Kapsch TrafficCom

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always one step ahead

Annual Financial Statement

Fiscal year 2008/09.

>>> Kapsch TrafficCom

Content

Consolidated Financial Statements as of 31 March 2009
(extract from the Annual Report for fiscal year 2008/09)

This document is a partial translation into English of the annual financial report („Jahresfinanzbericht“) made in the original in German. The German document is authoritative. In particular, this document includes not all information on the stand alone financial statements of Kapsch TrafficCom AG contained in the German original.

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2009.

1 Economic climate.

1.1 General economic situation

The beginning of the last fiscal year was marked by the ongoing financial crisis. This crisis started in the U.S.A. and was triggered by the end of the real estate boom. Due to the worldwide distribution of securitized real estate loans in many portfolios, numerous banks outside the U.S.A. were also affected by massive depreciations, resulting in a global financial crisis in which the banks subsequently lost confidence in each other. Massive excesses on the commodity markets – especially in the price of crude oil – exacerbated this crisis. These warnings of scarce commodities and the associated inflationary tendencies therefore required higher interest rates and tighter controls on the issuing of credit ensued. The crisis therefore gradually impacted the real economy in the second half of 2008 as uncertainty grew and investments declined. This also led to an abrupt decline in the prevailing inflationary pressure as well as to a clear correction of commodity prices.

The international economy is now experiencing its worst crisis since the Great Depression of the 1930s, even if two events are not comparable. The U.S.A., Western Europe and Japan have since slid into recession and the rapidly growing People's Republic of China and the countries of Eastern Europe have also felt the full force of the crisis. Many producers around the world have thus come under pressure and have had to drastically cut their capacities, which has already had a negative impact on the labor market and is likely to worsen even further. This fall in demand was particularly noticeable early on in the automotive and automotive supplier industries, which led to massive problems around the world for companies in this leading sector.

Alongside the original catalyst – the overheating of the U.S. real estate market – other reasons for the severity of this global economic crisis are macroeconomic imbalances, flaws in incentive systems, flaws in risk management systems as well as regulatory and coordination failures.

Although national, regional and international economic policy – in complete contrast to previous crises – has tended to react correctly and has contributed measures to soften the impact of the crisis, the question of how long it will continue cannot be answered with any degree of certainty. In the meantime, a steady stream of reports of improved indicators, especially from the U.S.A., at least allows us to conclude that the pace of the recession is slowing. Nevertheless, both the timing and the speed of recovery in the real economy remain completely unknown. It can be assumed, however, that the crisis will have different durations for the stock market, production and employment and that the recovery will only take place gradually. Discussions on economic dynamism and long-term negative or positive social changes as a result of the crisis also appear speculative, albeit there is hope that necessary steps will be taken and lessons will be learned from the wrongdoings of individual persons.

The U.S.A. is currently in the midst of a crisis of historic size, in which more than 25 banks have already closed, millions of houses have been subject to foreclosure proceedings and the major car manufacturers are in serious risk of bankruptcy. The new U.S. government has therefore passed additional stimulus packages in addition to the unique action taken to rescue the financial industry (banks, investment companies and insurance companies). The aim is to get the crisis under control and further stimulate the economy to avoid the loss of millions of jobs. Experts expect the unemployment rate to rise from 7.2 % (December 2008) to 9 %

in 2009. The battle against the crisis is naturally leading to a massive increase in the indebtedness of the United States' national finances. The deficit for 2009 is expected to be around 13 % of GDP, or USD 1.8 trillion, and forecasts for the next few years also predict additional massive deficits.

As a further measure to combat the crisis, the U.S. Federal Reserve reduced its prime interest rate to between 0 and 0.25 %; its lowest level ever. The U.S. dollar also reflects developments in the real economy. In the summer of 2008, the Euro stood at USD 1.60; at the end of the fiscal year it stood at about USD 1.30, which of course was primarily due to the developing economic crisis in the Euro zone.

The People's Republic of China was also affected by the crisis in the second half of 2008, as its exports to the U.S.A. and Europe fell sharply. This prompted China to respond to the threat with an enormous stimulus package. Economic growth is expected to fall to between 5 and 6 % in 2009 – the country is expected to avoid the recession being experienced by Western industrialized nations.

Following the financial crisis, which required the initiation of unprecedented bank rescue measures, Europe was also affected by the crisis in the real economy beginning in the second half of 2008. The economic forecasts have since been continuously adjusted downwards and they all predict a severe recession for 2009 in the meantime that can be traced to the sharp decline in exports, which in turn is causing manufacturing businesses to curb their investment activities. The collapse in growth is expected to be 5.4 % in Germany as the leading nation and as much as 9 % in Ireland. The ECB has since reduced the European prime interest rate to 1.0 %. The unemployment rate in the Euro zone is expected to rise to 9.9 % in 2009 and to as much as 11.5 % in 2010.

The implemented stimulus packages and rising unemployment numbers will in turn have a massive impact on national budgets. The latest forecasts predicted that only Finland, Luxembourg and Cyprus would stay below the deficit limit of 3 % stipulated in the Maastricht Treaty. The levels for Germany are predicted to be 3.9 % for the current year and as much as 5.9 % for 2010.

In Eastern Europe, the growth rates of recent years (including 2008), which were far above those of Western Europe, are now anticipating a dramatic decline in 2009. Apart from the declines in the relatively large industrial sector (mainly contributed to by the close interrelationship with U.S.A. and Western European banks and companies), the countries of Central and Eastern Europe (CEE) also suffered a double hit due to their significant financing deficits overseas. Experts assume, however, that GDP forecasts for this region are below potential and that most of the regional currencies are currently undervalued. To this extent, CEE countries, which exhibit only minor external financing gaps in relation to GDP (Poland, Czech Republic, Turkey), can at least be viewed as neutral, while the currencies in countries such as Bulgaria, Ukraine, Hungary and the Baltic states should continue to be viewed with extreme caution.

While Austria posted growth in GDP in the first three quarters of 2008, the economy fell into recession in the last quarter of 2008, resulting in GDP growth for the year of just 1.8 %. The global collapse in economic activity hampered the domestic export economy as well as industry. While export growth in 2007 was still far above 8 %, it was just 2.0 % in 2008 and could fall by 5 % in 2009. Growth in investments will also fall for the first time in many years by 3 to 4 %, from +4.7 % in 2007 and +1.8 % in 2008. Sustained, albeit at a lower level, consumption by private households can currently be described as a small stabilizing factor. Pessimism and current or looming unemployment will probably lead to further tightening of the purse strings. During this phase, tax reform can help to avoid weak growth in private consumption from worsening even further.

Recent forecasts suggest that the stabilization originally expected in the second half of the year seems even less likely, as Austria is now expected to see a drop in growth of 4.0 % in 2009, which corresponds to the average rate of decline for the Euro zone as a whole. The Austrian economy is only expected to recover in 2010, with a slight fall in economic output of 0.1 %. The EU Commission expects the budget deficit in Austria to rise from 4.2 % this year to as much as 5.3 % in 2010.

The phase of rising employment and falling unemployment also started to come to an end on the labor market in the second half of 2008. According to Eurostat, the unemployment rate in Austria accelerated to 5.0 % this year and is expected to reach as much as 5.8 % next year after 3.8 % in 2008. Inflation is expected to remain at a low level in 2009 (1.1 %) and in 2010 (1.3 %).

1.2 Development of the market for traffic telematics solutions

According to analyses of the EU (European Union 2006, “Energy & Transport in Figures”), total freight traffic increased by 2.8 % p.a. and in the aggregate by 31.3 % between 1995 and 2005. The rise in road freight traffic amounted to 3.3 % p.a. and in the aggregate by 37.9 %. Despite political pressure, efforts to shift freight traffic to rail and/or waterways failed.

For the TEN-V (Trans-European road Network), which in 2005 at a total length of 84,700 km accounted for approximately a quarter of the total primary road network, yet carried 40 % of the road freight traffic, an average extension of 4,800 km p.a. is expected until 2020, 3,500 km of which are made up by existing roads. High investment requirements have been determined in particular for the new member states and the transport corridors to these countries. In its “White Paper: European transport policy for 2010” the European Commission estimated that investment costs until 2020 will amount to EUR 600 billion. The rising number of vehicles requires additional funds in order to maintain the existing infrastructure and expand it accordingly to meet the growing needs. The current economic crisis has also affected the area of infrastructure development and traffic telematics. While expectations for growth in traffic remain high in the long term, the recession led to a reduction of traffic and as a result to a reduction of revenues.

Subject to individual requirements, satellite-based systems are used in addition to DSRC (dedicated short-range communication) based systems, which operates on the CEN 5.8 GHz standard. Considerable growth potential is also expected from the video-based automatic number plate recognition (ANPR) technology for the enforcement and road user charging/tolling of urban environments.

In urban environments, efforts are being made to reduce environmental pollution and traffic through city charging/tolling systems. In particular, Italy is trying to counter the environmental pollution in the cities with automated access restrictions to the historic city centers.

The volume of traffic is rising not only in Europe, but as a general trend worldwide. Particularly in Asian countries, increased demand for additional ETC lanes in previously traditional manual tolling systems is expected. With 3.38 million km in 2004, the road network in India ranks among the largest in the world. Only 2 % thereof account for national highways that, however, carry 40 % of the road freight traffic. In China, 52,000 km of highways were constructed between 1992 and 2002 and an additional 200,000 km are being planned.

The high funding requirements for the maintenance of the road infrastructure in the U.S.A. (Standard & Poor’s research estimates that until 2020 USD 92 billion would have to be spent each year for the maintenance of highways and bridges and an additional USD

125.6 billion for their improvement) will lead to changed business models and the emergence of private concession models in the near future. Whereas in Europe DSRC technology prevails, which operates in the 5.8 GHz range, ETC systems in North America currently operate at a frequency of 915 MHz based on proprietary protocols. It is expected that the U.S.A. will gradually switch to a frequency of 5.9 GHz. The communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment), apart from the tolling application, is designed to be used in car-to-car communication to improve traffic safety, expand traffic telematics solutions and for infotainment as well as entertainment. These developments will probably allow European manufacturers to increasingly penetrate the North American market.

2 Economic situation of the Group.

2.1 Business development

Revenues were at EUR 200.3 million in fiscal year 2008/09, up 8 % compared to the same period of the previous fiscal year (EUR 185.7 million) even against the background of the currently difficult situation on the international financial markets. The increase in revenues in the past fiscal year was driven by both large segments: Road Solution Projects (RSP) as well as Services, System Extensions, Components Sales (SEC) whereas the segment Others (OTH) declined compared to the previous year.

Kapsch TrafficCom continued its expansion strategy. With the acquisition of all of the assets of the “Mobility Solutions” business unit of California-based TechnoCom Corporation and the incorporation of Kapsch TrafficCom Holding Corp. as well as Kapsch TrafficCom U.S. Corp., the company now owns a development and a project realization entity in the U.S.A. In the European market, Kapsch TrafficCom strengthened its presence through the partnership with Busi Impianti S.p.A. and the establishment of the Kapsch-Busi joint venture in Italy. Kapsch-Busi S.p.A. willl focus on the market for city access control in Italy and achieved a first-time success only a few months after its establishment with orders in Bergamo, Cremona and Torino. In addition, Kapsch TrafficCom incorporated wholly-owned subsidiaries in Slovenia and Bulgaria for future projects. In Poland, Kapsch TrafficCom acquired a 25 % stake in the newly established Autostrada Wschodnia Sp. z o.o.

On 16 January 2009, Kapsch TrafficCom AG acquired 20.47 % of the outstanding shares in Q-Free ASA, a Norwegian company and competitor.

In the Czech Republic, road user charges are currently collected on around 1,000 km of highways and expressways and since 1 January 2008 on additional 200 km of expressways for all vehicles above 12 tons. Distance-related tolling is planned to be extended to all vehicles above 3.5 tons. In total, there are currently 378,000 OBUs in operation. In June 2008, the pilot installation for a satellite-based tolling system started operation and a telematics platform was implemented. Both systems are in pilot operation that is expected to last one year. The implementation of a traffic management system was concluded in October 2008.

Average performance rates on high levels in the Czech Republic and in Austria resulted in bonus payments in the past fiscal year 2008/09.

2.2 Results of operations

Revenues in the RSP segment increased by 21 % to EUR 56.8 million compared to EUR 47.0 million in the same period of the previous fiscal year. The increase primarily resulted from the project realization in New Zealand and in the Czech Republic.

The SEC (Services, System Extensions, Components Sales) segment increased revenues by 5 % from EUR 128.8 million to EUR 135.6 million. This positive development was primarily attributable to recurring revenues from the services in connection with the technical and commercial operation of the nationwide electronic truck tolling system in the Czech Republic and an increase in the volume of components sales, particularly on-board units (OBUs). At more than 2.7 million, the total volume of OBUs delivered in fiscal year 2008/09 increased by more than 7 % compared with nearly 2.5 million units in the previous fiscal year. The increase in OBU sales mainly resulted from Austria, Australia, France and Greece.

Revenue by segment (share in revenues)		2008/09		2007/08		+/- %	2006/07	
Road Solution Projects (RSP)								
Revenues	in million EUR	56.8	(28 %)	47.0	(25 %)	21 %	105.0	(53 %)
EBIT	in million EUR	-1.7		6.3		<-100 %	11.6	
Services, System Extensions, Components Sales (SEC)								
Revenues	in million EUR	135.6	(68 %)	128.8	(69 %)	5 %	80.6	(41 %)
EBIT	in million EUR	31.7		29.1		9 %	15.8	
Others (OTH)								
Revenues	in million EUR	8.0	(4 %)	10.0	(5 %)	-20 %	13.0	(7 %)
EBIT	in million EUR	-1.0		-0.4		<-100 %	-0.5	

The revenue composition at a ratio of 28 % RSP to 68 % SEC in the fiscal year 2008/09 was similar to the previous year (25 % to 69 %).

