

The Supervisory Board monitors the management of the Executive Board regularly and comprehensively and provides consultation. The Chairman of the Supervisory Board was in regular contact with the Chairman of

the Executive Board in order to discuss the company development, strategy and state of implementation of the strategy, as well as the risk management of the company. The Supervisory Board has provided itself with rules of procedure, in which, inter alia, the composition and the chairmanship, the terms for being called and votes, the area of activity, duties to provide information, transactions requiring authorization as well as the committees are governed.

Members of the Executive Board generally take part in meetings of the Supervisory Board. Together, the points on the agenda, in particular the position and the development of the company and its strategic orientation are openly discussed. The Executive Board also informs the Supervisory Board about relevant developments between the periodically set meetings.

Diversity.

The choice of candidates for a position on the Executive Board or Supervisory Board of Kapsch TrafficCom AG is made by determining how free positions will be filled in the best possible way. In doing so, value will be placed on professional and social competence, personal network, experience and ability to work in a team. A person can be appointed to the Executive Board up to the age of 65 and to the Supervisory Board up to the age of 75. Family background, gender and religious orientation are not criteria.

In the past fiscal year the appointments of three members of the Supervisory Board ended. They were re-selected on the basis of the criteria set out above and by the annual general meeting at the recommendation of the Supervisory Board. In addition, Georg Kapsch's appointment to the Executive Board ended at the end of March 2017. His period in office was also extended.

Advancement of women to the Executive Board, Supervisory Board and in management positions.

Kapsch TrafficCom AG has no formulated plan for the advancement of women to the Executive Board, Supervisory Board and management positions in the company and its subsidiaries. Candidates are selected with regard to the best appointment to free positions, irrespective of gender. The currently still low number of female managers at Kapsch TrafficCom is to do with the fact that the proportion of women in technical fields is still comparatively low. From the point of view of a technology company, a broader base of female engineers must be available. Talented colleagues are valued and can achieve management positions within the organization. Long-term initiatives are required to extend this from today's levels. In this sense, Kapsch TrafficCom cooperates with schools, universities and universities of applied sciences. In addition, Kapsch TrafficCom is involved in the advancement of women through participation in special programs, such as "FIT Frauen in die Technik" ["Women in Engineering"] or "FEMTech".

The work environment is an important factor for the compatibility of work and family. The flexible working hours model at Kapsch TrafficCom AG makes it easier to deal with different private and professional requirements. A group of dedicated female employees formed the initiative women@kapsch, which offers support for personal further development through events and networking opportunities. The company would also like to promote men and women working together, with the aim of using their combined strengths. This is not a matter of the classic separation of roles, but about strengthening strengths. Various activities should lead to a situation where there are more and more management positions filled by women at Kapsch TrafficCom.

In the past fiscal year, one member of the Supervisory Board was female: Sabine Kauper (selected by the annual general meeting). No women were represented in the Executive Board. Women are active in various management positions within Kapsch TrafficCom AG (such as Head of the Finance Department and Head of the Legal Department) and its subsidiaries (e.g. Head of Production at Kapsch Components GmbH & Co KG and Head of Finance of the APAC region).

External evaluation.

This corporate governance report was evaluated externally by the Group Audit established at Kapsch AG. This entity is considered independent because it is not in any investment relationship with Kapsch TrafficCom AG. In order to reinforce the independence and objectivity of the evaluation, Dr. Harald Sommerer was nominated by the audit committee to approach the Group Audit on behalf of the committee, to coordinate the procedure with it and to receive the results. The evaluation was carried out along the lines of the questionnaire issued by the Austrian Working Group for Corporate Governance. There were no objections.

The Executive Board

Mag. Georg Kapsch m.p., André Laux m.p., Dr.-Ing. Alexander Lewald m.p.

“In meetings of the Supervisory Board there are open discussions between the members of the Executive Board and the Supervisory Board”

Georg Kapsch

(for the Executive Board)

Franz Semmernegg

(for the Supervisory Board)

Report from the Supervisory Board.

