Kapsch TrafficCom

Annual Financial Statements
Fiscal year 2010/11.

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Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2011.

1 Economic climate

1.1 General economic situation

Global Economy

Following the financial and economic crisis, world trade has increased again since the start of 2009 and has largely been able to regain pre-crisis levels. Real global trade is expected to increase by 10 % per year in 2011 and 2012 as well. The global economy also improved as a result of very expansive monetary and fiscal policy. The global gross domestic product rose by 4.5 % year-on-year, but slowed over the course of 2010. The International Monetary Fund (IMF) has forecasted growth of 4.4 % for 2011, and expects the global economy to continue growing by 4.5 % in 2012.

From a regional perspective, the economic upturn has been very uneven. In the emerging markets, such as in Asia, recovery was observed earlier than in the industrial countries, such as the euro zone in particular. However, the expansion in Asia is now showing a slight decline, which can be attributed to the end of the significant inventory build-up following the crisis as well as attempts by China and other emerging countries to slow growth in order to prevent their economies from overheating and to counteract rising inflationary pressure. Asian and Latin American economies will continue to grow in 2011 and 2012, lending a noticeable impetus to the global economy.

In the euro region, very large differences exist between the individual countries. High-export and internationally competitive nations such as Germany and the Scandinavian countries exhibited positive growth figures for 2010, while the situation in Southern European countries and in Ireland appeared somewhat worse. The problematic national budgets of these euro countries are leading to an abrupt increase in lending rates and continue to put the European Currency Union to a hard test. In the interests of solidarity, the EU has resolved to provide EUR 110 billion of support to Greece and EUR 85 billion to Ireland. It is also assumed that Portugal will need between EUR 80 billion and EUR 90 billion.

The oil price has risen again significantly in recent months due to the flare up of unrest in North Africa and the Near East and stood at roughly USD 110 per barrel Brent as of mid May. Raw materials prices are likewise increasing due to high demand. The price of gold is also rising, ending the reporting period at approx. USD 1.525 per Troy ounce.

2010 was a turbulent year for the financial markets. The European sovereign debt crisis and the relaxation of monetary policy by the US Federal Reserve dominated the international markets. The euro lost ground against the US dollar in the first half of 2010, but the euro exchange rate recovered again in the second half of the year. Demand for low-risk investments in German and American bonds increased.

The final weeks of the fiscal year 2010/11 were dominated by the terrible catastrophe in Japan. Following the massive destruction caused by the earthquake and tsunami, the threat of a nuclear disaster has largely been the focus of attention.

The consequences for the global economy are still difficult to estimate. Japan is faced with its largest reconstruction effort since World War II. The required investments and restoration of the destroyed infrastructure could mean a short-term boost to the Japanese economy. However, Japan is one of the few major economic powers with a strong focus on exports, and this leads to fears of massive economic losses due to production downtimes as well as the radioactive contamination of agricultural products and ocean water. According to economists, the direct consequences on the global economy should remain within limits.

The overall outlook for the global economy justifies the expectation that investors could remain in a risk-averse posture. The high national debts of the developed countries and rising raw materials prices will have a significant impact on growth.

U.S.A.

The economy in the United States. developed positively during 2010. The gross domestic product of the U.S.A. increased by 2.7 % in 2010, and indicators point toward a continuation of this positive trend. GDP growth of 2.2 % is forecasted for the year 2011 and a further increase in growth to 2.9 % for 2012.

Measures to stabilize the economy as well as extensive intervention by the US Federal Reserve (Fed) during the year 2010 are allowing banks to repair their balance sheets. Expansive monetary policy and the buyback of government bonds by the Fed have kept the USD exchange rate low. At the end of 2010, the euro was at 1.34 US dollars, while on 31 March 2011 it was 1.42 US dollars. Since the end of 2010, the Fed has held to a historically low interest rate between 0.0 % and 0.25 %. Experts expect the prime rate will be kept low over the short-term and the relaxed monetary policy will be maintained.

The labor market has recovered slightly in recent months, but is still characterized by delayed development. The unemployment rate remains high and was at 9.0 % in January 2011. In 2011, unemployment is expected to average between 8.8 % and 9.0 %. Developments in the areas of industrial production and exports are positive. Private consumer spending remained expansive despite belt-tightening, which can be attributed in part to the increased prices of food and fuel. Forecasts indicate that the consumption and real estate boom seen prior to the crisis will not return quickly. In particular, the recovery in the real estate market has remained very weak to date. No noticeable improvement is in sight for the construction industry as well.

Emerging Markets

The rapid implementation of government economic stimulus programs has boosted the emerging markets in the last two years. Emerging countries such as China and India have even seen a surplus of capital.

China exhibited GDP growth of 10.5 % in 2010. Although the government took measures to counteract the risk of currency appreciation and rising inflationary pressure, growth amounting to 9 % per year is expected for the years 2011 and 2012.

Japan made the turnaround in 2010 and was able to achieve an increase of 3.6 % in its gross domestic product. As a result of the recent natural catastrophes, serious estimates regarding future developments are almost impossible, and the opinions of experts also diverge extensively in this area.

Europe

Following the global crisis, recovery was also observed in the euro countries during 2010. The gross domestic product in the euro zone rose by 1.7 %, and stable growth of 1.5 % is expected for the years 2011 and 2012. Industry in the euro region was able to exceed production forecasts, and the volume of new orders also developed positively. At the start of the 4th quarter of 2010, the industrial capacity utilization of 77.6 % was far above the low of the previous year (69.6 %) but still fell short of the long-term average of 81.2 %.

In general, an analysis of the current economic situations in the euro countries shows significant differences.

The competitive export countries of the euro region, such as Germany and the neighbors with which it has strong economic relationships, such as Austria and Slovakia, are profiting from the massive growth in the emerging markets (in particular, from China). Germany, for instance, proved to be the economic motor for Europe in 2010 with growth of 3.6 %, and there are good prospects for continued stable growth in 2011 as well. Alongside the positive effects from the rise in global trade, German economic growth also benefits from the low interest rates in the euro zone. As a result, the country has been spared tax hikes and cost-cutting measures, benefiting companies and further promoting consumption.

Other euro countries have encountered great difficulties in controling their national debts and lag behind in terms of growth. High public spending and austerity packages can be seen in Greece, Ireland, Portugal and Spain, and the economies of these countries are stagnating. Portugal is even in a recession at this time.

In recent months, all the nations of Europe have banded together to overcome this crisis through joint action. To this end, a comprehensive plan was passed for opposing the debt crisis in the euro region, stabilizing the economic and monetary union and improving competitiveness. The new crisis fund for high-debt euro countries was recently raised to EUR 700 billion. As of 2013, this money should be made available as credit financing under favorable conditions to euro countries that are unable to get their national budgets under control on their own despite austerity programs. Almost all EU states are helping to finance this rescue fund through cash contributions and guarantees. Strict criteria, including massive cost-cutting measures, must be met in order to take advantage of this aid.

Although the EU began to assist Greece at the start of 2010 – in total, roughly EUR 110 billion should have been approved – the budget deficit for 2010 was again higher than expected at 10.5 %. Ireland requested assistance at the end of 2010 and received a loan of roughly EUR 85 billion.

The situation in Portugal also intensified in the spring of 2011. The goals for the budget deficit in 2010 were clearly missed at 9.1 %, and political turbulence has ensued since that time. The unemployment rate (11.2 % in January 2011) and inflation (roughly 3.5 % in February 2011) also rose considerably. At the start of April 2011, after receipt of a significantly worse rating and a correspondingly massive interest rate increase for Portuguese government bonds, the country requested assistance from the EU rescue fund. Estimates of the required aid run to EUR 80-90 billion.

In addition to the crisis fund, adherence to the stability package has once again received greater attention throughout the entire euro region. The new debt of a country may not exceed 3 % and the total debt level must be lower than 60 % of the GDP. If these criteria are not met, a deficit process must be followed by which 0.2 % of the GDP must be set aside as a pledge for improving the debt. If the debt situation does not improve, this pledge is treated as a penalty. The euro countries are also called upon to more closely coordinate their tax, pension and social policies in order to avoid differences in competitiveness.

Overall, the economic recovery in the euro region has been astonishingly robust despite the rising price of oil and continued debt problems.

The new EU countries were able to achieve GDP growth of 1.9 % in 2010 (2009: -3.3 %). Indicators point to continued GDP growth of 2.6 % in 2011 while growth as high as 3.6 % is expected for 2012. Poland, the Czech Republic, Slovakia and Hungary have enjoyed good economic growth.

Inflation in the EU (EU-27) increased in 2010 primarily due to rising energy prices and was at 2.8 % in February 2011. To counteract this, the European Central Bank raised the prime rate from 1 % to 1.25 % at the start of April 2011, and another increase is expected over the course of 2011. The 3-month Euribor rate was 1.23 % on 31 March 2011.

The unemployment rate in the EU (EU-27) remained at a high level of 9.5 % in February 2011, only 0.1 % lower than the previous year. This figure also varies widely between the individual countries. The Netherlands, Luxembourg and Austria have the lowest rates, while the highest unemployment rates are reported by Spain, Lithuania and Latvia. Latvia, however, was also able to demonstrate the greatest reduction in unemployment, followed by Estonia and Sweden. The largest increase was reported by Greece and Ireland.