Revenue by region (share in revenues)		2008/09		2007/08		+/- %	2006/07	
Central- and Eastern Europe (incl. Austria)	in million EUR	139.3	(70 %)	124.2	(67 %)	12 %	157.3	(79 %)
Western Europe	in million EUR	21.3	(11 %)	17.6	(9 %)	21 %	12.9	(6 %)
Americas	in million EUR	14.0	(7 %)	18.8	(10 %)	-25 %	15.4	(8 %)
Rest of World	in million EUR	25.6	(12 %)	25.2	(14 %)	2 %	13.0	(7 %)

Revenues in CEE markedly increased compared to the previous fiscal year and represent approximately 70 % of total revenues. The increase in revenues in Western Europe largely results from the SEC segment and specifically from orders in France, Spain and Greece and from the joint venture in Italy. The reduction in revenues in Americas results from a project realization in Chile in the previous fiscal year.

In fiscal year 2008/09, EBIT declined by 17 % to EUR 29.0 million (2007/08: EUR 34.9 million). The EBIT margin was reduced from 18.8 % to 14.5 % and reached about the level of fiscal year 2006/07 (13.5 %). At EUR 78.1 million, cost of material and other production services remained nearly unchanged compared to the previous fiscal year although revenues increased. Staff costs increased by EUR 7.6 million and other operating expenses also increased by EUR 6.9 million compared to the previous fiscal year. Both increases are due to the increase of the headcount for the extension of capacity for future large projects, to the acquisitions or establishments of new companies in the U.S.A. and Italy and to the technical and commercial operation services for the nationwide electronic truck tolling system in the Czech Republic.

Due to a financial result of EUR -7.1 million (2007/08: EUR 7.9 million) resulting from currency losses and the impairment of certain short-term financial assets (securities), profit before tax decreased to EUR 21.9 million (2007/08: EUR 42.8 million) and profit after tax also decreased to EUR 16.4 million (2007/08: EUR 32.1 million).

2.3 Assets and liabilities

In the past fiscal year, the balance sheet total of Kapsch TrafficCom Group increased by 9 % from EUR 298.4 million to EUR 324.5 million. This increase primarily results from the change in short-term assets due to an increase of the inventories by EUR 8.5 million and an improvement of cash and cash equivalents by EUR 12.8 million. Within the non-current assets, property, plant and equipment increased by EUR 10.7 million due to the investment in production lines and the relocation of the companies in Vienna. The change in intangible assets mainly resulted from the acquisition of all of the assets of the “Mobility Solutions” business unit of TechnoCom Corporation and the newly formed joint venture Kapsch-Busi S.p.A. in Italy. The purchase of 20.47 % of the outstanding shares in Q-Free ASA led to an increase in the shares of associates to EUR 12.3 million. In contrast to this development, other non-current assets decreased by EUR 36.6 million due to the reduction of trade receivables in connection with the nationwide electronic tolling system in the Czech Republic.

On the liabilities side of the balance sheet, the increase of short-term liabilities reflects the increase of the balance sheet total. Short-term financial liabilities increased by EUR 31.8 million to EUR 49.2 million (31 March 2008: EUR 17.4 million) due to the financing of acquisitions and the long-term agreement on credit lines in connection with the financing in the Czech subsidiary. Kapsch TrafficCom Group thus showed an equity ratio of 41.4 % as of the balance sheet date 31 March 2009 (31 March 2008: 44.7 %).

2.4 Financial position

In the fiscal year 2008/09, the cashflow from operating activities could be improved to EUR 42.1 million (2007/08: EUR -10.5 million) due to a positive change in net current assets from EUR -72.4 million in the previous fiscal year to EUR -7.7 million in the fiscal year 2008/09.

Cashflow from investing activities was at EUR -44.8 million (2007/08: EUR -11.6 million) primarily due to acquisitions, to payments in connection with asset deals, to an increase of intangible assets and the purchase of tangible assets in connection with the relocation of the companies in Vienna as well as the expansion of the production.

Cashflow from financing activities was at EUR 19.3 million (2007/08: EUR 47.6 million) due to the positive development of current financial assets from EUR -4.3 million in the previous year to EUR 31.8 million in the fiscal year 2008/09. This development could not compensate the one-time effect of the IPO (EUR 65.8 million) in June 2007.

Cash and cash equivalents increased by EUR 12.8 million to EUR 60.2 million, as of 31 March 2009 (31 March 2008: EUR 47.4 million). Such cash and cash equivalents are available for further growth.

2.5 Non-financial performance indicators

Reliability and accuracy of installed ETC systems

The toll transaction rate is a ratio for the accuracy and reliability of a tolling system. It shows the number of successful transactions in relation to all potential toll collection transactions of vehicles equipped with a functioning on-board unit (OBU). A high toll transaction rate translates to maximum toll revenue.

In 2008, the average toll transaction rate of the existing truck tolling system in Austria amounted to approximately 99.7 %, slightly above the year 2007. [1]

During the same period, the average performance rate of the nationwide electronic tolling system in the Czech Republic (phase I) was approximately 98.2 %, up 0.7 % from the 97.5 % in 2007. [1]

Staff

In the fiscal year 2008/09, the average number of personnel in the Kapsch TrafficCom Group amounted to 898 persons. As of 31 March 2008, 946 persons were employed.

The Group places great importance on the continued training and education of its employees. In this context, not only is professional education and training promoted, but also seminars and training sessions for the development of one's own personality or ability to work in a team are offered. Within the framework of the Kapsch Academy, training sessions tailored to the particular needs of employees are offered. Selected employees are prepared for their future tasks by a management trainee program.

The Group has a job rotation program in place to promote the international exchange of staff between the various locations.

Depending on the years of service and profits, the company pays contributions for its employees to an external pension fund.

Furthermore, Kapsch TrafficCom Group currently has a profit participation program in place, by which the company provides its staff with the opportunity to share in the profit of the Kapsch Traffic Com Group.

Kapsch TrafficCom AG is certified pursuant to OHSAS 18001 for occupational health and safety and has implemented the necessary measures in its internal processes.

1 Calculation of the average performance rate is based on methodologies agreed with the respective; customer comparisons of average performance rates in different projects are therefore limited.

Environment

Valid certificates for quality pursuant to ISO 9001 and environment pursuant to ISO 14001 are in place. For the future, it is planned to meet the social responsibility to an even higher degree, in particular to use natural resources even more economically and responsibly.

Corporate social responsibility

Living up to its socio-political responsibility, the entire Kapsch Group supports – organized by Kapsch AG – a number of contemporary art and cultural institutions or projects and selected training initiatives, as well as extensive social measures. The company shows this attitude not only to the outside. Employees of Kapsch TrafficCom Group also appreciate this sustained social responsibility of the company which is manifested in the form of many programs and measures.

2.6 Risk management

As a technology company, Kapsch TrafficCom Group operates in an ever changing environment. Risks are therefore part of its day-to-day business. Risk for the company means the possibility of divergence from company objectives; thus, the definition of risk includes positive (chances) as well as negative (risks) divergences from planned objectives.

Risk management system

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG. Under the responsibility of a central risk manager, risk management in institutionalized processes collects and analyses all relevant chances and risks of the Group's projects and provides the basis for the timely planning and implementation of control measures. It is planned to gradually develop risk management into a company-wide chance and risk management. 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 Kapsch TrafficCom Group is generated in the Road Solution Projects (RSP) segment. In this segment, the Group regularly participates in tenders for the implementation and operation of large electronic toll collection (ETC) systems. On the one hand, there is the risk that tenders in which the Group participates or plans to participate are delayed or withdrawn, e.g., as a result of political changes or appeals or legal actions by unsuccessful bidders. On the other hand, there is the risk that Kapsch TrafficCom Group does not succeed with offers for new projects for technological, financial, formal or other reasons. Follow-up revenues from maintenance agreements and from the technical operation also depend on the successful participation in tenders for systems.

The strategy of Kapsch TrafficCom Group is aimed at reducing the volatility of sales/revenues through increased geographic diversification and increased diversification of the product portfolio as well as the sustained growth of the share of maintenance and operations.

Risks of project execution

In connection with the implementation of systems, Kapsch TrafficCom Group most of the times is obliged by contract to issue performance guarantees. Since ETC systems are frequently sophisticated and technologically complex systems and have to be implemented within a short time frame, system and product defects can occur due to the limited time available for tests. In case the guaranteed performance levels are not achieved or deadlines exceeded, penalties usually have to be paid. A significant delay in a project or failure to achieve guaranteed performance levels in a project would also reduce the chances of success in future tenders for systems.

Kapsch TrafficCom Group applies risk management methods and risk management procedures in order to guard against risks associated with projects.

Long-term contracts with public authorities

In numerous systems, the awarding authorities are public authorities. Framework and service contracts in connection with tolling projects may include terms and conditions which are not negotiable in a tender process and which may be disadvantageous for the Kapsch TrafficCom Group. 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 of the Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities.

While Kapsch TrafficCom Group aims to include appropriate limitations to its liability in contracts, there can, however, be no guarantee that sufficient limitations to its liability are contained in all contracts or that they can be enforced under applicable law.

Strategic risks

Innovation leadership

The leading market position of the Kapsch TrafficCom Group is, to a large extent, based on its ability to develop state-of-the-art, efficient and reliable systems, components and products. In order to maintain its technological leadership, the Kapsch TrafficCom Group invests a considerable portion of its revenues in research and development activities. However, if the Group does not succeed in developing new systems, components and products, this can be detrimental to the competitive position of the Kapsch TrafficCom Group. Since its innovation leadership is, to a large degree, based on technology, the company's internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the Group. In addition, any default in protecting these technologies may have a negative impact on the competitive position of the Group. On the other hand, systems, components, products or services could infringe on intellectual property rights of third parties.

The Kapsch TrafficCom Group places great importance on the protection of technologies and the company's internal know-how, e.g., by means of patents and non-disclosure agreements with other parties. In order to avoid legal action and court proceedings, the Kapsch TrafficCom Group permanently monitors potential intellectual property rights infringements.

Acquisition and integration of companies as a part of the company's growth

One of the strategic objectives of the Kapsch TrafficCom Group is to grow internationally both organically and through selected acquisitions and joint ventures. In the implementation of this strategy, the Group acquired several companies worldwide and integrated them into the Group. However, a number of challenges remain in connection with this growth strategy and it cannot be guaranteed that the objectives and synergies will be fully reached in all future acquisitions and joint ventures.

Financial risks

Foreign exchange risk

The Group maintains branches, offices and subsidiaries in several countries outside the Euro zone. A considerable part of revenues and costs is not denominated in Euro, but in the currencies of the respective foreign companies. Although the Group, if required, aims to hedge the net currency position of the individual contract, currency fluctuations may result in losses from changes in exchange rates in the consolidated financial statements (transaction risk). In addition, risks arise from the translation of foreign separate financial statements into the group currency, the euro (translation risk). Changes in exchange rates may also result in a change in the competitive position of Kapsch TrafficCom Group.

Interest rate risk

Under project financing, variable interest rates are also regularly entered into, which are tied to market interest rates (Euribor, Pribor etc.). In this context, the Kapsch TrafficCom Group is exposed to interest rate risks. The Kapsch TrafficCom Group hedges against interest rate risks, if material, through appropriate financial instruments.

Personnel risks

The success of the Kapsch TrafficCom Group depends heavily on key personnel with long years of experience in the traffic telematics industry. Moreover, in the current strong growth phase of the Group, its ability to recruit qualified staff and, to integrate them into the company and retain them in the long term is crucial. The loss of key personnel, any problems with personnel and difficulties in the recruitment of personnel may adversely affect the success of the Group.

Kapsch TrafficCom Group has implemented a number of measures to deal with personnel risks, such as incentive schemes, training opportunities, etc. In addition, employees were offered shares at a preferential price in the initial public offering under an employee participation program. A considerable number of employees made use of this opportunity.

Legal risks

The market for ETC systems is influenced by numerous statutory provisions at the EU level and at the level of national legislation.

IT risks

As a technology group, the Kapsch TrafficCom Group is exposed to typical IT risks relating to security, confidentiality and availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system set according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (Information Security Management).

Summary assessment of the Group's risk situation

From a current perspective, no risks have been identified that could endanger the going concern of the Kapsch TrafficCom Group. Increasing geographic diversification, the diversification of its product portfolio, together with a rising portion of recurring revenues (further growth of the Services, System Extensions, Components Sales segment) are planned to further reduce risk concentrations in the future.

2.7 Research and development

Kapsch TrafficCom has a network of research and development centers in Vienna (Austria), Jönköping (Sweden), Buenos Aires (Argentina) and Carlsbad (California, U.S.A.). The research and development centers are organized as competence centers. Research and development activities are being coordinated from the headquarters in Vienna. As of 31 March 2009, Kapsch Traffic Com employed approximately 210 research and development engineers in its research and development activities, including project management for research projects, quality assurance and testing, documentation and certification (as of 31 March 2008: approximately 170).

Research and development activities and in particular the knowledge on as well as the application of newest technologies based on national and international standards, are a high priority for Kapsch TrafficCom in light of its business development and support to enter new markets. The current focus is on countries, such as the U.S.A., South Africa and India. In order to meet the high expectation of the market, especially to address the rising demand of time-to-market, research and development activities are often accompanied by acquisitions. The acquisition of the assets of the "Mobility Solutions" business unit of TechnoCom Corporation, resulted in an extension of the research and development centers.

Kapsch TrafficCom focuses its activities primarily on new, innovative applications and applied research and development for all kinds of telematics solutions. The research and development activities in some areas are complemented by joint projects and close cooperation with universities, public and private institutes and technology and research companies.