Dear Shareholders,

The Supervisory Board of Kapsch TrafficCom AG held a total of four meetings in the fiscal year from April 1, 2016 to March 31, 2017. No member of the Supervisory Board took part in fewer than half of the meetings.

The Supervisory Board was moreover constantly informed by the Executive Board in writing and verbally as well as in the meetings which were held together with the Executive Board about the situation and about the development of the company and its strategic orientation; in the reporting period it constantly monitored the management of the Executive Board and supported it in an advisory capacity.

As the Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Executive Board in order to discuss the company's development, strategy and the risk management of the company.

In the past fiscal year there were no transactions requiring approval pursuant to Section 95 (5) (12) AktG (Austrian Stock Corporation Act) with members of the Supervisory Board or with companies in which a member of the Supervisory Board has a significant economic interest, with the exception of the transactions in the Group notes under "Related parties".

The annual accounts as of March 31, 2017 submitted by the Executive Board along with the management report from Kapsch TrafficCom AG of June 7, 2017 as well as the consolidated accounts along with the consolidated management report of June 7, 2017 were audited by the appointed auditor PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and issued with the unqualified audit certificate.

The financial statements, the Executive Board's proposal for the allocation of profits and the audit reports (together with the "Management Letter") of the auditor as well as the Corporate Governance report were dealt with in detail in the audit committee with the Executive Board and the auditor and submitted to the Supervisory Board.

The Supervisory Board checked these documents pursuant to Section 96 AktG and approved the annual accounts so that these are adopted pursuant to Section 94 (4) AktG. The Supervisory Board follows the Executive Board's proposal for the distribution of profits. Therefore, the Executive Board will propose to the annual general meeting on September 6, 2017 to pay a dividend of EUR 1.50 per share for the fiscal year 2016/17.

The audit committee held a total of four meetings in the fiscal year from April 1, 2016 to March 31, 2017 and fulfilled the tasks listed in Section 92 (4a) of the "Aktengesetz". Besides the audit and preparation for the approval of the annual and consolidated annual accounts, this also included the audit of the Corporate Governance report, the monitoring of the final audit and the independence of the auditor, preparation of the proposal for distribution of profits as well as the preparation of the report to the general meeting, the preparation of the proposal for the selection of annual accounts auditor (consolidated accounts auditor) as well as the monitoring of the accounting process, the effectiveness of internal control systems and the risk management system. No member of the audit committee took part in fewer than half of the meetings.

The committee for matters of the Executive Board held one meeting in the past fiscal year.

The Supervisory Board thanks the members of the Executive Board and all employees of Kapsch TrafficCom AG for their work in the fiscal year 2016/17.

Vienna, June 19, 2017



Franz Semmerneegg
Chairman of the Supervisory Board



Franz Semmernegg, Chairman of the Supervisory Board

Kapsch TrafficCom

Kapsch TrafficCom is a provider of intelligent transportation systems in the fields of tolling, traffic management, smart urban mobility, traffic safety and security, and connected vehicles. As a one-stop solutions provider, Kapsch TrafficCom offers end-to-end solutions covering the entire value creation chain of its customers, from components and design to the implementation and operation of systems. The mobility solutions supplied by Kapsch TrafficCom help make road traffic safer and more reliable, efficient, and comfortable in urban areas and on highways alike while helping to reduce pollution.

Kapsch TrafficCom is an internationally renowned provider of intelligent transportation systems thanks to the many projects it has brought to successful fruition in more than 50 countries around the globe. The family-owned company is headquartered in Vienna, Austria and in 2017 celebrated 125 years of successfully developing and implementing new technologies for the benefit of its customers. As part of the Kapsch Group, Kapsch TrafficCom has subsidiaries and branches in more than 30 countries. It has been listed in the Prime Market of the Vienna Stock Exchange since 2007 (ticker symbol: KTCG). Kapsch TrafficCom currently has more than 4,800 employees, and generated revenue of EUR 648.5 million in fiscal year 2016/17.

>>> www.kapsch.net