Austria

The Austrian GDP increased by 2.0 % in 2010, which can be primarily attributed to the strong growth in exports (2010: +12.3 %) and rising investments. The GDP growth forecast for 2011 was recently revised upward to 2.5 %, and growth of 2.0 % is expected for 2012 as well.

Positive export developments can be attributed to the strong economic growth in Germany, which was in turn positively influenced by growing demand from Asia. Austria's exporters also profited from increasing exports to Switzerland, Russia and the U.S.A.. According to forecasts, Austrian goods exports are expected to grow by 7 % in 2011 and 6.4 % in 2012.

Consumption by private households remained a stable pillar of the economy in 2010 due to high real growth (tax reform, expansion of social transfers and low inflation). Consumer spending by private households increased by 1.1 % in 2010. Trade also profited from the positive development in consumer spending, making possible an increase of 2.8 % in value creation.

In 2011, it is expected that net real per capita income will decline somewhat due to lower salary conditions in the public sector and a slight increase in the inflation rate. Net real wages should recover somewhat in 2012.

In February 2011, the inflation rate reached its highest level since September of the previous year. The Europe-wide harmonized consumer price index jumped to 3.1 % and exerted a damping effect on economic growth. This increase can be attributed above all to increased prices for fuels, heating oil and food. Approximately 0.4 % of this increase originates from the raising of indirect taxes for budget consolidation. On the other hand, core inflation, which excludes energy and unprocessed foods, remained low.

Overall, the Austrian economy is recovering very well compared with the rest of the world. Following on the economic stimulus programs, the austerity package and tax reforms were implemented relatively quickly and have already begun to show the desired effects, demonstrating that they were correctly dimensioned. It has been possible to keep many employees in their jobs by reducing working hours. In addition, innovative ideas helped Austrian companies successfully ride out the crisis.

However, the continued growth of the Austrian economy is subject to a number of uncertainties and risks. The EU countries are faced with the great challenge of overcoming the debt crisis and ensuring the stability of the monetary union in Europe. The unrest in the Near East and North Africa has led to increased oil prices and negatively impacted inflation. It remains to be seen how the situation in North Africa will develop. Due to the low trade volume with Japan, experts believe the catastrophe there will have only a negligible impact on the Austrian economy, with the exception of delivery bottlenecks. The potential influence of this situation on the global economy and thereby directly on Austria remains difficult to assess from today's perspective.

The development of the unemployment rate remains positive. Unemployment has continued to fall, reaching 6.9 % in March 2011 according to the national calculation and 4.3 % according to the Eurostat definition. This places Austria alongside the Netherlands in the top ranks of the EU-27 countries (average of 9.6 %). According to the most recent forecasts, the unemployment rate should stabilize further, and an annual average of 4.1 % is expected for 2011 and 4.0 % for 2012.

1.2 Development of the market for intelligent transportation systems

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the intelligent transportation systems market. The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, September 2010, describes the ITS market as a diversifying market with the following, widely differing application and product segments.

Electronic toll collection (ETC) systems with technologies that enable drivers to pay toll fees without stopping at tollgates.

Traffic management systems (TMS) that monitor traffic, optimize signal timing, and regulate the flow of traffic.

Commercial vehicle operations (CVO) systems which are technologies to enhance motor carrier productivity and safety during interstate transportation.

Public vehicle transportation management systems (PVTMS) which streamline transit, allow transit companies to locate vehicles and provide safety to commuters.

Vehicle information systems (VIS) which include a host of applications that enable commuters to have a safe journey.

According to Global Industry Analysts, the size of the ITS market amounted to USD 11.8 billion in 2010 and is increasing steadily. The largest market segment is traffic management systems, accounting for almost 38 %. The fastest-growing ITS segment is electronic toll collection systems with a compounded average growth rate of 17.1 % between 2000 and 2010; at a worldwide volume of about USD 2.8 billion, it had a share on the ITS market of roughly 24 % in 2010.

Market situation and market forces

Funding of infrastructure projects. Independent of the economic recession, the worldwide increase in road traffic is the most important growth factor for the ITS market. According to analyses by the EU (European Union 2010, "Energy and Transport in Figures"), commercial traffic increased by 2.3 % per year and in total by 33.7 % between 1995 and 2008. Commercial road traffic increased by 2.9 % per year and by 45.7 % in total. While the recent economic crisis triggered a fall in the volume of goods transport, this has already been largely compensated for by the subsequent upswing. Despite political pressure, goods transport could not be shifted significantly from road to rail or ship transport. This growth increases the financing burden for road infrastructure enormously, which in turn fosters greater demand and a high growth potential for ITS applications and the market segment electronic toll collection systems, in particular.

In 2005, the trans-European road network (TEN-V) with a total length of 84,700 km comprised one-fourth of the primary street network but carried 40 % of the total commercial traffic. It is predicted that TEN-V will be expanded by 4,800 km per year up to 2020, of which 3,500 km will consist of existing roads. Major investments will be required in the new member states and along the corridor routes to these countries. The European Union estimates investments of EUR 600 billion will be required by 2020. The long-term forecasts for traffic growth continue to remain high.

In addition to dedicated short-range communication (DSRC) systems (microwave technology) according to the Comité Européen de Normalisation (CEN) 5.8 GHz standard, the use of satellite-based systems (satellite technology) has been expanding, depending on the application requirements. Significant growth potential also exists in the area of video-based systems for automatic number plate recognition (ANPR) for tolling and enforcement in urban environments

The high financing requirements for the preservation of road infrastructure are leading to new business models and private concessionaire models in the U.S.A.. Standard & Poor's research estimates an annual demand of USD 92 billion for the preservation of highways and bridges and a further USD 125.6 billion for their improvement. While the standardized tolling technology based on 5.8 GHz DSRC microwave is used in Europe, electronic toll collection systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard based on 5.9 GHz will gradually replace the existing technology in the U.S.A. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for car-to-car communication and for applications that increase traffic safety as well as additional ITS solutions for traffic information, traffic management and entertainment. These developments will also make it possible for European manufacturers to gain a foothold in the North America, which is also an important growth market for Kapsch TrafficCom.

Reduction of congestion and environmental pollution through road traffic. To reduce traffic congestion and environmental pollution, city charging systems and environmental zones (low emission zones) are deployed in several major cities. Environmental pollution can be viewed as another key driver for the ITS market and also for electronic toll collection systems. In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. This topic is politically very sensitive, and the development of this segment within electronic toll collection systems is therefore not as fast as originally expected. Traffic safety devices to monitor compliance with traffic regulations are another field of application in cities. Examples include systems to monitor traffic violations at junctions (e.g. jumping red lights) as well as systems to detect speeding. These applications, which fall under the traffic management system segment, enjoy fast-growing potential on the market both in and between cities, and for municipal authorities they often pave the way for larger and more extensive ITS solutions such as city charging.

The increasing traffic volume can be considered a global trend. Especially in Asia, an increased demand for electronic toll lanes is expected for the replacement and expansion of toll systems previously based on more traditional methods. India has one of the largest road networks in the world, amounting to 3.4 million km in 2004. Only 2 % is made up of highways, but these carry 40 % of the commercial traffic. Between 1992 and 2002, 52,000 km of highways were built in China and an additional 200,000 km are planned for the coming years.

Reduction of road accidents. Traffic management systems are particularly expected to increase the probability of surviving accidents and reduce accident rates.

2 Economic situation of the Group

2.1 Business development

The fiscal year 2010/11 was the most successful year in the history of the Kapsch TrafficCom Group. Historic highs were achieved both for revenue and EBIT. The expansion strategy was consequently continued in order to further extend the market positions in selected countries. The presence of the Kapsch TrafficCom Group in South Africa and North America was strengthened through company acquisitions. In Poland, organic growth was generated by an order for implementing and operating the nationwide truck toll system.

On 1 April 2010, Kapsch Telematic Services GmbH, Vienna, acquired the majority of shares in Payvend F&P A/S, Copenhagen, Denmark. The company was then renamed Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark.

On 8 April 2010, the Kapsch TrafficCom Group purchased the majority of shares in TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa. The Group thereby also obtained a local partner that is a leader in the ITS segment traffic management systems and can contribute its expertise and services to the South African Gauteng project. TMT Services and Supplies (Pty) Ltd. engages in projects for traffic and parking monitoring in several South African cities, including speed monitoring in Johannesburg and in the Mpumalanga province. Over the course of fiscal year 2010/11, the new subsidiary also received a contract to deliver and operate an automatic fare collection system for the bus fleet of the city of Johannesburg that corresponds to roughly EUR 18 million.