Successful research and development is the foundation for the sustained improvement of existing products and systems and the continuous reduction of production, installation, operations and maintenance costs, all of which are essential for maintaining our technological and competitive advantage.

Research costs are recognized as expense. The same applies to development costs, unless IFRS criteria for the recognition as intangible assets are satisfied. As the income statement is presented by nature of expense, research and development costs are recognized in various items of the income statement, in particular under cost of material and other production services, staff costs and other operating expenses.

2.8 Disclosures pursuant to Section 267 UGB in connection with Section 243a UGB

1. The registered share capital of Kapsch TrafficCom AG amounts to EUR 12,200,000 and is fully paid in. It is divided into 12,200,000 no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. As of 31 March 2009, approximately 31.6 % of the shares in Kapsch TrafficCom AG have been in free float. As of 31 March 2009, KAPSCH-Group Beteiligungs GmbH held approximately 68.4 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, the shares of which are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act *("Privatstiftungsgesetz")*. As of 31 March 2009, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares conveys special control rights.
5. There are no restrictions regarding the execution of the voting rights by employees with a stake in the company.
6. There are no special provisions on the appointment and removal of members of the management board and the supervisory board.
7. The company has an authorized capital *("genehmigtes Kapital")* of EUR 800,000. The subscription rights of the shareholders have been excluded in respect of such authorized capital. The management board may, with the approval of the supervisory board, make use of the existing authorized capital.
8. No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
9. There are no agreements between Kapsch TrafficCom AG and members of the management board or the supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.9 Outlook and targets

With the fiscal year 2009/10 in mind, the company takes an optimistic long-term view on its markets even in a changed economic environment. The fiscal year 2009/10 will be shaped by participation in tenders and by project awards in Hungary, Slovenia, France, Portugal, South Africa, and in the U.S.A.

2.10 Material events after the balance sheet date

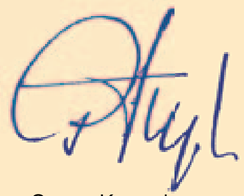
Repurchase of minority interests

On 9 April 2009, Kapsch TrafficCom AG acquired 19 % of the shares of Brisa Internacional, SGPS, S.A., Sao Domingos da Rana, in Kapsch Telematic Services GmbH for a purchase price of EUR 2.3 million. In addition, another 7 % of the shares in Kapsch Telematic Services GmbH were acquired indirectly through acquisition of BRISA ACCESS Europe GmbH, Vienna, for a purchase price of EUR 1.9 million.

Incorporation of subsidiaries

On 7 April 2009, Kapsch TrafficCom Kazakhstan LLC, Astana, was incorporated as a wholly-owned subsidiary of Kapsch TrafficCom AG in Kazakhstan.

Vienna, 15 May 2009



Georg Kapsch
Chief Executive Officer

Erwin Toplak
Chief Operating Officer

Statement of all Members of the Management Board.

Statement of all Members of the Management Board pursuant to Section 82 Para. 4 No. 3 BörseG (Austrian Stock Exchange Act)

As members of the Board we hereby declare to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

Vienna, 15 May 2009

Georg Kapsch
Chief Executive Officer

Erwin Toplak
Chief Operating Officer

Consolidated Financial Statements as of 31 March 2009.

Consolidated income statement.

all amounts in EUR	Note	2008/09	2007/08
Continuing Operations			
Revenue	(1)	**200,281,637**	**185,734,678**
Other operating income	(2)	2,612,709	5,194,394
Changes in finished and unfinished goods and work in progress	(3)	4,656,943	6,667,081
Other own work capitalized		145,729	0
Cost of materials and other production services	(4)	-78,143,939	-78,647,198
Staff costs	(5)	-54,637,097	-46,969,222
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-6,031,349	-4,092,312
Other operating expenses	(7)	-39,882,867	-32,967,747
Operating result		**29,001,766**	**34,919,674**
Finance income	(8)	12,076,245	13,898,949
Finance costs	(8)	-19,211,633	-6,009,417
Financial result	(8)	-7,135,388	7,889,532
Result from associates	(13)	0	-51,152
Profit before income taxes		**21,866,378**	**42,758,054**
Income taxes	(9)	-5,498,770	-10,698,610
Profit for the year		**16,367,608**	**32,059,444**
Attributable to:			
Equity holders of the company		12,976,941	30,412,759
Minority interests		3,390,667	1,646,685
		16,367,608	**32,059,444**
Earnings per share from the profit for the year attributable to the equity holders of the company (in EUR per share)	(31)	**1.06**	**2.60**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2009 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	2008/09	2007/08
ASSETS			
Non-current assets			
Property, plant and equipment	(11)	16,886,895	6,191,728
Intangible assets	(12)	26,089,490	8,593,152
Shares in associates	(13)	12,302,472	0
Other non-current financial assets and investments	(14)	3,784,450	3,405,449
Other non-current assets	(15)	18,423,234	55,005,342
Deferred tax assets – due from tax group leader	(22)	1,300,938	2,399,361
Deferred tax assets – non-tax group	(22)	6,940,884	4,880,464
		85,728,363	**80,475,496**
Current assets			
Inventories	(16)	34,219,784	25,734,379
Trade receivables and other current assets	(17)	140,408,909	135,837,086
Other current financial assets	(14)	3,945,728	8,895,252
Cash and cash equivalents	(18)	60,229,653	47,428,544
		238,804,074	**217,895,261**
Total assets		**324,532,437**	**298,370,757**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(19)	12,200,000	12,200,000
Capital reserve		70,077,111	70,077,111
Currency translation differences		-3,809,749	220,011
Fair value valuation reserve	(20)	-145,873	-971,375
Consolidated retained earnings and other reserves		51,724,779	49,727,838
		130,046,268	**131,253,585**
Minority interests		**4,193,524**	**2,123,011**
Total equity		**134,239,792**	**133,376,596**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	10,060,250	10,581,243
Liabilities from post-employment benefits to employees	(23)	14,214,016	14,088,937
Non-current provisions	(26)	524,042	1,693,548
Other non-current liabilities	(24)	14,773,324	26,149,682
Deferred income tax liabilities – due to tax group leader	(22)	1,653,383	1,607,668
Deferred income tax liabilities – non-tax group	(22)	217,025	447,171
		41,442,040	**54,568,249**
Current liabilities			
Trade and other current payables		56,253,018	39,049,926
Other liabilities and deferred income	(25)	25,316,061	29,485,680
Current tax payables		7,449,143	6,258,677
Current financial liabilities	(21)	49,209,541	17,381,784
Current provisions	(26)	10,622,842	18,249,845
		148,850,605	**110,425,912**
Total liabilities		**190,292,645**	**164,994,161**
Total equity and liabilities		**324,532,437**	**298,370,757**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2009 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	Currency translation differences	Fair value reserve	Consolidated retained earnings and other reserves		
Carrying amount as of 31 March 2007	**10,000,000**	**5,325,259**	**914,309**	**-114,371**	**29,130,494**	**339,556**	**45,595,247**
Currency translation differences	0	0	-694,298	0	0	136,770	-557,528
Fair value gains/losses realized	0	0	0	-51,817	0	0	-51,817
Fair value gains/losses (net of tax)	0	0	0	-805,187	0	0	-805,187
Net income/expense recognized directly in equity	*0*	*0*	*-694,298*	*-857,004*	*0*	*136,770*	*-1,414,532*
Capital increase from initial public offering	2,200,000	0	0	0	0	0	2,200,000
Premium from initial public offering less expenses relating to the initial public offering	0	64,751,852	0	0	0	0	64,751,852
Effects of business combinations	0	0	0	0	184,585	0	184,585
Dividend for 2006/07	0	0	0	0	-10,000,000	0	-10,000,000
Profit for the year	0	0	0	0	30,412,759	1,646,685	32,059,444
Carrying amount as of 31 March 2008	**12,200,000**	**70,077,111**	**220,011**	**-971,375**	**49,727,838**	**2,123,011**	**133,376,596**
Currency translation differences	0	0	-4,029,760	0	0	-262,136	-4,291,896
Fair value gains/losses realized	0	0	0	1,003,795	0	0	1,003,795
Fair value gains/losses (net of tax)	0	0	0	-178,292	0	0	-178,292
Net income/expense recognized directly in equity	*0*	*0*	*-4,029,760*	*825,503*	*0*	*-262,136*	*-3,466,393*
Dividend for 2007/08	0	0	0	0	-10,980,000	-1,058,019	-12,038,019
Profit for the year	0	0	0	0	12,976,941	3,390,667	16,367,608
Carrying amount as of 31 March 2009	**12,200,000**	**70,077,111**	**-3,809,749**	**-145,872**	**51,724,779**	**4,193,523**	**134,239,792**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2009 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 cash flow statement.

all amounts in EUR	Note	2008/09	2007/08
Cash flow from operating activities			
Operating result		29,001,765	34,919,674
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	6,031,349	4,092,312
Increase/decrease in obligations for post-employment benefits	(23)	125,079	-463,451
Change in other non-current liabilities and provisions	(24)	-39,109	9,141
Increase in trade receivables (non-current)	(15)	36,613,599	26,679,092
Increase in trade payables (non-current)	(24)	-11,376,358	-663,820
Other (net)		-3,479,570	6,364,155
		56,876,755	**70,937,103**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(17)	-4,571,823	-59,810,410
Increase/decrease in inventories	(16)	-8,485,405	-5,834,616
Increase/decrease in trade payables and other current payables		13,033,471	-10,615,016
Increase/decrease in current provisions	(26)	-7,627,003	3,848,830
		-7,650,760	-72,411,212
Cash flow from operations		**49,225,995**	**-1,474,109**
Interest received	(8)	2,025,158	2,082,913
Interest payments	(8)	-3,698,830	-3,940,442
Net payments of income taxes		-5,454,731	-7,445,292
Net cash flow from operating activities – continuing operations		42,097,592	-10,776,930
Net cash flow from operating activities – discontinued operations	(30)	0	257,992
Net cash flow from operating activities – total		**42,097,592**	**-10,518,938**

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all amounts in EUR	Note	31 March 2009	31 March 2008
Cash flow from investing activities			
Purchase of property, plant and equipment	(11)	-17,542,971	-3,441,286
Purchase of non-current intangible assets	(12)	-4,687,266	-582,231
Purchase of securities and investments	(14)	-383,060	-30,548,455
Payments for acquisition of companies (net of cash acquired)	(28)	-11,570,796	-74,790
Payments for the acquisition of shares in companies consolidated at equity	(13)	-12,302,472	0
Proceeds from the sale of shares in subsidiaries		0	1,090,909
Proceeds from the disposal of property, plant and equipment and intangible assets		1,703,650	1,156,499
Proceeds from the sale of securities		13,358	20,800,756
Net cash flow from investing activities – continuing operations		-44,769,557	-11,598,598
Net cash flow from investing activities – discontinued operations	(30)	0	0
Net cash flow from investing activities – total		**-44,769,557**	**-11,598,598**
Cash flow from financing activities			
Contributions from shareholders		0	65,802,469
Dividends paid to company shareholders	(8)	-12,038,019	-13,500,000
Increase/decrease in other non-current financial liabilities	(8)	-520,993	758,684
Increase/decrease in current financial liabilities	(21)	31,827,758	-4,275,183
Net cash flow from financing activities – continuing operations		19,268,746	48,785,970
Net cash flow from financing activities – discontinued operations	(30)	0	-1,166,666
Net cash flow from financing activities – total		**19,268,746**	**47,619,304**
Net decrease/increase in cash and cash equivalents		**16,596,781**	**25,501,768**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(18)	47,428,544	20,183,189
Net decrease/increase in cash and cash equivalents		16,596,781	25,501,768
Exchange gains/losses on cash and cash equivalents		-3,795,672	1,743,507
Cash and cash equivalents at end of year	(18)	**60,229,653**	**47,428,544**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2009 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.

Notes to the consolidated financial statements.

General information.

Kapsch TrafficCom Group is an international supplier of innovative road traffic telematics solutions.

The business activities of the Kapsch TrafficCom Group are subdivided into the following three segments:

- Road Solution Projects
- Services, System Extensions, Components Sales
- Others

The Road Solution Projects segment relates to the installation of road traffic telematics solutions.

The Services, System Extensions, Components Sales segment relates to the sale of services (maintenance and operation) and components in the area of road traffic telematics solutions.

The Others segment relates to non-core business activities conducted by Kapsch Components KG. In this segment, Kapsch TrafficCom Group offers engineering solutions, electronic manufacturing and logistics services to affiliated entities and third parties.

Effective as of March 8, 2007, the Group disposed of significantly all of its railway communication business that was previously included in the Services, System Extensions, Components Sales segment. In accordance with IFRS 5, the result (all revenues and costs) attributable to the disposed railway communication business in the periods under review is shown as “discontinued operations”.

Group structure.

DATAX HandelsgmbH, Vienna, is the ultimate parent of Kapsch Group. Until June 2007 KAPSCH-Group Beteiligungs GmbH, Vienna, a wholly-owned subsidiary of DATAX HandelsgmbH, had been the sole shareholder of the parent company Kapsch TrafficCom AG. Under an initial public offering in June 2007 KAPSCH-Group Beteiligungs GmbH reduced its share in Kapsch TrafficCom AG to 69.67 %. In the fiscal year ending 31 March 2009 this share was further reduced to 68.42 % as a result of changes in share ownership.

Consolidated group.

The parent company, Kapsch TrafficCom AG, is a joint stock corporation incorporated and domiciled in Vienna, Austria. The address of its registered office is A-1120 Vienna, Am Europlatz 2. Since 26 June 2007 the shares of the parent company have been listed in the Prime Market segment of the Vienna Stock Exchange.

The following subsidiaries are part of the consolidated group:

- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- DPS Automation Chile S.A., Chile
- Kapsch Components GmbH, Vienna
- Kapsch Components KG, Vienna
- Kapsch Telematic Services GmbH, Vienna

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- Kapsch Telematic Services GmbH, Germany
- Kapsch Telematic Services Kft, Hungary
- Kapsch Telematic Services spol. s r.o., Czech Republic
- Kapsch Telematic Services SK s.r.o., Slovakia
- Kapsch Telematik Technologies Bulgaria AD, Bulgaria
- Kapsch TrafficCom (M) Sdn Bhd, Malaysia
- Kapsch TrafficCom AB, Sweden
- Kapsch TrafficCom Argentina S.A., Argentina
- Kapsch TrafficCom Australia Pty Ltd., Australia
- Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic
- Kapsch TrafficCom U.S. Corp., U.S.A.
- Kapsch TrafficCom d.o.o., Slovenia
- Kapsch TrafficCom France SAS, France
- Kapsch TrafficCom Holding Corp., U.S.A.
- Kapsch TrafficCom Inc., U.S.A.
- Kapsch TrafficCom Limited, U.K.
- Kapsch TrafficCom Ltd., New Zealand
- Kapsch TrafficCom Russia ooo, Russia
- Kapsch TrafficCom S.r.l., Italy
- Kapsch TrafficCom SK Construction & Realization s.r.o., Slovakia
- Kapsch TrafficCom South Africa (Pty) Ltd., South Africa
- Kapsch TrafficCom Chile S.A., Chile
- Kapsch-Busi S.p.A., Italy
- PREMID, a.s., Slovakia
- VTI Industrials (Pty) Ltd., South Africa

Accounting and measurement.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

1 Basis of preparation.

Pursuant to § 245a UGB the consolidated financial statements as of 31 March 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Presentation currency is the Euro (EUR). The consolidated financial statements as of 31 March 2009 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.

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 judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 21.

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2009 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.

a) **Amendments of standards, effective from 2008**

IAS 39 (Amendment), "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures" – Reclassification of financial assets (effective from 1 July 2008). The application of this amendment does not have an impact on the consolidated financial statements, since the company did not apply the reclassification option.

b) **New standards, interpretations and amendments to published standards adopted by the European Union**

IFRS 8 "Operating segments" (mandatory for accounting periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and results from the comparison of IAS 14 "Segment reporting" and the requirements of the U.S.A. Standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes of management. The company will adopt IFRS 8 "Operating segments" for accounting periods beginning on or after 1 April 2009. The Group's management assumes that the current primary segments will become the reporting segments according to IFRS.

IFRIC 11 "IFRS 2 – Group and treasury share transactions" was adopted by the European Union in June 2007 and is mandatory for accounting periods beginning on or after 1 March 2008. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation will not have an impact on the company's consolidated financial statements.

IFRIC 13 "Customer loyalty programmes" (mandatory for accounting periods beginning on or after 1 January 2009). IFRIC 13 is not applied by the company, since the business processes of the company do not include any customer loyalty programmes.

IFRIC 14 "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction" (mandatory for accounting periods beginning on or after 1 January 2009). This interpretation is not expected to have an impact on the company's consolidated financial statements.

IFRS 1 (Revised), "First-time adoption of IFRS" and IAS 27 (Amendments) "Consolidated and separate financial statements" – Cost of an investment in a subsidiary in the separate financial statements of a parent on first-time adoption of IFRS (mandatory for accounting periods beginning on or after 1 January 2009). The amendment does not have an impact on the consolidated financial statements of the company.

IAS 1 (Amendment), "Presentation of financial statements" replaces the existing IAS 1 (mandatory for accounting periods beginning on or after 1 January 2009). The company will apply IAS 1 (Amendment) for the accounting period beginning on 1 April 2009.

IFRS 2 (Amendment), "Share-based payment" (mandatory for accounting periods beginning on or after 1 January 2009). This amendment does not have an impact on the consolidated financial statements of the company.

IAS 23 (Amendment), "Borrowing costs" (mandatory for accounting periods beginning on or after 1 January 2009). The company currently does not have any qualifying assets requiring the capitalization of borrowing costs.

IAS 32 (Amendment), "Financial instruments: Presentation" and IAS 1 (Amendment) "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation" (the "Amendment"). The company will adopt these amendments in the accounting period beginning on 1 April 2009.

IFRIC 12 "Service concession arrangements" (mandatory for accounting periods beginning on or after 1 January 2008). IFRIC 12 is not relevant to the company's operations, since it does not operate in the public sector.

Under the annual improvements project of the IASB a total of 20 standards were amended in May 2008. The amendments included the following:

IFRS 5 (Amendment), “Non-current assets held for sale and discontinued operations” and consequential amendment to IFRS 1 “First-time adoption of International Financial Reporting Standards” – Plan to dispose of shares in a subsidiary, which results in the loss of control (mandatory for accounting periods beginning on or after 1 July 2009). The company will apply these amendments for accounting periods beginning on or after 1 April 2009.

IAS 23 (Amendment), “Borrowing costs” (mandatory for accounting periods beginning on or after 1 January 2009) – Components of borrowing costs. The company currently does not have any qualifying assets requiring the capitalization of borrowing costs.

IAS 16 (Amendment), “Property, plant and equipment” (mandatory for accounting periods beginning on or after 1 January 2009).

- Sale of assets held for rental,
- and recoverable amount.

The company will apply the amendments in the accounting period beginning on 1 April 2009.

IAS 19 (Amendment), “Employee benefits” (mandatory for accounting periods beginning on or after 1 January 2009).

- Plan curtailments and negative past service cost
- Expenses for the administration of the plan
- Term “fall due” is replaced by “due to be settled”
- Contingent liabilities.

The company will apply these amendments in the accounting period beginning on 1 April 2009.

IAS 20 (Amendment), “Accounting for government grants and disclosure of government assistance” (mandatory for accounting periods beginning on or after 1 January 2009) – Accounting for below-market rate government loans. The company will apply these amendments prospectively in the accounting period beginning on 1 April 2009.

IAS 27 (Amendment), “Consolidated and separate financial statements” – Measurement of subsidiaries held for sale in the separate financial statements of the parent company (mandatory for accounting periods beginning on or after 1 January 2009). The amendment does not have an impact on the consolidated financial statements.

IAS 28 (Amendment), “Investments in associates” (mandatory for accounting periods beginning on or after 1 January 2009).

- Prohibition of reversal of impairment and goodwill
- Disclosures on investments in associates and joint ventures

The company will apply these amendments in the accounting period beginning on 1 April 2009.

IAS 29 (Amendment), “Financial reporting in hyperinflationary economies” (mandatory for accounting periods beginning on or after 1 January 2009) – Description of the measurement basis in financial statements. The amendment does not have an impact on the consolidated financial statements.

IAS 36 (Amendment), “Impairment of assets” (mandatory for accounting periods beginning on or after 1 January 2009) – Disclosures in the notes on the determination of the recoverable amount based on the FVLCTS. The company will apply these amendments in the accounting period beginning on 1 April 2009.

IAS 38 (Amendment), "Intangible assets" (mandatory for accounting periods beginning on or after 1 January 2009).

- Advertising and sales promotion
- Amortization method to be used

The amendment does not have an impact on the consolidated financial statements.

IAS 39 (Amendment), "Financial instruments: Recognition and Measurement" (mandatory for accounting periods beginning on or after 1 January 2009).

- Reclassification of financial instruments to or from the category "at fair value through profit or loss"
- Adjustment of the effective interest rate
- Hedging relationship and segment reporting

The company will apply these amendments in the accounting period beginning on 1 April 2009.

IAS 40 (Amendment), "Investment property" (mandatory for accounting periods beginning on or after 1 January 2009).

- Property that is under construction or development for future use as investment property.
- Fair value cannot be measured reliably.

The amendment does not have an impact on the consolidated financial statements.

IAS 41 (Amendments) "Agriculture" (mandatory for accounting periods beginning on or after 1 January 2009).

- Additional biological transformations in the calculation of the fair value
- Market interest rate in the discounting of future cash flows (permitted use of an after-tax interest rate).

The amendments do not have an impact on the consolidated financial statements.

The following amendments to standards (mandatory for accounting periods beginning on or after 1 January 2009) under the IASB's improvements project of May 2008 relate to changes in wording or editing, which have no or only insignificant effects on accounting:

- IFRS 7 (Amendment) "Financial instruments: Disclosures" – Presentation of the financial result
- The amendment of IAS 8 "Accounting policies, changes in accounting estimates and errors" – guidelines
- IAS 10 (Amendment) "Events after the reporting period" – Dividends approved after the balance sheet date, but before the financial statements were authorized for publication
- IAS 18 (Amendment) "Revenue" – Cost of floating a loan
- IAS 20 (Amendment) "Accounting for government grants and disclosure of government assistance" with regard to the terms contained to other IFRS
- IAS 29 (Amendment) "Financial reporting in hyperinflationary economies" – Adjustment of terms
- IAS 34 (Amendment) "Interim financial reporting" – Earnings per share
- IAS 40 (Amendment) "Investment property" – Adjustment to the terminology of IAS 8
- IAS 40 (Amendment) "Investment property" – Property held as investment property
- IAS 41 (Amendment) "Agriculture" – Adjustment in terminology
- IAS 41 (Amendment) "Agriculture" – Modification of an example

The amendments do not have an impact on the consolidated financial statements.

c) **Standards, interpretationen and amendments to published standards not yet adopted by the European Union**

The following standards, interpretations and amendments have already been published, but not yet adopted by the European Union:

IFRS 3 (Revised) “Business combinations” and IAS 27 (Amendments) “Consolidated and separate financial statements” (mandatory for accounting periods beginning on or after 1 July 2009). In case of future business combinations that fall under the scope of this standard, the company will apply the amended standards for accounting periods beginning on or after 1 July 2009.

IFRS 1 (Amendment) “First-time adoption of International Financial Reporting Standards” (mandatory for accounting periods beginning on or after 1 January 2009). The adoption of this amendment does not have an impact on the consolidated financial statements of the company.

IAS 39 (Amendment) “Financial instruments: Recognition and measurement” – permissible underlying transactions under hedging relationships (revised July 2008 – mandatory for accounting periods beginning on or after 1 July 2009). The adoption of this amendment to the standard will not have an impact on the consolidated financial statements of the company.

IFRIC 15 “Agreements for construction of real estates” (mandatory for accounting periods beginning on or after 1 January 2009). The adoption of this interpretation does not have an impact on the consolidated financial statements of the company.

IFRIC 16 “Hedges of a net investment in a foreign operation” (mandatory for accounting periods beginning on or after 1 October, 2008). The adoption of this interpretation will not have an impact on the consolidated financial statements of the company.

IFRIC 17 “Distributions of non-cash assets to owners” (mandatory for accounting periods beginning on or after 1 July 2009). The adoption of this interpretation does not have an impact on the consolidated financial statements of the company.

IFRIC 18 “Transfers of assets from customers” (mandatory for accounting periods beginning on or after 1 July 2009). The adoption of this interpretation does not have an impact on the consolidated financial statements of the company.

Amendments to IFRIC 9 “Reassessment of embedded derivatives” and IAS 39 “Financial instruments: Recognition and measurement” – Embedded derivatives (mandatory for accounting periods beginning on or after 1 July 2009). The adoption of this interpretation does not have an impact on the consolidated financial statements of the company.

IFRS 7 (Amendment) “Financial instruments: Disclosures” – Improvement of the presentation of disclosures on financial instruments (mandatory for accounting periods beginning on or after 1 January 2009). The amendments provide for additional disclosures on the measurement of financial instruments at fair value and on the liquidity risks. The impact expected from this amendment cannot yet be assessed reliably.

IAS 39 (Amendment) “Financial instruments: Recognition and measurement” – Reclassification of financial assets: Effective date and transitional provisions (mandatory for accounting periods beginning on or after 1 January 2009). The amendment clarifies the effective date, the previous application and the transition. The amendment does not have an impact on the consolidated financial statements.

d) Under the annual improvements project of the IASB a total of 10 standards and 2 interpretations were amended in April 2009.

- IFRS 2 “Share-based payment” (mandatory for accounting periods beginning on or after 1 July 2009).
- IFRS 5 “Non-current assets held for sale and discontinued operations” (mandatory for accounting periods beginning on or after 1 January 2010).
- IFRS 8 “Operating segments” (mandatory for accounting periods beginning on or after 1 January 2010).
- IAS 1 “Presentation of financial statements” (mandatory for accounting periods beginning on or after 1 January 2010).
- IAS 7 “Cash flow statements” (mandatory for accounting periods beginning on or after 1 January 2010).
- IAS 17 “Leases” (mandatory for accounting periods beginning on or after 1 January 2010).
- IAS 18 “Revenue” (Improvement 2009).
- IAS 36 “Impairment of assets” (mandatory for accounting periods beginning on or after 1 January 2010).
- IAS 38 “Intangible assets” (mandatory for accounting periods beginning on or after 1 July 2009).
- IAS 39 “Financial assets: Recognition and measurement” (mandatory for accounting periods beginning on or after 1 January 2010).
- IFRIC 9 “Reassessment of embedded derivatives” (mandatory for accounting periods beginning on or after 1 July 2009).
- IFRIC 16 “Hedges of a net investment in a foreign operation” (mandatory for accounting periods beginning on or after 1 July 2009).

The adoption of these amendments is not expected to have a material impact on the consolidated financial statements of the company.

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. The supervisory board and, in the event of presentation to the general meeting of shareholders, the general meeting of shareholders could amend the entity financial statements in a way that might affect the presentation of the consolidated financial stataments.