The U.S., Canadian and Mexican business of MARK IV IVHS was taken over on 30 November 2010. This brings the largest provider of components for electronic toll systems based on the existing 915 MHz technology in North America into the Kapsch TrafficCom Group. The newly acquired subsidiaries are exclusive suppliers of the E-ZPass® Group, a consortium of 24 toll authorities in 14 US states. Projects are also running with customers in Canada and Mexico. In addition to current customer relationships, this takeover offers the ideal basis for participating in the expected technology migration from 915 MHz to 5.9 GHz WAVE. Initial demo and pilot projects based on the 5.9 GHz technology have already been implemented in the U.S.A. by the Kapsch TrafficCom Group.

Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates, was founded on 30 March 2011 together with a local partner.

In a move that further highlights the planned growth course, a 4.25 % corporate bond with a volume of EUR 75 million and a tenor of seven years was successfully issued on 3 November 2010.

The ongoing implementation of the project in South Africa and the project acquired in October 2010 for building a nationwide truck tolling system in Poland dominated the past fiscal year.

The contract awarded by the South African National Roads Agency Ltd (SANRAL) in September 2009 for the implementation and operation of an electronic toll collection system for the multi-lane free-flow of traffic in the Gauteng province was in the implementation phase during the reporting period. After transfering the toll collection system as agreed in fiscal year 2011/12, the technical and commercial operation will be handled by the South African subsidiary. In a separate tender process for the delivery of over 1.8 million on-board units, the Kapsch TrafficCom Group was also able to win a large share of the contract amounting to over 1.5 million units.

With the signing of a contract on 2 November 2010 for the implementation and operation of a nationwide electronic truck tolling system in Poland, the Kapsch TrafficCom Group was able to further expand its leading position in the European market. The first construction phase encompasses the existing road network of roughly 1,750 km and the technical as well as commercial operation up to 2018 with an order value of approximately EUR 560 million. The commissioning will take place in fiscal year 2011/12. The Polish contract partner GDDKiA (General Directorate for National Roads and Highways) expects an expansion of the road network to 7,600 km by 2018.

In the Czech Republic, tolls are collected on 1,350 km of highways and expressways. 249 tolls stations and over 541,000 on-board units are currently in operation. The average toll transaction rate was increased from 99.0 % in calendar year 2009 to 99.3 % in calendar year 2010.

In Austria, roughly 2,200 km of highways and expressways are tolled with a fully electronic toll collection system for trucks heavier than 3.5 tons permissible total weight. Since 2004, Kapsch TrafficCom has delivered the entire central and roadside infrastructure for 490 toll stations as well as approximately 1 million on-board units (GO Boxes). The average toll transaction rate in Austria remained at the previous year's high level of 99.88 %.

Thanks to the outstanding system performance, contractually established bonus payments were earned in both the Czech Republic and Austria.

2.2 Earnings situation

The highest revenue since the founding of the Kapsch TrafficCom Group was generated in fiscal year 2010/11. Revenue of EUR 216.0 million in fiscal year 2009/10 was improved by 172.6 million, representing an increase of 79.9 %, to EUR 388.6 million in fiscal year 2010/11. EBIT in the reporting period was EUR 48.9 million, an increase of EUR 24.3 million that almost doubled the EUR 24.5 million recorded in the previous fiscal year (+99.2 %). This led to an improvement in the EBIT margin from 11.4 % in the previous year to 12.6 % in the reporting year.

Revenue in the segment Road Solution Projects (RSP) reached EUR 158.9 million, or 246.7 % above the previous year's value of EUR 45.8 million. The most important factors for this development were the ongoing implementation of the South African Gauteng project, the start of the project obtained in October 2010 for construction of a nationwide electronic truck toll system in Poland and the completion of the traffic management system in the Czech Republic. The segment RSP now represents 40.9 % of total sales (2009/10: 21.2 %).

For the first time after two fiscal years, the segment RSP once again made a positive contribution of EUR 0.1 million to profit (2009/10: EUR -20.9 million). This can be primarily attributed to the projects in South Africa and Poland. Operating results continue to be impaired by the periodic costs allocated to this segment, the continued expenditures for entry into new markets (in particular costs connected with the acquisition of MARK IV IVHS, including the ancillary acquisition costs that are no longer capitalizable), the costs connected with the tender process for construction of a nationwide electronic truck toll system in France and upfront costs for pending tender processes.

The segment Services, System Extensions, Components Sales (SEC) saw an improvement in sales amounting by EUR 61.4 million, increasing from EUR 161.9 million to EUR 223.3 million. This corresponds to a gain of 37.9 %. The primary factors driving this increase were the revenue of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, taken over in April, which was reported for the first time in fiscal year 2010/11, the revenue from the U.S., Canadian and Mexican business of MARK IV IVHS, taken over in December, the contribution from the South African Gauteng project and expansions to the nationwide truck toll system in the Czech Republic. Sales of on-board units reached a record volume of 5.2 million delivered units, representing an increase of 46.9 % over the previous year. Sales in the U.S.A., South Africa, Turkey, France and Portugal proved particularly positive. The fiscal year 2010/11 once again saw an improvement of revenue in the segment SEC, which amounted to 57.5 % of total revenue in fiscal year 2010/11 (2009/10: 75.0 %).

The EBIT in the segment SEC was EUR 48.3 million (2009/10: EUR 45.3 million), resulting in an EBIT margin of 21.6 % (2009/10: 28.0 %). The comparably high profit contribution in the previous fiscal year was attributable to the retroactive clarification of the assumption of costs for the transaction billing for the nationwide electronic truck toll system in the Czech Republic which became effective in the fiscal year 2009/10.

Revenue in the segment Others (OTH) fell from EUR 8.3 million in fiscal year 2009/10 to EUR 6.4 million in the past fiscal year. This decline can be attributed largely to the difficult economic environment in this special manufacturing area.

Despite the lower revenue, EBIT reached EUR 0.4 million (2009/10: EUR 0.2 million). The EBIT margin thus increased from 2.3 % to 6.7 % in fiscal year 2010/11.

Revenue by segment		2010/11		2009/10		+/- %	2008/09	
Road Solution Projects (RSP)								
Revenue (% of total revenue)	in million EUR	158.9	(41 %)	45.8	(21 %)	>100 %	56.8	(28 %)
EBIT	in million EUR	0.1		-20.9		<-100 %	-1.7	
Services, System Extensions, Components Sales (SEC)								
Revenue (% of total revenue)	in million EUR	223.3	(57 %)	161.9	(75 %)	38 %	135.6	(68 %)
EBIT	in million EUR	48.3		45.3		7 %	31.7	
Others (OTH)								
Revenue (% of total revenue)	in million EUR	6.4	(2 %)	8.3	(4 %)	-23 %	8.0	(4 %)
EBIT	in million EUR	0.4		0.2		>100 %	-1.0	

At 47 %, the largest share of total revenue was generated in the region of Europe. This increase of EUR 64.9 million can be attributed largely to the projects in Poland and the Czech Republic as well as the growth in component sales in France, Portugal and Turkey. Revenue in the rest of the world increased by EUR 97.0 million (>100 %). The projects in South Africa represented key factors here. Revenue in Austria fell by EUR 4.9 million since no significant expansions to the existing nationwide truck toll system took place during the past fiscal year. The region of America saw a revenue increase of EUR 15.5 million (>100 %). An increase was achieved in the U.S.A. and Canada due to the acquisition of the MARK IV IVHS companies, while lower sales in Chile negatively impacted the growth in this area.

Revenue by region		2010/11		2009/10		+/- %	2008/09	
Austria (% of total revenue)	in million EUR	37.5	(10 %)	42.4	(20 %)	-12 %	37.8	(19 %)
Europe (excl. Austria) (% of total revenue)	in million EUR	182.0	(47 %)	117.1	(54 %)	55 %	122.8	(61 %)
Americas (% of total revenue)	in million EUR	27.6	(7 %)	12.1	(5 %)	>100 %	14.0	(7 %)
Rest of the World (% of total revenue)	in million EUR	141.5	(36 %)	44.5	(21 %)	>100 %	25.6	(13 %)

The cost of materials and other production services rose from EUR 98.0 million to EUR 191.3 million in fiscal year 2010/11, which reflects an increase of EUR 93.2 million. Compared with the previous year, the share of costs for materials and other production services in relation to revenue changed from 45.4 % to 49.2 %. This can be attributed primarily to the higher share of external deliveries for the projects in South Africa (Gauteng and Johannesburg), the construction of the nationwide truck toll system in Poland and the expansion projects in the Czech Republic.

Compared with the previous year, staff costs increased by EUR 26.8 million, rising from EUR 59.7 million to EUR 86.5 million in fiscal year 2010/11. At the same time, the average number of employees grew by 648 persons, changing from 973 to 1,621 in the past fiscal year. The integration of the newly acquired companies and the staff requirements connected with the technical and commercial operation projects obtained in South Africa and Poland represent the most important factors here. The staff cost ratio (staff costs in relation to total revenue) was reduced from 27.6 % in the previous year to 22.3 %.

Depreciation and amortization expenses increased by EUR 6.1 million compared with the previous year (2009/10: EUR 7.5 million; 2010/11: EUR 13.6 million), resulting primarily from the company mergers. Other operating expenses rose from EUR 42.3 million to EUR 63.4 million in fiscal year 2010/11, for an increase of EUR 21.1 million. Increased expenses arose primarily in the form of legal and consulting costs, travel costs, office expenditures, maintenance costs and licensing and patent costs. These increases resulted, on one hand, from the integration of the newly acquired companies and, on the other, from the project-related expenses.