2 Consolidation.

a) Subsidiaries

Subsidiaries are entities in which the Group has a direct or indirect shareholding of more than one half of the voting rights or over which it otherwise has the power to govern the financial and operating policies. Such subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All intra-group balances and transactions are eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus the costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill and disclosed under intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Goodwill is tested annually for impairment, as well as when there are indications of impairment. If an impairment requirement is identified, goodwill will be reduced immediately by the amount of the impairment. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Associates

Associates are accounted for by the equity method. Associates are companies in which the group has significant influence, but not control, generally accompanied by shareholding of between 20 % and 50 % of the voting rights The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement and its share of post-reserve movements 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.

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.

c) Transactions and balances

Intra-group receivables and payables, income, expenses and intercompany results, if any, are eliminated unless they are deemed immaterial for the presentation of the Group's net assets, financial situation and profitability.

3 Currency translation.

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:

Income statements of foreign subsidiaries are translated into the Group's functional currency at average exchange rates of the reporting periods, balance sheets at the prevailing mean exchange rate at the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities are recognized in shareholders' equity under "Currency translation differences". When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on disposal of shares in foreign entities.

Goodwill and fair value write-ups arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

b) Foreign currency transactions

Foreign currency transactions are translated into the functional 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 income statement. Non-cash items in the balance sheet are translated at historical exchange rates, non-cash items which were recognized at their lower net realizable value are translated at the exchange rate prevailing at the time of measurement.

4 Financial instruments and risk management.

Material 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 and measurement policies applicable for 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 value of financial instruments, other balance sheet items (e. g. receivables and payables) and/or cash flows due to exchange rate fluctuations. 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 company'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. Customer orders are invoiced mainly in the respective local currencies of the group companies. Only in case 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 as of 31 March 2009 (31 March 2008) had changed by the percentage rate ("volatility") stated below, the profits before tax, provided all other variables had remained unchanged, would have been higher or lower, respectively, by the following amounts.

Currency	Volatility	Hypothetical impact on result in TEUR	
		2008/09	2007/08
CZK	10 %	1,895	8,022
SEK	10 %	102	38
USD	10 %	201	0

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 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 rates. Such changes would entail changes in interest payments. Variable-interest (both short-term and long-term) financial liabilities account for the major part of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2009, this, as in the prior year, would not have had a material impact on the result of the Group. At the balance sheet date, no financial derivatives were used.

c) Credit risk

As part of the Group's risk management policy, the Group only deals with recognized creditworthy third parties, 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 of the Group's policies limit the amount of its credit exposure to any financial institution, depending on the rating of the institution.

d) Liquidity risk

Prudent liquidity risk management shall involve securing the availability of sufficient cash and cash equivalents as well as the possibility of funding through the availability of adequate credit lines. Providing for adequate liquidity is statutory for every company under Austrian commercial law. The Group provides for its liquidity through available credit lines.

e) Capital management

The objectives of the Group with respect to capital management, on the one hand, include securing its going concern in order to be able to provide the equity holders with dividends and the other stakeholders with appropriate services, and on the other hand, maintaining an optimal capital structure.

The Group monitors its capital based on net gearing, calculated from the ratio of net debt (net assets) to equity. Net debt (net assets) includes non-current and current financial liabilities less cash and cash equivalents, bank balances and current securities.

in TEUR	2008/09	2007/08
Non-current financial liabilities	10,060	10,581
Current financial liabilities	49,210	17,382
Total financial liabilities	59,270	27,963
Cash on hand and at banks	60,230	47,429
Current securities	3,946	8,895
Net assets	5,042	28,361
Equity	134,240	133,377
Net gearing	n/a	n/a

At the balance sheet date 31 March 2009, mainly due to the initial public offering carried out in 2007, the company had net assets (excess of cash and cash equivalents, bank balances and current securities over financial liabilities) so that the net gearing cannot be calculated. The net assets are retained with regard to planned acquisitions and the financing of future projects.

5 Research and development costs.

Research expenditure is recognized as an expense as incurred. Costs incurred on 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 ability 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 to complete the development and to use or sell the intangible asset are available; 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 a subsequent period. Capitalized development costs are recorded as intangible assets and amortized 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.

6 Intangible assets.

Acquisition costs of computer software, industrial property and similar rights are capitalized and amortized systematically over their useful lives ranging from 4 to 30 years. The carrying amount of each intangible asset is tested for impairment when a triggering event occurs.

7 Other financial assets.

a) Securities

Financial assets recognized under non-current assets and other short-term financial assets include available-for-sale securities only. Available-for-sale securities are carried at fair value. Unrealized gains and losses arising from the changes in fair value are recognized in equity under a separate item.

The difference arising on the sale of financial assets between the proceeds and the carrying amounts is taken through profit or loss. Additionally, the amount recognized in equity is taken through profit or loss. All acquisitions and sales are recognized at the respective date of the transaction; transaction costs are included in acquisition costs.

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 that impairment and the amounts previously recognized in equity are removed from equity and recognized in profit or loss. The amount of the impairment is measured 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 instruments increases and that increase can be directly related to an event occurring after the impairment was recognized in profit or loss, the group reverses the impairment loss. In case of debt instruments the reversal is recognized in profit or loss, in 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.

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c) **Derivative financial instruments at fair value through profit or loss**

Derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative financial instruments are recognized immediately in the income statement within other gains/ (losses) – net.

8 Property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful lives of the assets.

The useful lives 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.

Impairment is charged for the difference between the recoverable amount and the carrying amount of an asset. The recoverable amount represents the higher of fair value less cost to sell or value in use of an asset. For purposes of impairment testing, the assets are grouped down to the lowest level where separate cash flows are identifiable.

The difference between the proceeds from the sale of property, plant and equipment and their carrying amount is taken through profit or loss and recognized in the operating result.

9 Leases.

a) **Finance leases – Accounting for leasing agreements from the lessee's perspective**
Leasing agreements by which the Group as lessee assumes substantially all 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 lower of the net present value of minimum lease payments or the fair value of the leased asset and are depreciated over their expected useful lives or shorter lease term, if applicable. 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 term of the lease using the effective interest rate method.

b) **Operating leases – Accounting for leasing agreements from the lessee's perspective**
Leases in which a significant portion of the 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 to the income statement on a straight-line basis over the period of the lease.

10 Government grants.

Government grants with regard to assets relate to purchased non-current assets (technical equipment) and are deferred and taken through profit or loss over the estimated useful life of the respective asset.

Other government grants received as compensation for expenses or losses already incurred are immediately taken through profit or loss.

11 Inventories.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

12 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. The balance is recognized either under current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

13 Trade receivables.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables 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 provision 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 provision is recognized in the income statement.

14 Cash and cash equivalents.

For the presentation of the cash flow statement cash and cash equivalents include cash in hand, deposits held at call and other cash at banks. Overdrafts are recognized in the balance sheet under current financial liabilities.

15 Other 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.

Provisions for warranties, 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 of defects to be rectified under the warranty for products sold before the balance sheet date.

16 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.

For the calculation of liabilities arising from pension obligations and severance payments in accordance with IAS 19 the projected unit credit method is used. According to this method, post-employment costs for employee benefits are recognized in the income statement 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 remeasures the schemes annually. The obligation for pension payments and severance payments is calculated as the present value of future benefits using an interest rate based on the average yield on industrial bonds of the same maturity. Actuarial gains and losses exceeding the corridor (= up to 10 % of benefit obligation or 10 % of plan assets, if any, at beginning of period) are charged to the income statement over the average remaining service of the active staff.

Contributions paid by the Group under a defined contribution pension scheme are charged to the income statement 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 similarly to the calculation for liabilities arising of severance payments, however without taking the corridor method into consideration.

17 Deferred income tax.

Deferred income tax is 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 arises 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 accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is 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.

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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 is 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.

In March 2005, the major Austrian group companies of the entire Kapsch Group formed a tax group according to Sec. 9 of the Austrian Corporate Income Tax Act. The group taxation regime applies for the respective entities effective from the tax year 2005 (i.e. fiscal year 2004/2005). Tax group leader is KAPSCH-Group Beteiligungs GmbH, the parent of this group. Principally, this entity is the only entity which has tax receivables or tax liabilities. Tax group members, such as the Austrian companies in the Kapsch TrafficCom Group, merely reflect receivables or liabilities with the tax group leader and not with tax authorities. Any tax loss incurred by a member of the tax group prior to the effective date of the tax group is not available for utilization by the leader of the tax group. Such tax losses are only available for utilization against future taxable income by the entity in which they initially arose.

Accordingly, deferred taxes arising in entities which are members of the tax group and where the right of set-off of taxable income and losses exists are shown as “deferred tax assets – due from group leader” or “deferred tax liabilities – due to group leader”. Those deferred tax effects arising in periods prior to the formation of the tax group or representing tax losses from periods prior to the formation of the tax group are shown as deferred tax assets or deferred tax liabilities.

18 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 recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method; borrowing costs are charged to the income statement in the period in which they are incurred.

19 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 settlement 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, but – in accordance with IFRS – fails to recognize them.

20 Revenue recognition.

In accordance with IAS 18 revenue is recognized in the income statement upon delivery when 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 accounting period in which the services are rendered, by reference to 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 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 accor dance with the respective agreements.
- Interest income is recognized on a time-proportion basis using the effective interest method.

21 Critical accounting estimates and assumptions.

The Group makes estimates and assumptions concerning the future. 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. 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 Management indicate that no material effect is to be expected, if the actual final results should deviate 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 taxes and provisions for warranties. Sensitivity analyses of the assumptions made by management in connection with capitalized goodwill, inventories, deferred taxes and provisions for warranties indicate that no material effect will arise if the actual final outcomes were to differ by 10 % from the estimates made.

22 Segment information.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

Notes on individual items in the income statement and balance sheet.

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

1 Segment Information.

Primary reporting format – business segments

The Group reports three main business segments (see section „General Information"):

- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

The segment results for the fiscal year ended 31 March 2009 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	56.8	135.6	8.0	200.3
Operating result	-1.7	31.7	-1.0	29.0
Results from associates				0.0
Financial result				-7.1
Profit before income taxes				21.9
Income taxes				-5.5
Profit for the year				16.4
Profit attributable to minority interests				3.4
Consolidated profit				**13.0**

The segment results for the fiscal year ended 31 March 2008 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	47.0	128.8	10.0	185.7
Operating result	6.3	29.1	-0.4	34.9
Results from associates				-0.1
Financial result				7.9
Profit before income taxes				42.8
Income taxes				-10.7
Profit for the year				32.1
Profit attributable to minority interests				1.6
Consolidated profit				**30.4**

Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities as of 31 March 2009 and capital expenditure, depreciation and amortization and other non-cash-effective expenses from continuing operations for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	133.7	94.7	8.0	236.4
Investments in associates		12.3		12.3
Unallocated assets				75.9
Total assets	**133.7**	**107.3**	**8.0**	**324.5**
Liabilities	67.2	44.3	16.7	128.2
Unallocated liabilities				62.0
Total liabilities				**190.3**
Capital expenditure	1.6	17.1	1.1	19.8
Depreciation and amortization	1.7	3.9	0.4	6.0
Other non-cash-effective expenses	0.0	0.1	0.0	0.2

The segment assets and liabilities as of 31 March 2008 and capital expenditure, depreciation and amortization and other non-cash-effective expenses from continuing operations for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	144.2	79.3	7.9	231.4
Unallocated assets				67.0
Total assets				**298.4**
Liabilities	54.5	63.4	17.1	135.0
Unallocated liabilities				30.0
Total liabilities				**165.0**
Capital expenditure	0.2	4.3	0.5	4.9
Depreciation and amortization	0.4	3.1	0.6	4.1
Other non-cash-effective expenses	0.1	0.3	0.0	0.4

Secondary reporting format – geographical segments

Secondary segment reporting is based on geographical regions. Revenues are segmented by customer location and asset-related figures by the company's own location:

The figures for the fiscal year ended 31 March 2009 are as follows (in EUR million):

	Western Europe	Central and Eastern Europe	Americas	Rest of World	Consolidated Group
Revenues	21.3	139.3	14.0	25.6	200.3
Assets	46.7	257.0	18.2	2.6	324.5
Capital expenditure	0.7	17.2	1.9	0.1	19.8

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The figures for the fiscal year ended 31 March 2008 are as follows (in EUR million):

	Western Europe	Central and Eastern Europe	Americas	Rest of World	Consolidated Group
Revenues	17.6	124.2	18.8	25.2	185.7
Assets	43.2	247.5	4.5	3.2	298.4
Capital expenditure	0.6	3.4	0.1	0.8	4.9

Austria is included in the region “Central and Eastern Europe”. The region „Americas” includes North- and South-America, the region „Rest of World” includes Asia, Australia and Africa.

2 Other operating income.

	2008/09	2007/08
Income from the sale of non-current assets	5	25
Income from costs recharged	0	2,741
Income from subsidies and government grants	2,368	2,197
Other	239	231
	2,613	**5,194**

3 Change in finished and unfinished goods and work in progress.

	2008/09	2007/08
Change in unfinished goods and work in progress	-7,534	8,320
Change in finished goods	12,191	-1,653
	4,657	**6,667**

4 Costs of materials and other production services.

	2008/09	2007/08
Cost of materials	25,972	32,939
Cost of purchased services	52,172	45,708
	78,144	**78,647**

5 Staff costs.

	2008/09	2007/08
Wages	2,483	2,258
Salaries and other remunerations	38,431	33,060
Expenses for social security and payroll-related taxes and contributions	11,842	9,995
Expenses for termination benefits (see Note 23)	641	498
Expenses for pensions (see Note 23)	485	474
Contributions to pension funds and other external funds (see Note 23)	164	116
Fringe benefits	592	569
	54,637	**46,969**

As of 31 March 2009 the number of staff amounted to 946 persons (31 March 2008: 824 persons) and averaged 898 persons in the fiscal year 2008/09 (2007/08: 791).

6 Depreciation and amortization expense.

	2008/09	2007/08
Depreciation of property, plant and equipment	3,587	2,286
Amortization of other intangible assets	1,789	1,437
Expenses from low-value assets written-off	665	369
	6,031	**4,092**

7 Other operating expenses.

	2008/09	2007/08
Rental expenses	5,391	3,671
Legal and consulting fees	10,319	9,222
Impairment of receivables	103	307
Marketing and advertising expenses	7,629	3,595
Travel expenses	4,251	2,859
Maintenance	1,860	1,409
Communication and IT expenses	3,176	2,343
Training costs	638	575
Losses on disposal of non-current assets	56	93
Insurance costs	835	694
Licence and patent expenses	1,241	1,156
Office expenses	818	394
Taxes and charges	461	404
Adjustment provision for warranties	-1,646	-28
Commissions and other fees	1,528	3,751
Transport costs	981	625
Automobile expenses	1,495	1,113
Other	748	785
	39,883	**32,968**

The item “Other” includes membership dues and bank charges as well as other administrative and selling expenses.

8 Financial result.

	2008/09	2007/08
Interest and similar income:		
Interest income from bank deposits and loans granted	1,757	1,697
Income from securities	269	386
Income from interest accretion of long-term receivables	3,790	3,278
Gains from the disposal of financial assets	13	1,113
Income from currency hedging	611	0
Currency translation differences	5,637	7,425
	12,076	**13,899**
Interest and similar expenses:		
Interest expense	-3,699	-3,917
Expense from interest accretion of long-term payables	-1,277	-999
Losses on disposals and write-down of financial assets, investments and securities	-84	-23
Impairment of available-for-sale securities	-4,950	0
Expenses from currency hedging	-2,121	0
Currency translation differences	-7,081	-1,070
	-19,212	**-6,009**
	-7,135	**7,890**

9 Income taxes.

	2008/09	2007/08
Current tax expense	-6,748	-7,942
Deferred tax expense from offsetting the costs of the initial public offering against capital reserves	0	-1,149
Deferred tax assets/liabilities (see Note 22)	1,249	-1,608
Total	**-5,499**	**-10,699**
Thereof income/(expense) from group taxation	1,309	-27

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:

	2008/09	2007/08
Profit before income taxes – continuing and discontinued operations	21,866	42,758
Arithmetic tax income/(expense) based on a tax rate of 25 % (2007/08: 25 %)	-5,467	-10,689
Unrecognized deferred tax assets on current losses	-773	0
Different foreign tax rates	625	-558
Tax allowances claimed and other permanent tax differences	-23	748
Expenses not subject to tax and other differences	93	-200
Recognized tax income/(expense)	**-5,499**	**-10,699**

For further information on deferred tax assets and liabilities see Note 22.

10 Additional disclosures on financial instruments by category.

	2008/09	2007/08
Available-for-sale financial assets		
Other non-current financial assets and investments	3,784	3,405
Other current financial assets	3,946	8,895
	7,730	**12,300**
Loans and receivables		
Other non-current assets	18,423	55,005
Trade receivables and other current assets	140,634	135,837
Cash and cash equivalents	60,230	47,429
	219,287	**238,271**
Financial liabilities at (amortized) cost		
Non-current financial liabilities	10,060	10,581
Other non-current liabilities	14,773	26,150
Trade payables and other current liabilities	56,253	39,049
Other liabilities and deferred income	25,316	29,486
Current financial liabilities	49,210	17,382
	155,612	**122,648**

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

	2008/09	2007/08
Available-for-sale financial assets	-4,141	1,476
Loans and receivables	4,102	11,330
Financial liabilities at (amortized) cost	-7,097	-4,916
	-7,135	**7,890**

11 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and officequip-ment	Total
Carrying amount as of 31 March 2007	**1,442**	**2,455**	**97**	**2,153**	**6,148**
Currency translation differences	19	-6	3	54	71
Change in consolidated entities	0	0	0	18	18
Additions	284	1,027	881	1,250	3,441
Disposals	-198	-36	-825	-140	-1,199
Scheduled depreciation	-346	-888	0	-1,052	-2,286
Carrying amount as of 31 March 2008	**1,201**	**2,551**	**157**	**2,283**	**6,192**
Acquisition/production cost	5,481	21,695	157	13,182	40,515
Accumulated depreciation	-4,279	-19,144	0	-10,900	-34,323
Carrying amount as of 31 March 2008	**1,201**	**2,551**	**157**	**2,283**	**6,192**
Currency translation differences	-16	-142	-2	-222	-381
Change in consolidated entities	3	26	0	27	55
Additions	4,444	5,629	1,509	5,905	17,488
Disposals	-912	-27	-1,639	-300	-2,879
Scheduled depreciation	-305	-1,291	0	-1,992	-3,587
Carrying amount as of 31 March 2009	**4,416**	**6,745**	**25**	**5,701**	**16,887**
Acquisition/production cost	4,966	24,080	25	11,810	40,882
Accumulated depreciation	-551	-17,335	0	-6,109	-23,995
Carrying amount as of 31 March 2009	**4,416**	**6,745**	**25**	**5,701**	**16,887**

12 Intangible assets.

	Capitalised development costs	Concessions and rights	Goodwill	Total
Carrying amount as of 31 March 2007	**260**	**2,836**	**6,173**	**9,269**
Currency translation differences	-28	-272	0	-300
Change in consolidated entities	0	503	0	503
Additions	210	372	0	582
Disposals	0	-25	0	-25
Scheduled amortization	-332	-1,106	0	-1,437
Carrying amount as of 31 March 2008	**111**	**2,309**	**6,173**	**8,593**
Acquisition/production cost	7,918	7,245	6,173	21,337
Accumulated amortization	-7,807	-4,936	0	-12,744
Carrying amount as of 31 March 2008	**111**	**2,309**	**6,173**	**8,593**
Currency translation differences	-12	56	0	44
Change in consolidated entities	536	2,107	41	2,685
Additions	12	2,031	14,519	16,563
Disposals	0	-6	0	-6
Scheduled amortization	-352	-1,437	0	-1,789
Carrying amount as of 31 March 2009	**296**	**5,059**	**20,734**	**26,089**
Acquisition/production cost	7,125	11,427	20,734	39,285
Accumulated amortization	-6,829	-6,368	0	-13,196
Carrying amount as of 31 March 2009	**296**	**5,059**	**20,734**	**26,089**

The goodwill results from the acquisition of Kapsch TrafficCom AB, Jönköping, Sweden, the acquisition of the “Mobility Solutions” business of TechnoCom Corporation, Encino, U.S.A., and the foundation of Kapsch-Busi, S.p.A, Bologna, Italy.

For the purpose of impairment testing, goodwill was allocated to two cash-generating units (CGU) **(“Road Solution Projects” and “Services, System Extensions, Components Sales”).** The following assumptions were made:

	Road Solution Projects	Services, System Extensions, Components Sales
The carrying amount of goodwill allocated to the unit	TEUR 15,345	TEUR 5,389
The carrying amount of intangible assets with indefinite useful lives allocated to the unit	TEUR 0	TEUR 0
Determination of recoverable amount of CGU	Value in use	Value in use

Cash-generating unit "Road Solution Projects":

Key assumptions for determining expected cash flows of the CGU

- The Management has based its determination on the assumption that after the successful implementation of road tolling systems, in particular in Australia and South America, demand for tolling systems will increase, in particular as a result of tight public budgets.
- The planning for the Road Solution Projects segment is based on projects in the Czech Republic, South Africa, America, Australia, as well as the fact that tenders in several countries are already in progress.
- 4 years of detailed planning
- 14.3 % (2007/08: 13.2 %) 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 4 % (2007/08: 4 %) 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.

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 tolling projects installed in previous years.
- The planning for the Services, System Extensions, Components Sales segment is based on ongoing maintenance for existing tolling systems in Austria, Switzerland, the Czech Republic, Australia and South America, on the commercial operation in the Czech Republic as well as on component orders for customers worldwide, particularly in Australia, Turkey, Spain, Denmark, France and the Czech Republic.
- 4 years of detailed planning
- 13.8 % (2007/08: 13.2 %) 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 4 % (2007/08: 4 %) 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.

Development costs relate to expenses, which in accordance with IAS 38 are capitalized and amortized over 3 years once the assets are available for commercial use. Additional research and development costs of the Group in the fiscal year 2008/09 amounted to EUR 21.3 million (2007/08: EUR 14.8 million). In the fiscal year 2008/09 EUR 7.1 million thereof (2007/08: EUR 5.4 million) was project-specific development costs and charged to the customer. The remaining amount of EUR 14.2 million (2007/08: EUR 9.4 million) was recognized as an expense.

Other non-current intangible assets are amortized systematically over their useful lives (concessions and rights 5-30 years, rights to computer software 4-10 years).

13 Shares in associates.

Shares in associates developed as follows:

	2008/09	2007/08
Carrying amount as of 31 March of prior year	**0**	**254**
Addition	12,302	0
Disposal	0	-203
Share of profit/loss (after tax)	0	-51
Carrying amount as of 31 March of fiscal year	**12,302**	**0**

In January 2009 the Group acquired a share of 20.47 % in Q-Free ASA, Norway. Total assets of Q-Free ASA, Norway, amounted to TEUR 57,151 and liabilities to TEUR 17,513 as of 31 December 2008. For the financial year ending 31 December 2008 revenues amounted to TEUR 57,283 and the profit for the year to TEUR 3,639. The purchase price of TEUR 12,302 includes goodwill in the amount of TEUR 4,905.

14 Current and non-current financial assets.

	2008/09	2007/08
Other non-current financial assets and investments	3,784	3,405
Other current financial assets	3,946	8,895
	7,730	**12,300**

Short term financial assets	Available-for-sale securities	Available-for-sale investments	Total
Carrying amount as of 31 March 2007	**3,615**	**4**	**3,619**
Additions	549	0	549
Disposals	-724	0	-724
Change in fair value	-38	0	-38
Carrying amount as of 31 March 2008	**3,401**	**4**	**3,405**
Additions	40	343	383
Disposals	0	0	0
Change in fair value	-4	0	-4
Carrying amount as of 31 March 2009	**3,437**	**347**	**3,784**

Short term financial assets	Available-for-sale securities	Available-for-sale investments	Total
Carrying amount as of 31 March 2007	**0**	**0**	**0**
Additions	30,000	0	30,000
Disposals	-20,074	0	-20,074
Change in fair value	-1,031	0	-1,031
Carrying amount as of 31 March 2008	**8,895**	**0**	**8,895**
Additions	0	0	0
Disposals	0	0	0
Change in fair value (impairment)	-4,950	0	-4,950
Carrying amount as of 31 March 2009	**3,946**	**0**	**3,946**

As of 31 March 2009 available-for-sale securities relate to government and bank bonds as well as shares in investment funds. Available-for-sale securities are measured at prevailing market rates, unrealized gains and losses from price fluctuations are recognized in equity as a separate position (see Note 20).

As of 31 March 2009 other investments classified as available-for-sale relate to a 12.5 % investment in ATC Austrian Technology Corporation GmbH, Vienna, and to a 25 % investment in Autostrada Wschodnia Spolka z o.o., Poland.

15 Other non-current assets.

	2008/09	2007/08
Truck tolling system Czech Republic	18,392	55,005
Other	31	0
	18,423	**55,005**

Other non-current assets relate to trade receivables (long-term) that are due from the Czech Ministry of Transport for the installation of the Czech truck tolling system. As in the prior year, they fall due between 1 and 5 years as of the balance sheet date.

Long-term receivables were discounted on the basis of cash flows using an interest rate of 5.00 % (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:

	2008/09	2007/08
Up to 2 years	16,659	50,733
Between 2 and 3 years	2,745	7,476
More than 3 years	0	0
	19,404	**58,209**

Long-term receivables in the amount of TEUR 18,392 (2007/08: TEUR 55,005) were pledged as collateral to banks (see Note 21).

16 Inventories.

	2008/09	2007/08
Purchased parts and merchandise, at acquisition cost	10,852	7,023
Unfinished goods and work in progress, at production cost	6,080	13,614
Finished goods, at production cost	17,288	5,097
	34,220	**25,734**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amounts to TEUR 5,890 (2007/08: TEUR 5,652).

17 Trade receivables and other assets.

	2008/09	2007/08
Trade receivables, less allowance for bad debt	129,993	118,721
Gross amount due from customers for contract work	653	5,561
Prepayments made	1,325	2,074
Receivables from tax authorities (other than income tax)	3,415	4,361
Other receivables and prepaid expenses	5,023	5,120
	140,409	**135,837**

Valuation allowances relating to trade receivables developed as follows:

	2008/09	2007/08
Balance as of 31 March of the prior year	**1,235**	**280**
Addition	182	1,147
Utilization	-302	0
Disposal	-838	-192
Balance as of 31 March of the reporting year	**278**	**1,235**

Maturity structure of trade receivables and other current assets:

	2008/09	2007/08
Not yet due	133,371	124,524
Overdue, but not impaired		
Less than 60 days	2,594	996
More than 60 days	4,444	10,317
	140,687	**137,072**

The fair values as well as gross cash flows in the next fiscal year approximate the carrying amounts. There is no concentration of credit risk with respect to trade receivables, as the Group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the Czech truck tolling system in the amount of TEUR 49,745 (2007/08: TEUR 64,244) and to the operation and maintenance of the system in the amount of TEUR 15,272 (2007/08: TEUR 16,911) are due from Ředitelstvím silnic a dálnic ČR (RSD), a company of the Czech Republic.

Based on the Group's experience, risks of loss in connection with trade receivables are low.