In fiscal year 2010/11, financial result amounted to EUR -7.6 million (2009/10: EUR 4.1 million). The lower finance income can be attributed largely to reduced interest effects in long-term receivables and the decline in exchange rate gains. Finance costs rose considerably as a result of the exchange rate losses, which mainly related to not-realized exchange rate losses. Furthermore the interest expenses relating to the corporate bond burdened the financial result.

The profit before income taxes was EUR 41.3 million, which is EUR 2.6 million lower than the previous year's value. In the previous year, this item was largely influenced by a required reclassification of the shares held in Q-Free ASA, Norway, from associated companies to other investments. This balance sheet change led to an accounting gain of EUR 14.0 million that was recognized in profit and loss, thereby massively increasing the profit before taxes in fiscal year 2009/10.

Despite the negative factors affecting the financial and tax results, profit for the period amounted to EUR 28.4 million (2009/10: EUR 36.5 million).

2.3 Assets and liabilities

The balance sheet total of the Kapsch TrafficCom Group was EUR 450.1 million on 31 March 2011 (31 March 2010: EUR 295.1 million). Equity was EUR 191.5 million, resulting in an equity ratio of 42.5 % (31 March 2010: 57.0 %).

Non-current assets rose from EUR 101.4 million to EUR 159.7 million as at 31 March 2011. The largest changes were observed in the areas of intangible assets and property, plant and equipment, and resulted almost exclusively from the acquisition of companies. The other financial assets and investments declined due to the negative exchange rate development of the shares in the Norwegian Q-Free ASA.

Current assets increased from EUR 193.7 million to EUR 290.4 million as at 31 March 2011. The increases in trade receivables as well as in inventories resulted predominantly from the large projects in South Africa and Poland as well as the newly acquired companies.

Non-current liabilities increased to EUR 117.4 million (31 March 2010: EUR 37.6 million). The largest change took place in non-current financial liabilities due to the successful issuing of the company bond with a volume of EUR 75.0 million, a tenor of seven years and an interest rate of 4.25 %.

Current liabilities amounted to EUR 141.2 million on the balance sheet date (31 March 2010: EUR 89.2 million). Trade payables and other current liabilities and deferred income exhibited an increase that originated primarily from the large projects in South Africa and Poland as well as the newly acquired companies. Current financial liabilities increased by EUR 13.8 million compared with the end of the previous fiscal year.

2.4 Financial position

Net cash flow from operating activities declined to EUR -11.7 million in fiscal year 2010/11 (2009/10: EUR 46.5 million). The changes in net current assets resulting from the increase in trade receivables and inventories as well as the payment of income taxes could not be compensated by the increased operating result.

Net cash flow from investing activities amounted to EUR -60.9 million in the past fiscal year (2009/10: EUR -15.3 million) and was influenced by the payments for purchasing Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark, TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, and MARK IV IVHS.

Net cash flow from financing activities was EUR 65.5 million (2009/10: EUR -48.4 million) and was positively affected primarily by the issuing of the corporate bond.

As a result of outflows from operating and investing activities, cash and cash equivalents decreased to EUR 42.0 million on the balance sheet date (31 March 2010: EUR 47.7 million).

2.5 Non-financial performance indicators

Reliability and accuracy of installed ETC systems. The toll transaction rate is a figure for assessing 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. A high toll transaction rate translates to maximum toll revenue.

In 2010, the average toll transaction rate of the existing truck tolling system in Austria amounted to approximately 99.9 %, placing it at an ever higher level as in 2009. During the same period, the average performance rate of the nationwide electronic tolling system in the Czech Republic was approximately 99.31 %, up 0.3 % from 99.0 % in 2009. The calculation of the average performance rate is based on methods agreed upon with the respective customer, meaning that comparisons between the average performance rates achieved in different projects are only possible on a limited basis.

Staff. The average number of employees in the Kapsch TrafficCom Group in the fiscal year 2010/11 was 1,621, a 67 % increase against an average of 973 in the fiscal year 2009/10. As of 31 March 2011, the Group had a workforce of 2,167 (2,054 salaried and 113 non-salaried employees).

The Group places great importance on the continued training and education of its employees. This involves not only promoting professional education and training, but also providing seminars and training sessions for developing one's own personality and teamwork skills. The group companies make contributions to an external pension fund on behalf of their employees which are based on the length of employment and company profits. In addition, the Group maintains a profit participation program that offers the staff an opportunity to share in the profits of the Kapsch TrafficCom 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.

Environment. Valid certifications are held for quality management pursuant to ISO 9001 and environmental management pursuant to ISO 14001. In the future the Group will strive to fulfill its responsibilities toward environmental protection even more extensively, particularly with regard to the efficient and responsible use of natural resources.

Corporate social responsibility

Kapsch TrafficCom has taken up the call for long-term and responsible business activities and is dedicated to sustainability on an economic, ecologic and social level. Sustainability reports will be published regularly in the future to show the progress on a group level and the continuing establishment of predefined objectives.

Living up to its socio-political responsibility, the entire Kapsch Group – organized by Kapsch AG – supports a number of contemporary art and cultural institutions and projects, and also initiates its own projects in this field. Selected training initiatives and extensive social measures complement this approach, which the company considers to be an obligation both in and outside the Group. The employees of the Kapsch TrafficCom Group hold this long-term commitment to social responsibility in high regard.

Music. A key element of this commitment covers sponsoring activities related to the Vienna Concert Hall *(Wiener Konzerthaus)*. This cultural institution has an excellent reputation far beyond Austria's borders. The Kapsch Group has been the main sponsor of the Vienna Concert Hall since 1992. The Modern Vienna festival – one of the world's best known festivals of contemporary music – has been supported by Kapsch since its launch in 1989.

Visual arts. Promoting less known artists is of particular concern to the Kapsch Group. In particular, young domestic and international artists are assisted by sponsorship campaigns. One example is the photo calendar that Kapsch Group has supported since 1994. The calendar is presented annually in late fall in a private exhibition.

Educational institutions. As a company that is driven by technology and innovation, Kapsch TrafficCom is constantly interested in establishing contacts as early as possible with the best engineering talents. Since 2005, the Kapsch Group has supported *Universitäre Gründerservice Wien GmbH* which aims to support and accompany young entrepreneurs in the implementation of ideas relating to key business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting selected social projects at home and abroad. One example of the numerous projects is ICEP – the Institute for Cooperation in Development Projects, whose activities help to improve the circumstances of people in developing countries. With the specific advancement of migration and integration, Kapsch TrafficCom contributes to social justice, the positive development of society and safety over the long-term.

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. For the company, risk means the possibility of deviating from company objectives, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system

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, the risk management system comprises institutionalized processes for collecting and analyzing all relevant opportunities and risks pertaining to the Group's projects and provides the basis for the timely planning and implementation of control measures. In the 2010/11 fiscal year risk management was developed into a company-wide opportunity and risk management system. In addition to project risks, Enterprise Risk Management also analyses strategic, technological, organizational, financial, legal and IT risks, reporting to management on a regular basis. 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 faced by the Group and the respective risk management measures are briefly explained below:

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch TrafficCom Group are generated in the segment Road Solution Projects (RSP). In this segment, the Group regularly participates in tenders for the implementation and operation of large electronic toll collection systems. On the one hand, there is a risk that tenders in which the Group participates or plans to participate could be delayed or withdrawn, for instance as a result of political changes, appeals or legal actions by unsuccessful bidders. On the other hand, a risk exists that Kapsch TrafficCom Group may not win its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from maintenance agreements and from technical operations also depend on the successful participation in tenders for systems.

In the past, the revenues of the Kapsch TrafficCom Group have been heavily influenced by the realization of implementation projects in the given fiscal year. Significantly higher revenues were recorded, in particular, in 2003 (implementation of a nationwide electronic truck tolling system in Austria) and 2006/07 (implementation of a nationwide electronic truck tolling system in the Czech Republic). In the 2010/11 fiscal year sizeable revenue was generated from implementing an electronic toll system in South Africa as part of the Gauteng Project, and from starting to implement a nationwide electronic truck tolling system in Poland.

The strategy of the Kapsch TrafficCom Group is aimed at reducing the volatility of revenues from single large projects through increased geographic diversification and increased diversification of the product portfolio as well as sustained growth in the share of maintenance and operations of systems.

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since electronic toll collection systems and other ITS solutions are frequently sophisticated and technologically complex systems that must be implemented within a short period, system and product defects or missed deadlines may occur due to the limited time available. The failure to meet guaranteed performance levels or deadlines usually results in penalties and/or compensation, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses, which enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom Group cannot execute projects in line within the set cost budgets.

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

Long-term contracts with public authorities. In many cases, the system contracts are awarded by public agencies. Framework agreements and service contracts in connection with tolling projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to 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 concluded by the Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While the Kapsch TrafficCom Group aims to include appropriate limitations to its liability in contracts, it is still impossible to guarantee that all contracts contain sufficient limitations to the Group's liability or that these limitations can be enforced under applicable law.