Trade receivables in an amount of TEUR 49,745 (2007/08: TEUR 64,244) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work detail as follows:

	2008/09	2007/08
Construction costs incurred plus recognized gains	653	5,561
Less amounts billed and prepayments received	0	0
	653	**5,561**

18 Cash and cash equivalents.

	2008/09	2007/08
Cash on hand	25	9
Deposits held with banks	60,205	47,419
	60,230	**47,429**

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.

19 Share capital.

	2008/09	2007/08
Carrying amount as of 31 March of fiscal year	**12,200**	**12,200**

The registered share capital of the company amounts to EUR 12,200,000. The share capital is fully paid in. The total authorized number of ordinary shares is 12,200,000. The shares are ordinary bearer shares and have no par value.

20 Fair value reserve.

	2008/09	2007/08
Carrying amount as of 31 March of prior year	**-971**	**-114**
Gains (losses) taken through profit or loss	1,004	-52
Unrealized gains (losses) in current period	-223	-1,091
Profit taxes on unrealized gains/losses (Note 22)	45	286
Carrying amount as of 31 March of fiscal year	**-146**	**-971**

21 Current and non-current financial liabilities.

	2008/09	2007/08
Current		
Loans for project financing	27,430	6,144
Other current loans	21,780	11,238
	49,210	**17,382**
Non-current		
Loans for project financing	0	9,830
Loans for acquisitions	10,000	0
Other	60	751
	10,060	**10,581**
Total	**59,270**	**27,963**

The non-current liabilities mature in 1 to 5 years.

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

	2008/09	2007/08
Carrying amount	**59,270**	**27,963**
Fair value	**58,467**	**27,169**
Gross cash flows		
Up to 1 year	49,210	17,382
Between 1 and 2 years	10,642	10,852
Between 2 and 3 years	61	0
	59,913	**28,234**

Interest rates on current and non-current financial liabilities are as follows:

	2008/09	2007/08
Total financial liabilities:		
Carrying fixed interest rates	15,104	557
Carrying variable interest rates	44,165	27,406
	59,270	**27,963**
Average interest rates:		
Short-term loans	2.00 – 6.40 %	4.95 – 5.64 %
Loans for project financing	4.69 %	5.38 – 6.25 %
Loans for acquisitions	3.82 – 4.35%	
Other	2.50 – 3.64 %	2.00 – 8.75 %

Other non-current assets amounting to TEUR 18,392 (2007/08: TEUR 55,005), trade receivables (current) amounting to TEUR 49,745 (2007/08: TEUR 64,244) and securities amounting to TEUR 3,437 (2007/08: TEUR 3,401) as well as 9.9 million shares in Q-Free ASA were pledged as collateral for guarantees issued by banks and for loans granted. A bill of exchange amounting to TEUR 1,425 (2007/08: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities.

	2008/09	2007/08
Deferred tax assets – due from tax group leader	1,301	2,399
Deferred tax assets – non-tax group	6,941	4,881
	8,242	**7,280**
Deferred tax liabilities – due to tax group leader	1,654	1,608
Deferred tax liabilities – non-tax group	217	447
	1,871	**2,055**
Balance	**6,373**	**5,226**

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 TEUR 1,938 (2007/08: TEUR 0) have not been recognized, because it was uncertain whether there would be sufficient taxable profits available against which to offset them. All other deferred tax assets have been recognized in the respective group companies as future deductible items. Deferred tax assets are normally realized after more than 12 months.

Deferred tax assets/liabilities are attributable to the following positions:

	31 March 2007	Change in consolidated entities	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2008
Deferred tax assets						
Tax loss carry-forwards	4,114	0	-1,901	0	0	2,213
Provisions disallowed for tax purposes	1,007	0	-33	0	6	980
Depreciation disallowed for tax purposes	0	0	13	0	1	14
Other	3,539	1	-4	286	253	4,074
	8,660	**1**	**-1,925**	**286**	**260**	**7,280**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	0	0	0	0
Other	2,466	0	-317	0	-94	2,055
	2,466	**0**	**-317**	**0**	**-94**	**2,055**
Total change	**6,194**	**1**	**-1,608**	**286**	**354**	**5,226**

	31 March 2008	Change in consolidated entities	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2009
Deferred tax assets						
Tax loss carry-forwards	2,213	0	565	0	26	2,804
Provisions disallowed for tax purposes	980	0	172	0	-12	1,140
Depreciation disallowed for tax purposes	14	0	30	0	-4	40
Other	4,074	0	286	45	-147	4,258
	7,280	**0**	**1,053**	**45**	**-138**	**8,242**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	0	0	0	0
Other	2,055	0	-196	0	12	1,871
	2,055	**0**	**-196**	**0**	**12**	**1,871**
Total change	**5,226**	**0**	**1,249**	**45**	**-147**	**6,373**

23 Liabilities from post-employment benefits to employees.

Amounts recognized in the balance sheet:

	2008/09	2007/08
Severance payments	5,294	5,001
Pension benefits	8,920	9,088
	14,214	**14,089**

Termination benefits

The obligation to set up a provision for termination benefits is based on the respective labor law.

Retirement benefits

Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on past service cost and are not 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 the valuation of severance payments and pension benefit obligations an interest rate of 5.25 % (2007/08: 5.25 %), was used and for compensation increases a rate of 3 % (2007/08: 3 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2007/08: AVÖ 1999-P) by Pagler & Pagler. Pension increases were estimated at 2-3 % (2007/08: 2-3 %).

The following amounts are recognized in the income statement as expenses for termination benefits:

	2008/09	2007/08
Current service cost	184	177
Interest expense	378	280
Actuarial losses	78	41
Total, included in staff costs (Note 5)	**641**	**498**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**5,001**	**5,305**
Total expense according to the table above	641	498
Payments	-347	-802
Carrying amount as of 31 March of fiscal year	**5,294**	**5,001**
Actuarial present value of obligations (defined benefit obligation)	6,152	5,949
Unrecognized actuarial gains/losses	-857	-948
Amount recognized in the balance sheet	**5,294**	**5,001**

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

	2008/09	2007/08
Current service cost	0	0
Interest expense	485	474
Total, included in staff costs (Note 5)	**485**	**474**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**9,088**	**9,247**
Total expense according to the table above	485	474
Payments	-653	-633
Carrying amount as of 31 March of fiscal year	**8,920**	**9,088**
Actuarial present value of obligations (defined benefit obligation)	9,891	9,558
Unrecognized actuarial gains/losses	-971	-470
Amount recognized in the balance sheet	**8,920**	**9,088**

24 Other non-current liabilities.

	2008/09	2007/08
Truck tolling system Czech Republic	9,954	26,070
Other	4,820	80
	14,773	**26,150**

Other non-current liabilities relate to trade payables (non-current) in the amount of TEUR 9,954 (2007/08: TEUR 26,070) due to subcontractors for the installation of the Czech truck tolling 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 tolling system (see Note 15). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities relate to a liability in the amount of TEUR 3,333 from a put option for shares in Kapsch-Busi S.p.A, Bologna, Italy (after interest compounding to the balance sheet date 31 March 2009) and to the non-current portion of a contingent payment obligation in the amount of TEUR 1,484 from the acquisition of the „Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A. (see Note 28).

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

	2008/09	2007/08
Less than 2 year	11,361	22,532
Between 2 and 3 years	3,522	4,647
More than 3 years	424	0
	15,306	**27,179**

25 Other liabilities and deferred income.

	2008/09	2007/08
Amounts due to customers for contract work	4,723	4,625
Prepayments received	896	2,368
Non-current employee liabilities	9,205	8,606
Liabilities to tax authorities (other than income tax)	917	5,459
Other liabilities and deferred income	9,576	8,428
	25,316	**29,486**

Amounts due to customers for contract work detail as follows:

	2008/09	2007/08
Construction costs incurred plus recognized gains	-9,162	-3,392
Less amounts billed and prepayments received	13,885	8,017
	4,723	**4,625**

26 Provisions.

	2008/09	2007/08
Non-current	524	1,694
Current	10,623	18,250
	11,147	**19,944**

The provisions changed as follows:

	31 March 2007	Change in consolidated entities	Utilization/ disposal	Addition	Currency translation differences	31 March 2008
Obligations from anniversary bonuses	457	20	-40	27	0	464
Costs of dismantling and removing assets	1,130	0	0	0	0	1,130
Other	97	0	0	0	2	99
Non-current provisions, total	**1,684**	**20**	**-40**	**27**	**2**	**1,694**
Warranties	4,165	0	-941	913	-8	4,128
Losses from pending transactions and rework	881	0	-273	302	0	910
Legal fees, costs of litigation and contract risks	2,881	0	-2,881	6,415	473	6,888
Other	7,535	10	-5,021	3,696	104	6,324
Current provisions, total	**15,462**	**10**	**-9,117**	**11,326**	**568**	**18,250**
Total	**17,146**	**30**	**-9,157**	**11,353**	**570**	**19,944**

	31 March 2008	Change in consolidated entities	Utilization/ disposal	Addition	Currency translation differences	31 March 2009
Obligations from anniversary bonuses	464	5	-24	78	0	524
Costs of dismantling and removing assets	1,130	0	-1,130	0	0	0
Other	99	0	-88	0	-10	0
Non-current provisions, total	**1,694**	**5**	**-1,242**	**78**	**-10**	**524**
Warranties	4,128	0	-2,380	259	-187	1,820
Losses from pending transactions and rework	910	0	-364	389	0	934
Legal fees, costs of litigation and contract risks	6,888	0	-6,620	3,129	-169	3,228
Other	6,324	0	-6,757	5,186	-114	4,640
Current provisions, total	**18,250**	**0**	**-16,121**	**8,963**	**-469**	**10,623**
Total	**19,944**	**5**	**-17,363**	**9,041**	**-479**	**11,147**

The provision for anniversary bonuses relates to non-current entitlements by employees based on collective labor agreement provisions. The valuation was based on an interest rate of 5.25 % (2007/08: 5.25 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2007/08: AVÖ 1999-P) by Pagler & Pagler, increases in salary were considered at 3 % (2007/08: 3 %).

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.

In case the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision will be 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 amount of the provision. According to past experience, it is probable that there will be claims under the warranties.

The provision for losses from pending transactions and re-work was set up on the basis of expected losses from construction contracts recognized at the balance sheet date.

Other provisions mainly include provisions for commissions and bonuses, credits receivable, discounts granted to customers and legal and consulting fees.

27 Contingent liabilities, other commitments and financial obligations.

The Group's contingent liabilities primarily result from large scale projects. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance und bid bonds, sureties and acceptance of guarantees for subsidiaries vis-à-vis third parties.

Details of contingent liabilities and other commitments are as follows:

	2008/09	2007/08
Contract, warranty, performance and bid bonds		
City Highway Santiago	846	860
City Highway Sydney and Melbourne	1,593	2,377
Truck Tolling System Austria	12,500	12,500
Truck Trolling System Czech Republic	19,938	48,899
Tolling project New Zealand	2,025	2,101
Expressway Toll Collection System, Maryland, U.S.A.	3,317	0
Other	5,338	4,306
	45,557	**71,043**
Bank guarantees	**3,486**	**3,290**
Sureties	**30**	**25**
	49,073	**74,359**

Financial obligations from lease contracts:

The future payments from non-cancellable obligations from rental and operating lease contracts are presented below:

	2008/09	2007/08
Up to 1 year	5,509	4,471
Between 1 and 5 years	14,341	5,370
Over 5 years	14,045	2
	33,895	**9,843**

28 Business combinations.

Kapsch-Busi S.p.A.

On 15 May 2008 Kapsch TrafficCom AG and the Italian Busi Impianti Group announced their cooperation. Under a joint venture, the two companies founded Kapsch-Busi S.p.A., domiciled in Bologna, in order to offer traffic telematics solutions for the urban area on the Italian market. Busi Impianti outsourced the related business unit, including a group of 10 employees, Kapsch TrafficCom complemented the team with own staff.

Purchase price:	
Paid	80
Present value of liability from put option	3,214
	3,294
Fair value of net assets acquired	415
Goodwill	**2,879**

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Intangible assets	622	327
Property, plant and equipment	4	4
Receivables and other assets	459	459
Cash and cash equivalents	90	90
Payables, other liabilities and accruals	-760	-760
Net assets acquired	**415**	**120**

The acquired company contributed revenues of TEUR 1,896 and a net income of TEUR 61 to the Group's result for the period from 1 June 2008 to 31 March 2009. If the acquisition had occurred on 1 April 2008, there would not have been a significant change in revenue or profit of the Group.

„Mobility Solutions" business of TechnoCom Corporation.

Effective as of 4 July 2008, Kapsch TrafficCom AG, through its subsidiary Kapsch TrafficCom Inc., acquired all assets of the „Mobility Solutions" business of TechnoCom Corporation, a company incorporated under the laws of the State of Delaware and domiciled in Encino, California.

Purchase price:	
Already paid	11,581
Incidental acquisition costs	334
Contingent purchase price component	2,281
	14,196
Fair value of net assets acquired	2,555
Goodwill	**11,641**

The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Intangible assets	2,021	109
Property, plant and equipment	51	51
Receivables and other assets	583	583
Cash and cash equivalents	0	0
Payables, other liabilities and accruals	-101	-101
Net assets acquired	**2,555**	**642**

The purchase price consists of a fixed component in the amount of EUR 11.6 million and contingent purchase price components in the amount of EUR 2.3 million, which in turn consist of payments contingent on the successful completion of project phases and of payments contingent on future revenues. Both components were recognized as a liability at their fair value (present value). The third conditional adjustment of the acquisition costs was not accounted for in the purchase price, since it consists of payments based on tax depreciation benefits, which were regarded as not reliably determinable.

29 Related parties.

The following transactions were performed with related parties:

KAPSCH-Group Beteiligungs GmbH, Vienna
From January 2005 the company has provided services to the Group in the area of group consolidation and legal advice. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 373 (2007/08: TEUR 599). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the Group in the amount of TEUR 22 (2007/08: TEUR 11).

In December 2005 the company issued a parental guarantee to FöreningsSparbanken AB, Stockholm, Sweden, in favor of the group company Kapsch TrafficCom AB, Jönköping, Sweden, in the amount of EUR 19.1 million. The annual fee for the assumption of the liability is 0.5 % of the guaranteed amount. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 83 (2007/08: TEUR 96).

In January 2007 KAPSCH-Group Beteiligungs GmbH issued an unconditional and irrevocable first demand payment guarantee up to EUR 40 million with respect to the payment obligations of Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, UniCredit Bank Austria AG, Vienna, und Raiffeisen Zentralbank Österreich AG, Vienna, for the delivery and operation of the Czech truck tolling system. The annual fee for the assumption of the liability is 0.5 % of the guaranteed amount. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 220 (2007/08: TEUR 209).

KAPSCH-Group Beteiligungs GmbH acts as the tax group leader in a tax group formed in March 2005, of which Austrian subsidiaries of this Group are members. Accordingly, all post-formation tax effects of the group companies which are tax group members are considered to be related party transactions (see Note 9 and 22).

Kapsch Aktiengesellschaft, Vienna
In connection with the use of the KAPSCH trademark and logo the company invoices license fees to the Group. The license fee amounts to 0.5 % of all third-party sales of the Group, whereby the annual minimum fee is TEUR 250. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 733 (2007/08: TEUR 750).

Activities in the area of corporate development, public relations, sponsoring and other marketing activities are carried out centrally by Kapsch Aktiengesellschaft for all group companies. Cost allocated to the Group in the fiscal year 2008/09 amounted to TEUR 925 (2007/08: TEUR 447).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the board of the company, Georg Kapsch, and costs for consulting services of certain supervisory board members of the company) to the Group. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 959 (2007/08: TEUR 1,257).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the Group in the fiscal year 2008/09 amounted to TEUR 249 (2007/08: TEUR 253).

Kapsch Partner Solutions GmbH, Vienna
The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the Group. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 691 (2007/08: TEUR 786).

Kapsch Financial Services GmbH, Vienna
The company leases telephone and IT equipment (hardware and software) to the Group and provides call centre services and IT support. Expenses incurred by the Group in the fiscal year 2008/09 amounted to TEUR 2,070 (2007/08: TEUR 1,643).

Kapsch BusinessCom AG, Vienna
The company delivers hardware (IT equipment) on behalf of Kapsch TrafficCom AG, Vienna, and provides maintenance and other services for various customer projects, the two largest of which by far are the “Truck Tolling System Austria” and the “Truck Tolling System Czech Republic”. The deliveries and services performed amounted to TEUR 4,575 in the fiscal year 2008/09 (2007/08: TEUR 2,554).

The company provides IT, EDP and telephone services to the Group in the amount of TEUR 252 (2007/08: TEUR 192), as well as other services in the amount of TEUR 507 (2007/08: TEUR 180), among other things for the IT technical restructuring of the new location of Kapsch Components KG and for the integration of the Swedish, Argentinean and U.S.A. American subsidiaries.

The Group invoices consulting services, in particular for public relations, to the company. Income of the Group resulting from these services in the fiscal year 2008/09 totaled TEUR 0 (2007/08: TEUR 60).

Kapsch Components KG provides logistic services to the company. Income of the Group resulting from these services in the fiscal year 2008/09 totaled TEUR 128 (2007/08: TEUR 100).

Kapsch CarrierCom AG, Vienna
The Group provides services in the area of public relations to the company. Income of the Group resulting from this service in the fiscal year 2008/09 amounted to TEUR 0 (2007/08: TEUR 83).

Kapsch Components KG provides logistic services to the company. Income of the Group resulting from these services in the fiscal year 2008/09 totaled TEUR 826 (2007/08: TEUR 1,102).

Kapsch Components KG produces various components for the company. Income of the Group resulting from the sale of these components in the fiscal year 2008/09 totaled TEUR 0 (2007/08: TEUR 711).

In January 2007 Kapsch CarrierCom AG issued an unconditional and irrevocable first demand payment guarantee up to EUR 9 million with respect to the payment obligations of Kapsch TrafficCom Construction & Realization spol.s.r.o., Prague, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, UniCredit Bank Austria AG, Vienna, and Raiffeisen Zentralbank Österreich AG, Vienna, for the delivery and operation of the Czech truck tolling system. The annual fee for the assumption of the liability is 1.5 % of the guaranteed amount. The assumption of liability expired as of 31 March 2008 and thus no expenses were incurred in the fiscal year 2008/09 (2007/08: TEUR 135).

Kapsch s r.o., Prague
The company provides technical maintenance services for the Czech truck-tolling system and is responsible for the current IT support for the Czech subsidiaries. Expenses incurred for this in the fiscal year 2008/09 totaled TEUR 386 (2007/08: TEUR 0). Furthermore, the company provided public relations services amounting to TEUR 98 in the fiscal year 2008/09 (2007/08: TEUR 0).

Kapsch Connex Plus GmbH (formerly Kapsch Consulting Austria GmbH), Vienna
In the fiscal year 2008/09 there were no business relations with the company. In the fiscal year 2007/08 an agreement could be reached with the company on waiving a potential success fee for the procurement of a tolling project in Argentina in the form of a one-off payment amounting to TEUR 400.

Kapsch Immobilien GmbH, Vienna
One managing director of Kapsch Immobilien GmbH was a member of the supervisory board of Kapsch TrafficCom AG until 10 July 2008.

In 1997, Kapsch Components KG, as lessee, has entered into a frame lease agreement with Kapsch Immobilien GmbH, as lessor, regarding the premise in Wagenseilgasse 1, Vienna, Austria, assuming the frame lease agreement from Kapsch Aktiengesellschaft, the original lessee. The frame lease agreement has neither been signed by Kapsch Components KG nor Kapsch Immobilien GmbH, but nonetheless the parties regarded the very basic provisions contained in the frame lease agreement to be binding upon them. The frame lease agreement was terminated and ended on 31 December 2008. The various parts of these premises were sub-leased by Kapsch Components KG within the consolidated group as well as to related companies.

On 15 July 2008 a new lease agreement was concluded for the location Am Europlatz 2 and a cancelation waiver for 10 years was agreed to. It is possible to partly terminate the agreement after 5 or 7 years respectively Investments in the amount of TEUR 1,767 (2007/08: TEUR 0) were made for the adaptation of the leased property. Lease expenses incurred by the Group amounted to TEUR 1,980 in the fiscal year 2008/09 (2007/08: TEUR 1,181).

Lease income of the Group resulting from the sub-lease to related parties in the fiscal year 2008/09 totaled TEUR 226 (2007/08: TEUR 379). The services rendered for relocations in the course of vacating the location Wagenseilgasse 1 amounted to TEUR 142 (2007/08: TEUR 0).

Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold at arm’s length.

Liabilities for pension benefits include pension obligations (pensions in payment) to the widow of Dr. Karl Kapsch, a former board member of Kapsch Aktiengesellschaft.

The following table provides an overview of receivables from and payables due to related parties at the respective balance sheet dates:

	31 March 2009	31 March 2008
Parent company		
Trade receivables and other assets	489	379
Trade payables and other payables	284	522
Affiliated companies		
Trade receivables and other assets	439	444
Trade payables and other payables	1,771	466
Other related parties		
Trade receivables and other assets	0	0
Trade payables and other payables	908	12

30 Discontinued operations.

Effective as of 8 March 2007, the Group disposed of its railway communication business that primarily included mobile train cab radios and related applications based on GSM-R technology (sale to Funkwerk Systems Austria GmbH, Vienna, by means of an asset deal). Activities in this business formed part of the Services, System Extensions, Components Sales segment.

As a result of the sale, the Group applied IFRS 5.

a) Analysis of the result of discontinued operations

	2008/09	2007/08
Revenues	0	0
Expenses	0	0
Profit from discontinued operations – before and after tax	**0**	**0**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2009 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.

b) Cash flows from discontinued operations

	2008/09	2007/08
Operating result	0	0
Adjustments for non-cash items and other reconciliations	0	0
Changes in current assets:		
Increase/decrease in trade receivables and other assets	0	1,441
Increase/decrease in inventories	0	0
Increase/decrease in trade payables and other current payables	0	-122
Increase/decrease in current provisions	0	-1,061
	0	**258**
Interest received	0	0
Interest payments	0	0
Net cash flow from operating activities – discontinued operations	**0**	**258**
Cash flow used in investing activities		
Purchases of property, plant and equipment	0	0
Proceeds from disposal of assets	0	0
Net cash flow from investing activities – discontinued operations	**0**	**0**
Cash flow from financing activities		
Increase/decrease in other non-current financial liabilities	0	-700
Increase/decrease in current financial liabilities	0	-467
Net cash flow from financing activities – discontinued operations	**0**	**-1,167**
Net cash flow from discontinued operations	**0**	**-909**

31 Earnings per share.

Earnings per share (basic earnings) is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the company and held as treasury shares. As of 31 March 2009, as in the prior year, no treasury shares were held by the company.

	2008/09	2007/08
Profit attributable to equity holders of the company (in EUR)	12,976,941	30,412,759
Weighted average number of ordinary shares	12,200,000	11,683,060
Basic earnings per share (in EUR per share)	**1.06**	**2.60**

32 Events after the balance sheet date.

Repurchase of minority interests

On 9 April 2009, Kapsch TrafficCom AG acquired 19 % of the shares of Brisa Internacional, SGPS, S.A., Sao Domingos da Rana, in Kapsch Telematic Services GmbH for a purchase price of EUR 2.3 million. In addition, another 7 % of the shares in Kapsch Telematic Services GmbH were acquired indirectly through acquisition of BRISA ACCESS Europe GmbH, Vienna, for a purchase price of EUR 1.9 million.

Incorporation of subsidiaries

On 7 April 2009, Kapsch TrafficCom Kazakhstan LLC, Astana, was incorporated as a wholly owned subsidiary of Kapsch TrafficCom AG in Kazakhstan.

33 Supplementary disclosures.

The consolidated group companies are listed in the notes to the consolidated financial statements under the item “consolidated group”. The parent company Kapsch TrafficCom AG, Vienna, with the exception of Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services Kft., Budapest, Kapsch Telematic Services spol. s r.o., Prague, Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Kapsch Telematic Services SK s.r.o., Bratislava, Kapsch Telematik Technologies Bulgaria AD, Sofia, PREMID, a.s., Bratislava, Kapsch-Busi S.p.A, Bologna, and Kapsch Telematic Services GmbH, Berlin, directly or indirectly holds 100 % of the shares in the fully consolidated subsidiaries. With regard to additional disclosures in accordance with § 265 (2) 1 UGB for Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services Kft., Budapest, Kapsch Telematic Services spol. s r.o., Prague, and Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Kapsch Telematic Services SK s.r.o., Bratislava, Kapsch Telematik Technologies Bulgaria AD, Sofia, PREMID, a.s., Bratislava, Kapsch-Busi S.p.A, Bologna, and Kapsch Telematic Services GmbH, Berlin, the protection-of-interest clause pursuant to § 265 (3) UGB was applied.

The average number of staff in the fiscal year 2008/09 was 831 salaried employees and 67 waged workers (2007/08: 716 salaried employees and 75 waged workers).

Compensation and other cost of the members of the management and the supervisory board

Costs for the chairman of the board are, among others, included in the cross-charge of management and consulting services from Kapsch Aktiengesellschaft (see Note 29). Regarding the total emoluments of the other member of the management board, the protection-of-interest clause of § 266 No. 7 UGB is applied.

No remunerations were paid to supervisory board members.

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

In the fiscal year 2008/09 the following persons served as management board members:
Georg Kapsch (Chief Executive Officer)
Erwin Toplak (Chief Operating Officer)

In the fiscal year 2008/09 the following persons served on the supervisory board:
Franz Semmernegg (Chairman)
Kari Kapsch (Deputy-Chairman)
Elisabeth Kapsch (until 10 July 2008)
William Morton Llewellyn (since 10 July 2008)

Delegated by the works council:
Christian Windisch
Werner Dreschl

Authorized for issue:

Vienna, 15 May 2009

Georg Kapsch	Erwin Toplak
Chief Executive Officer	Chief Operating Officer

Auditor's Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of Kapsch TrafficCom AG, Vienna, for the fiscal year from 1 April 2008 to 31 March 2009. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2009, the income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year ended 31 March 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting.
Management is responsible for group accounting and the preparation and fair presentation of consolidated financial statements that give a true and fair view of the group's financial position, its financial performance and cash flows in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable under 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 in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 basis for our audit opinion.

Opinion.
Our audit did not give rise to any objections. Based on the results of our audit, in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 March 2009 and its financial performance and cash flows for the fiscal year from 1 April 2008 to 31 March 2009 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the Consolidated Management Report.

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group. The auditor‘s report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements.

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

Vienna, 15 May 2009

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:

Felix Wirth
Austrian Certified Public Accountant

Kapsch TrafficCom is an international supplier of innovative road traffic telematics solutions. Its principle business is the development and supply of electronic toll collection (ETC) systems, in particular for the multi-lane free-flow (MLFF) of the traffic, and the technical and commercial operation of such systems. Kapsch TrafficCom also supplies traffic management systems, with a focus on road safety and traffic control, and electronic access systems and parking management. With more than 220 references in 36 countries in all 5 continents, and with more than 14 million on-board units (OBUs) and nearly 12,000 equipped lanes, Kapsch TrafficCom has positioned itself among the leading suppliers of ETC systems worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 22 countries.

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