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 its competitive position. Since its innovation leadership is based largely on technology, 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 failures in protecting these technologies may have a negative impact on the Group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the 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. through patents and non-disclosure agreements with other parties. In order to avoid legal action and court proceedings, the Kapsch TrafficCom Group constantly monitors potential intellectual property rights infringements.

Acquisition and integration of companies as a part of the Group's growth. One of the strategic objectives of the Kapsch TrafficCom Group is to grow internationally both by organic means and through selected acquisitions and joint ventures. In the implementation of this strategy, the Group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Country risk. The strong expansion of business activities in Eastern Europe and non-European countries has exposed the Kapsch TrafficCom Group to a heightened political risk. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate ITS projects in these countries and also affect the availability and accessibility of funds. There may also be interference with the property rights of the Kapsch TrafficCom Group or problems with business practices and activities.

Financial risks

Foreign exchange risk. The Group maintains branches, offices and subsidiaries in several countries outside the euro zone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies rather than in euros. Although the Group aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the consolidated financial statements (transaction risk). In addition, risks arise from the conversion of the separate financial statements of international companies into the Group currency, the euro (translation risk). Fluctuations in exchange rates may also result in a change in the competitive position of the Kapsch TrafficCom Group.

Interest rate risk. Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (Euribor, Pribor etc.). This exposes the Kapsch TrafficCom Group to interest rate risks. The Kapsch TrafficCom Group utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources must be available to ensure that the Kapsch TrafficCom Group can meet its payment liabilities at any time. The availability of medium and long-term financing is required to carry out large-scale projects (such as implementing a nationwide toll collection system under delayed payment terms from the client) and for acquiring other businesses. Additionally, implementing large-scale projects often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).

In financing agreements the Kapsch TrafficCom Group is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. A lack of liquid assets (even if the Group is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. The issuing of a seven-year, EUR 75 million corporate bond in November 2010 helped the Kapsch TrafficCom Group to again improve its liquidity.

Credit risk. The Kapsch TrafficCom Group is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of the Kapsch TrafficCom Group are public authorities, especially in connection with implementing and/or operating nationwide or regional toll collection systems. There is also a risk that the counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the recognition of impairment charges to receivables can be extremely detrimental for the net assets and financial position of the Kapsch TrafficCom Group and the results of operations.

Personnel risks

The success of the Kapsch TrafficCom Group depends heavily on key personnel with many years of experience in the industry. Moreover, the Group’s ability to recruit qualified staff, integrate them into the company and retain them over the long-term is crucial in its current growth phase. The loss of key 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 counteract personnel risks, such as incentive schemes, training opportunities, etc.

Legal risks

A variety of regulations and legal requirements must be observed in connection with participating in public tenders, establishing infrastructure for ITS solutions (such as tolling stations) and operating toll collection systems. Working out applicable legal regulations and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. The failure to meet regulations or official requirements can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity.

In connection with the acquisition of shares in Q-Free ASA, Norway, in January 2009, Norwegian authorities have initiated investigation proceedings against Kapsch TrafficCom AG and Kapsch Aktiengesellschaft. Kapsch TrafficCom AG disagrees with the basis for these allegations and believes that any adverse impact on the financial position of Kapsch TrafficCom AG will not be material. Kapsch TrafficCom AG intends to vigorously defend against the allegations.

IT risks

As a technology group, the Kapsch TrafficCom Group is exposed to typical IT risks relating to security, confidentiality and the availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system designed according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (information security management). The Kapsch TrafficCom Group is also certified according to ISO 20000 "IT service management" (similar to ITIL) for the operation of toll systems.

Summary assessment of the Group's risk situation

From a current perspective, no risks have been identified that could endanger the continued operations of the Kapsch TrafficCom Group. Increasing geographic expansion, the diversification of the product portfolio and an increased share of recurring revenues (further growth in the segment Services, System Extensions, Components Sales) are planned to further reduce the concentration of risks in the future.

2.7 Internal Control System (ICS)

The Corporate Law Amendment Act (URÄG 2008) adopted the 8th EU Directive into Austrian law. Under this legislation, companies with a capital market orientation are henceforth obliged to include in their group management reports not only an outline of their risk management systems but also of the main features of their ICS with regard to the financial reporting process.

Kapsch TrafficCom AG started to analyze and document its existing internal processes for financial reporting on an ongoing basis in the fiscal year 2009/10. The results obtained so far were presented at the quarterly meetings of the audit committee for assessment and discussion.

The International Financial Reporting Standards (IFRS) Group Accounting Manual represents the cornerstone for financial accounting and reporting throughout the whole Kapsch Group. The manual is published and regularly updated by the Kapsch Group and contains the essential financial and reporting procedures based on IFRS. Group-wide guidelines and work instructions represent another important pillar of the internal control system.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and the compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structure of the internationally recognized standards for internal control systems (COSO – Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

The accounting for all group transactions is handled by a variety of software solutions. In a number of countries, the accounting has been outsourced to locally-based tax accountants due to the size of the subsidiaries. Companies submit reporting packages to the head office on a quarterly basis which contain all accounting data pertaining to the statement of comprehensive income, balance sheet and cash flow statement. The data is then transferred into the central consolidation system (Hyperion financial management). This financial information is verified on group-wide basis by the central Kapsch TrafficCom controlling department and subsequently forms the basis for the quarterly reports issued by the Kapsch TrafficCom Group in accordance with IFRS.

The supervisory board is kept informed of business developments by the managing board during regular meetings by way of consolidated presentations consisting of segment reporting, earnings development analyses containing comparisons of current figures with figures from the budget and the previous period as well as select financial figures, forecasts, group financial statements and developments in the number of employees and order inflow.

In keeping with the decentralized structure of the Kapsch TrafficCom Group, local management is responsible for the implementation and monitoring of the internal control system. The managing directors of the individual subsidiaries are responsible for establishing and designing internal control and risk management that meets the needs of the given company in view of accounting procedures, as well as for ensuring compliance with the group-wide rules and guidelines in this respect. The head of finance for the Kapsch TrafficCom Group, the central controlling department and the internal audit department subsequently verify compliance with these audit procedures by local management, and the results are regularly reported to the audit committee.

2.8 Research and development

The Kapsch TrafficCom Group has a network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Carlsbad (California, U.S.A.) and Capetown (South Africa). As of 31 March 2011, the Kapsch TrafficCom Group employed approximately 350 (31 March 2010: approximately 230) research and development engineers in its research and development activities, including internal R&D project management, quality assurance/testing, production engineering, documentation, international device certifications, standardization activities as well as support for all IPR/patent issues.

Research and development activities are a high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. The knowledge of entirely new technologies and their possible applications based on national and international standards forms the foundation for successful business developments and enables the entry into new markets. The current focus is on countries such as the U.S.A., South Africa, South America and meanwhile also Russia.

Major development efforts of the last fiscal year consisted of specifying and developing a new, generic and scalable roadside platform that integrates all major sensor systems into a single, common software platform. The main goals of this work include eliminating overlapping development work by different R&D centers and offering the international sales force the basis for a more flexible, adaptable and customer-specific approach in system sales. This new sensor platform is currently in its end-testing phase and will be put into operation for the first time as part of the project in South Africa. The main initiatives in the component business area lay in developing new and lower-cost on-board unit generations for CEN/DSRC microwave and GPS/GNSS satellite tolling as well as new WLAN-based 5.9 GHz technologies to support the business development approach in the U.S.A., which is still ongoing. These technologies are currently in the standardization process and will be used in road safety systems as well as tolling systems in the U.S.A. and in Europe.

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

Research costs are recognized as expenses. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are met. Since the income statement is structured by expense type, the research and development costs are reported under various income statement items, in particular under the cost of materials and other production services, staff costs and other operating expenses. In the fiscal year 2010/11, the Kapsch TrafficCom Group invested approximately EUR 37.3 million (2009/10: EUR 24.9 million) in research and development, representing approximately 10 % of revenue.

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

1. The registered share capital of Kapsch TrafficCom AG amounts to EUR 12.2 million and is fully paid in. It is divided into 12.2 million 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 2011, approximately 31.6% of the shares of Kapsch TrafficCom AG were in free float. As of 31 March 2011, KAPSCH-Group Beteiligungs GmbH held approximately 68.4 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, whose shares are equally held 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 2011, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares convey 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 managing board and the supervisory board.
7. The company has authorized capital *(genehmigtes Kapital)* of EUR 0.8 million. The subscription rights of the shareholders have been excluded with respect to this authorized capital. The managing board may, with the approval of the supervisory board, make use of the existing authorized capital within five years of the date on which the relevant authorization adopted at the general meeting of 15 May 2007 was recorded in the commercial register.
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 managing board or the supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.10 Outlook and targets

With a view to the fiscal year 2011/12, the company´s outlook on market developments over the long-term is optimistic even in a changed economic environment. Essential events will be the implementation and the start of operations of the systems in South Africa and Poland. In the U.S., the company expects the decision of the pending tender for the award of the E-Z Pass® Group contracts. In addition, the coming fiscal year will be driven by the preparation for the tenders expected in Hungary, Slovenia and Denmark as well as the by integration of MARK IV IVHS.

2.11 Material events after the balance sheet date

Financing activities
In April 2011, a revolving line of credit expiring on 31 December 2011 was contracted by the Group with a maximum amount of EUR 40 million (thereof EUR 20 million drawn at the date of this report) in connection with the tolling project in Poland.

Company foundation
On 1 April 2011, Kapsch Telematic Services FLLC, Minsk, Belarus was founded.

Vienna, 13 May 2011

Mag. Georg Kapsch	Ing. Erwin Toplak	André Laux
Chief Executive Officer	Chief Operating Officer	Executive Board member

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)

We 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, 13 May 2011

Mag. Georg Kapsch Chief Executive Officer	Ing. Erwin Toplak Chief Operating Officer	André Laux Executive Board member

Additional Information pursuant to Section 82 Para. 4 No. 3 BörseG.

(Austrian Stock Exchange Act)

Board Member	Area of responsibility
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Telematic Services and North American Market
Erwin Toplak (COO)	Sales region 1, Business Development, System Engineering, Research & Development and Technical Operations
André F. Laux (Member of the Board)	Sales region 2, Business Development, Product and Project Management

Consolidated Financial Statements as of 31 March 2011.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2010/11	2009/10
Revenue	(1)	**388,577,354**	**216,012,391**
Other operating income	(2)	7,564,449	10,938,947
Changes in finished and unfinished goods and work in progress	(3)	7,461,759	5,135,163
Other own work capitalized		0	15,707
Cost of materials and other production services	(4)	-191,255,566	-98,041,051
Staff costs	(5)	-86,462,023	-59,701,767
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-13,614,643	-7,485,401
Other operating expenses	(7)	-63,391,169	-42,333,317
Operating result		**48,880,161**	**24,540,673**
Finance income	(8)	4,497,773	9,260,153
Finance costs	(8)	-12,117,209	-5,134,662
Financial result	**(8)**	**-7,619,436**	**4,125,491**
Result from associates	(14)	0	15,243,465
Profit before income taxes		**41,260,725**	**43,909,629**
Income taxes	(9)	-12,825,554	-7,398,920
Profit for the period		**28,435,171**	**36,510,709**
Other comprehensive income for the period			
Gains/losses recognized directly in equity:			
Available-for-sale financial assets		-2,276,947	2,776,231
Effects from disproportionate capital increase at associates		0	69,121
Currency translation differences		4,294,277	3,798,590
Income tax relating to components of other comprehensive income		-258,963	-757,790
Other comprehensive income for the period net of tax	(10)	**1,758,367**	**5,886,150**
Total comprehensive income for the period		**30,193,538**	**42,396,859**
Profit attributable to:			
Equity holders of the Company		22,062,116	32,215,536
Minority interests		6,373,055	4,295,173
		28,435,171	**36,510,709**
Total comprehensive income attributable to:			
Equity holders of the Company		23,608,360	37,676,550
Minority interests		6,585,178	4,720,309
		30,193,538	**42,396,859**
Earnings per share from the profit for the period attributable to the equity holders of the Company (in EUR)	(30)	**1.81**	**2.64**
Earnings per share from the profit for the period attributable to the equity holders of the Company (in EUR), adjusted *)	(30)	**1.81**	**1.49**

*) Adjusted for the fair value adjustment of the share in Q-Free ASA, Norway (see note 30).

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Consolidated balance sheet.

All amounts in EUR	Note	31 March 2011	31 March 2010
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	19,404,442	15,823,618
Intangible assets	(13)	88,687,320	28,528,781
Shares in associates	(14)	0	0
Other non-current financial assets and investments	(15)	34,489,914	38,937,076
Other non-current assets	(16)	9,017,638	8,480,571
Deferred tax assets – due from tax group leader	(22)	1,879,894	1,302,201
Deferred tax assets – non-tax group	(22)	6,229,622	8,347,863
		159,708,830	**101,420,110**
Current assets			
Inventories	(17)	49,484,611	37,582,150
Trade receivables and other current assets	(18)	190,885,049	101,448,315
Other current financial assets	(15)	8,036,841	6,897,848
Cash and cash equivalents	(19)	42,000,584	47,743,108
		290,407,085	**193,671,421**
Total assets		**450,115,915**	**295,091,531**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	(20)	12,200,000	12,200,000
Capital reserve		70,077,111	70,077,111
Retained earnings and other reserves		94,065,714	80,936,724
		176,342,825	**163,213,835**
Minority interests		**15,170,566**	**5,034,869**
Total equity		**191,513,391**	**168,248,704**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	74,112,367	10,060,250
Liabilities from post-employment benefits to employees	(23)	16,314,606	14,316,080
Non-current provisions	(26)	686,388	582,733
Other non-current liabilities	(24)	10,422,739	9,353,264
Deferred income tax liabilities – due to tax group leader	(22)	1,794,041	1,812,366
Deferred income tax liabilities – non-tax group	(22)	14,081,707	1,471,490
		117,411,848	**37,596,183**
Current liabilities			
Trade payables		72,531,371	41,332,197
Other liabilities and deferred income	(25)	36,881,453	25,932,719
Current tax payables		3,973,331	5,900,286
Current financial liabilities	(21)	23,082,571	9,236,566
Current provisions	(26)	4,721,950	6,844,878
		141,190,676	**89,246,646**
Total liabilities		**258,602,524**	**126,842,829**
Total equity and liabilities		**450,115,915**	**295,091,531**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 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	Consolidated retained earnings and other reserves		
Carrying amount as of 31 March 2009	**12,200,000**	**70,077,111**	**47,769,158**	**4,193,524**	**134,239,793**
Dividend for 2008/09			-6,100,000	-2,287,948	-8,387,948
Effects from the acquisition of minority interests			1,591,016	-1,591,016	0
Total comprehensive income			37,676,550	4,720,309	42,396,859
Carrying amount as of 31 March 2010	**12,200,000**	**70,077,111**	**80,936,724**	**5,034,869**	**168,248,704**
Dividend for 2009/10			-9,150,000	-3,245,699	-12,395,699
Effects from business combinations and the acquisition of minority interests			-1,329,370	6,796,218	5,466,848
Total comprehensive income			23,608,360	6,585,178	30,193,538
Carrying amount as of 31 March 2011	**12,200,000**	**70,077,111**	**94,065,714**	**15,170,566**	**191,513,391**

Consolidated cash flow statement.

All amounts in EUR	Note	2010/11	2009/10
Cash flow from operating activities			
Operating result		48,880,161	24,540,673
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	13,614,643	7,485,401
Increase/decrease in obligations for post-employment benefits	(23)	114,354	102,064
Increase/decrease in other non-current liabilities and provisions	(24, 26)	103,655	58,691
Increase/decrease in other non-current receivables and assets		757,768	0
Increase/decrease in trade receivables (non-current)	(16)	-537,067	9,911,672
Increase/decrease in trade payables (non-current)	(24)	971,092	-5,494,549
Other (net)		-1,825,561	3,243,138
		62,079,045	39,847,090
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(18)	-72,588,781	38,826,166
Increase/decrease in inventories	(17)	-8,098,837	-3,362,366
Increase/decrease in trade payables and other current payables		28,696,976	-14,304,162
Increase/decrease in current provisions	(26)	-2,218,992	-3,777,964
		-54,209,634	17,381,674
Cash flow from operations		**7,869,411**	**57,228,764**
Interest received	(8)	1,173,389	676,682
Interest payments	(8)	-3,476,705	-2,642,103
Net payments of income taxes		-17,229,370	-8,808,142
Net cash flow from operating activities		**-11,663,275**	**46,455,200**

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All amounts in EUR	Note	2010/11	2009/10
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-6,362,478	-3,878,745
Purchase of intangible assets	(13)	-1,888,740	-957,846
Purchase of securities, investments and other non-current financial assets	(15)	-69,125	-6,279,899
Payments for acquisition of companies (net of cash acquired)		-52,180,953	0
Payments for acquisition of minority interests		-1,000,000	-4,226,308
Payments for the acquisition of shares in companies consolidated at equity	(14)	0	-103,918
Proceeds from the disposal of shares in subsidiaries		35,999	0
Proceeds from the disposal of property, plant and equipment and intangible assets		553,619	144,624
Net cash flow from investing activities		**-60,911,678**	**-15,302,092**
Cash flow from financing activities			
Dividends paid to company shareholders		-9,150,000	-6,100,000
Dividends paid to minority shareholders of group companies		-3,245,699	-2,287,948
Increase in other non-current financial liabilities	(21)	64,052,117	0
Increase in current financial liabilities	(21)	13,938,131	1,937,233
Decrease in current financial liabilities	(21)	-92,126	-41,910,208
Net cash flow from financing activities		**65,502,423**	**-48,360,924**
Net increase/decrease in cash and cash equivalents		**-7,072,530**	**-17,207,816**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	47,743,108	60,229,653
Net increase/decrease in cash and cash equivalents		-7,072,530	-17,207,816
Currency translation differences on cash and cash equivalents		1,330,006	4,721,271
Cash and cash equivalents at end of year	**(19)**	**42,000,584**	**47,743,108**

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Notes to the consolidated financial statements.

General information.

Kapsch TrafficCom Group is an international supplier of superior intelligent transportation systems (ITS).

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 segment Road Solution Projects relates to the installation of ITS solutions.

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

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

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 and as a result of further changes in share ownership in the fiscal year ending 31 March 2009, KAPSCH-Group Beteiligungs GmbH reduced its share to 68.42 %.

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 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:
- Kapsch TrafficCom AG, Vienna
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch Components GmbH & Co KG, Vienna
- Kapsch Components GmbH, Vienna
- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Kapsch-Busi S.p.A., Bologna, Italy
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom S.r.l., Milan, Italy
- Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates *)
- Kapsch TrafficCom Russia OOO, Moscow, Russia
- Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria

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- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan
- PREMID a.s., Bratislava, Slovakia
- Jibesoev GmbH, Vienna
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- DPS Automation Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom France SAS, Paris, France
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia
- Kapsch TrafficCom Limited, Auckland, New Zealand
- Kapsch TrafficCom South Africa (Pty) Ltd., Cape Town, South Africa
- Electronic Toll Collection (PTY) Ltd., Centurion, South Africa
- Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa (formerly Triple Advanced Investments 22 (Pty) Ltd., South Africa)
- TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa **)
- SafeTCam (Pty) Ltd., Cape Town, South Africa **)
- Traffic Software Solutions (Pty) Ltd., Cape Town, South Africa **)
- TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa **)
- Electronic Tolling Operations (Pty) Ltd., Cape Town, South Africa **)
- Crestwave 61 (Pty) Ltd., Cape Town, South Africa **)
- Crestwave 63 (Pty) Ltd., Cape Town, South Africa **)
- TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa **)
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa **)
- Kapsch TrafficCom B.V., Amsterdam, Netherlands *)
- Kapsch TrafficCom Holding II US Corp., Sterling, U.S.A. *)
- Kapsch TrafficCom IVHS Technologies Holding Corp., Sterling, U.S.A. **)
- Kapsch TrafficCom IVHS Holding Corp., Sterling, U.S.A. **)
- Kapsch TrafficCom IVHS Inc., Sterling, U.S.A. **)
- Kapsch TrafficCom Canada Inc., Halifax, Canada *)
- Kapsch TrafficCom HoldCo Inc., Halifax, Canada *)
- Kapsch TrafficCom Coöperatief U.A., Amsterdam, Netherlands *)
- Mark IV Holdings B.V., Amsterdam, Netherlands **)
- Kapsch TrafficCom IVHS Corp., Mississauga, Canada **)
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico **)
- Kapsch TrafficCom Holding Corp., Sterling, U.S.A.
- Kapsch TrafficCom U.S. Corp., Sterling, U.S.A.
- KapschTrafficCom Inc, Carlsbad, U.S.A.
- Kapsch Telematic Services GmbH, Vienna
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services GmbH Deutschland, Berlin, Germany
- Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark
- Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark **)
- Kapsch Telematic Services Sp. z o.o., Warsaw, Poland (formerly Durante Investments Sp. z o.o., Poland)
- VTI Industrial Electronics (Proprietary) Limited, Germiston, South Africa

*) Companies newly established in the fiscal year 2010/11

**) Acquisition in the fiscal year 2010/11

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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 2011 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 2011 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 its knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 21.

a) New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year:

IFRS 3 (revised) "Business combinations" and consequential amendments to IAS 27 "Consolidated and separate financial statements" are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard was applied to business combinations occurring on or after 1 April 2010. The major change concerns the accounting for acquisitions of less than 100 percent of the shares in a company. The option to recognize the goodwill from an acquisition under the full goodwill method, i. e. including the amount of the share attributable to the non-controlling shareholders, was introduced. In addition, acquisitions and/or partial sales of shares without loss of control are to be reported directly in equity as transactions between shareholders. The full incidental acquisition costs are to be reported as expenses. Except for the incidental acquisition costs in the fiscal year ending 31 March 2011 for the acquisition of Mark IV IVHS (see Note 28), amounting to EUR 2.8 million and from now on reported as expenses, the first time adoption of the revised standards did not have any material impact on the Group's assets, financial position and earnings.

All other new regulations (standards, amendments to standards, interpretations) mandatory for the first time in the fiscal year had no material impact on the consolidated financial statements.

b) Standards, interpretations and amendments to published standards that have not yet been applied:

IFRS 9 "Financial instruments" was issued in November 2009. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classification and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. At present, the date of endorsement is uncertain. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale debt investments, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognized directly in profit or loss.

A number of amendments to standards and interpretations, as well as a new interpretation have already been published, but have either not yet been adopted by the European Union or have been adopted by the European Union, but are not yet mandatory. The impact of these regulations on the consolidated financial statements of the Company is not material or cannot be adequately assessed and, therefore, is not presented in detail.

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 adoption of 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 statements.

2 Consolidation

a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the profit for the period.

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.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

c) 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 a 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.

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 2011 (31 March 2010) 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	
		2010/11	2009/10
AUD	10 %	152	–
CAD	10 %	468	–
CZK	10 %	1,850	2,991
PLN	10 %	581	–
SEK	10 %	441	672*)
USD	10 %	435	149
ZAR	10 %	846	160

*) prior year figure adjusted

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.

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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. As a result of the corporate bond with a fixed interest rate issued in November 2010, variable-interest (both short-term and long-term) financial liabilities account only for a minor part of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2011, 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 to hedge the interest rate risk.

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. With the exception of the tolling projects in the Czech Republic, South Africa and Poland (see Note 18), there is no concentration of credit risk relating to trade receivables, since the Group generally has a large number of customers worldwide. Based on the Group's experiences, the default risk for trade receivables can be considered low.

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 the Austrian commercial code. 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	2010/11	2009/10
Non-current financial liabilities	74,112	10,060
Current financial liabilities	23,083	9,237
Total financial liabilities	97,195	19,297
Cash on hand and at banks	42,001	47,743
Current securities	8,037	6,898
Net assets (+)/debt (-)	-47,157	35,344
Equity	191,513	168,249
Net gearing	25 %	n.a.

The change over the prior year is primarily due to the corporate bond issued in November 2010 (see Note 21).

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 on a straight-line basis over their useful lives ranging from 4 to 30 years. Acquired customer contracts (tolling contracts) are amortized from 2 to 10 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 only available-for-sale securities. 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.

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

Derivative financial instruments are accounted for as stand-alone derivatives and are measured at fair value through profit or loss. Changes in the fair value of these derivative financial instruments are recognized immediately in the income statement under "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 allowance for bad debt. An allowance for bad debt is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the 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 termination benefits 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 termination benefits 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 in the same way as to the calculation for liabilities arising from termination benefits, 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.

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 2004/05). 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 and a liability does not have to be recognized pursuant to IFRS.

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 accordance 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. Sensitivities for the acquired goodwill (break-even interest rate) are detailed in Note 13.

22 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments and assessing their performance. The management board has been identified as the chief operating decision-maker.

Notes to the consolidated financial statements.

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

1 Segment Information

Operating segments

The Group reports three main operating 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 2011 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	158.9	223.3	6.4	388.6
Operating result	0.1	48.3	0.4	48.9

The segment results for the fiscal year ended 31 March 2010 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	45.8	161.9	8.3	216.0
Operating result	-20.9	45.3	0.2	24.5

The segment assets and liabilities as of 31 March 2011 and capital expenditure, depreciation and amortization and other non-cash-effective expenses for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	138.6	215.4	3.4	357.5
Investments in associates	0.0	0.0	0.0	0.0
Unallocated assets				92.6
Total assets	**138.6**	**215.4**	**3.4**	**450.1**
Liabilities	56.2	87.9	1.5	145.5
Unallocated liabilities				113.1
Total liabilities	**56.2**	**87.9**	**1.5**	**258.6**
Capital expenditure	0.0	7.0	0.0	7.0
Depreciation and amortization	1.6	11.8	0.2	13.6
Other non-cash-effective expenses	0.0	0.9	0.0	0.9

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 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.

The segment assets and liabilities as of 31 March 2010 and capital expenditure, depreciation and amortization and other non-cash-effective expenses for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	66.2	121.1	4.6	191.9
Investments in associates	0.0	0.0	0.0	0.0
Unallocated assets				103.2
Total assets	**66.2**	**121.1**	**4.6**	**295.1**
Liabilities	33.2	69.8	1.3	104.3
Unallocated liabilities				22.6
Total liabilities	**33.2**	**69.8**	**1.3**	**126.8**
Capital expenditure	0.8	4.0	0.0	4.8
Depreciation and amortization	1.8	5.3	0.4	7.5
Other non-cash-effective expenses	0.0	0.4	0.0	0.4

The breakdown of revenue by customer who contributed more than 10 % to the revenue for the year is as follows. In addition, the respective segments are shown (in EUR million):

	2010/11			2009/10		
	Revenue	Road Solution Projects	Services, System Extensions, Components Sales	Revenue	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	99.7	X	X	78.6	X	X
Customer 2	98.7	X	X	9.0	X	X
Customer 3	39.7	X		0.0		

Information by region

Revenue is segmented by the location of the customer and balance sheet figures by the location of the Company.

The figures for the fiscal year ended 31 March 2011 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated Group
Revenue	37.5	182.0	27.6	141.5	388.6
Non-current non-financial assets	13.2	46.9	41.4	6.6	108.1

The figures for the fiscal year ended 31 March 2010 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated Group
Revenue	42.4	117.1	12.1	44.5	216.0
Non-current non-financial assets	15.8	13.9	14.5	0.1	44.4

2 Other operating income

	2010/11	2009/10
Income from the sale of non-current assets	72	2
Income from costs recharged	62	43
Sundry operating income	7,431	10,895
	7,564	**10,939**

Sundry operating income mainly relates to research funding awards received and to the assumption of costs of transactions billed for the nationwide electronic truck tolling system in the Czech Republic.

3 Change in finished and unfinished goods and work in progress

	2010/11	2009/10
Change in unfinished goods and work in progress	-235	3,217
Change in finished goods	7,697	1,918
	7,462	**5,135**

4 Costs of materials and other production services

	2010/11	2009/10
Cost of materials	82,315	32,066
Cost of purchased services	108,940	65,975
	191,256	**98,041**

5 Staff costs

	2010/11	2009/10
Wages	2,345	2,197
Salaries and other remunerations	67,026	43,317
Expenses for social security and payroll-related taxes and contributions	15,181	12,484
Expenses for termination benefits (see Note 23)	573	569
Expenses for pensions (see Note 23)	556	502
Contributions to pension funds and other external funds (see Note 23)	264	164
Fringe benefits	517	468
	86,462	**59,702**

As of 31 March 2011, the number of staff amounted to 2,167 persons (31 March 2010: 1,023 persons) and averaged 1,621 persons in the fiscal year 2010/11 (2009/10: 973).

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

	2010/11	2009/10
Depreciation of property, plant and equipment	6,595	5,145
Amortization of intangible assets	7,020	2,340
	13,615	**7,485**

Low-value assets are capitalized as property, plant and equipment or intangible assets and written off in the year of acquisition.

7 Other operating expenses

	2010/11	2009/10
Rental expenses	8,470	7,094
Legal and consulting fees	13,096	7,252
Allowance and write-off of receivables	584	371
Marketing and advertising expenses	6,086	8,671
Travel expenses	7,243	4,353
Maintenance	3,752	1,538
Communication and IT expenses	5,641	3,407
Training costs	1,652	855
Losses on disposal of non-current assets	282	35
Insurance costs	2,181	720
License and patent expenses	3,155	1,167
Office expenses	3,563	886
Taxes and charges	280	245
Adjustment provision for warranties	-489	504
Commissions and other fees	2,488	994
Transport costs	954	842
Automobile expenses	2,586	1,583
Other	1,869	1,815
	63,391	**42,333**

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

8 Financial result

	2010/11	2009/10
Interest and similar income:		
Interest income	1,034	454
Income from securities	139	223
Income from interest accretion of long-term receivables	437	1,825
Gains from the disposal of financial assets	18	7
Currency translation differences	2,869	6,752
	4,498	**9,260**
Interest and similar expenses:		
Interest expense	-3,417	-2,642
Expense from interest accretion of long-term payables	-362	-701
Losses on disposals and write-down of financial assets, investments and securities	0	-79
Expenses from other investments	-469	-22
Expenses from currency hedging	-1,340	-1,219
Currency translation differences	-6,530	-471
	-12,117	**-5,135**
	-7,619	**4,125**

9 Income taxes

	2010/11	2009/10
Current taxes	-10,329	-7,915
Deferred taxes (see Note 22)	-2,496	516
Total	**-12,826**	**-7,399**
Thereof income/expense from group taxation	-102	112

The reasons for the difference between the arithmetic tax income/expense based on the Austrian corporate income tax rate of 25 % and the recognized tax income/expense are as follows:

	2010/11	2009/10
Profit before income taxes	41,261	43,910
Arithmetic tax expense based on a tax rate of 25 % (2009/10: 25 %)	-10,315	-10,977
Unrecognized deferred tax assets on current losses	-1,421	-183
Derecognition of deferred tax assets recognized on prior year losses	-1,179	0
Different foreign tax rates	383	109
Tax allowances claimed and other permanent tax differences	-929	162
Income and expenses not subject to tax and other differences	636	3,490
Recognized tax expense	**-12,826**	**-7,399**

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

10 Other comprehensive income

2010/11	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-2,277	-259	-2,536
Currency translation differences	4,294	0	4,294
Fair value changes recognized in equity	**2,017**	**-259**	**1,758**

2009/10	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	2,776	-758	2,018
Gains/losses recognized in the income statement	69	0	69
Currency translation differences	3,799	0	3,799
Fair value changes recognized in equity	**6,644**	**-758**	**5,886**

11 Additional disclosures on financial instruments by category

	2010/11	2009/10
Available-for-sale financial assets:		
Other non-current financial assets and investments	34,490	38,937
Other current financial assets	8,037	6,898
	42,527	**45,835**
Loans and receivables:		
Other non-current assets	9,018	8,481
Trade receivables	79,329	83,999
Cash and cash equivalents	42,001	47,743
	130,348	**140,223**
Financial liabilities at (amortized) cost:		
Non-current financial liabilities	74,112	10,060
Other non-current liabilities	10,423	9,353
Trade payables	72,531	41,332
Current financial liabilities	23,083	9,237
	180,149	**69,982**

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

	2010/11	2009/10
Available-for-sale financial assets	-312	128
Loans and receivables	-2,189	8,559
Financial liabilities at (amortized) cost	-5,118	-4,562
	-7,619	**4,125**

12 Property, plant and equipment

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Total
Carrying amount as of 31 March 2009	**4,416**	**6,745**	**25**	**5,701**	**16,887**
Currency translation differences	12	133	6	219	371
Change in consolidated entities	0	0	0	-7	-7
Additions	201	2,017	191	1,470	3,879
Disposals	-36	-43	-27	-52	-160
Scheduled depreciation	-662	-3,100	0	-1,383	-5,145
Carrying amount as of 31 March 2010	**3,930**	**5,751**	**194**	**5,948**	**15,824**
Acquisition/production cost	4,805	26,687	194	13,108	44,794
Accumulated depreciation	-875	-20,936	0	-7,160	-28,971
Carrying amount as of 31 March 2010	**3,930**	**5,751**	**194**	**5,948**	**15,824**
Currency translation differences	-5	39	-19	98	112
Reclassification	3	0	-3	0	0
Addition resulting from company acquisition	425	2,137	516	2,207	5,284
Additions	716	2,866	463	1,434	5,477
Disposals	-93	-37	-355	-213	-698
Scheduled depreciation	-720	-3,417	0	-2,458	-6,595
Carrying amount as of 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**
Acquisition/production cost	6,767	38,337	796	18,095	63,995
Accumulated depreciation	-2,511	-31,000	0	-11,081	-44,591
Carrying amount as of 31 March 2011	**4,256**	**7,337**	**796**	**7,015**	**19,404**

13 Intangible assets

	Capitalized development costs	Concessions and rights	Goodwill	Total
Carrying amount as of 31 March 2009	**296**	**5,059**	**20,734**	**26,089**
Currency translation differences	9	-93	-148	-232
Additions	0	5,021	0	5,021
Disposals	0	-10	0	-10
Scheduled amortization	-124	-2,216	0	-2,340
Carrying amount as of 31 March 2010	**181**	**7,761**	**20,586**	**28,529**
Acquisition/production cost	8,013	16,070	20,586	44,669
Accumulated amortization	-7,832	-8,309	0	-16,141
Carrying amount as of 31 March 2010	**181**	**7,761**	**20,586**	**28,529**
Currency translation differences	1	7	-589	-581
Reclassification	0	-2,168	2,168	0
Addition resulting from company acquisition	0	40,995	24,942	65,937
Additions	0	655	1,233	1,888
Disposals	0	-65	0	-65
Scheduled amortization	-60	-6,960	0	-7,020
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**88,687**
Acquisition/production cost	8,675	55,157	48,341	112,173
Accumulated amortization	-8,553	-14,933	0	-23,485
Carrying amount as of 31 March 2011	**122**	**40,224**	**48,341**	**88,687**

The addition in goodwill results from the acquisitions of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, the U.S.-American, Canadian and Mexican operations of Mark IV IVHS (see Note 28) and from subsequent earn-out payments for the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina. The remaining goodwill results from the acquisition of Kapsch TrafficCom AB, Jönköping, Sweden, the "Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A., the acquisition of Kapsch-Busi, S.p.A, Bologna, Italy, and the acquisition of Kapsch TrafficCom, Argentina S.A., Buenos Aires, Argentina.

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 CGU	TEUR 38,084	TEUR 10,256
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	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 tolling systems, in particular in Austria, the Czech Republic, Switzerland, Australia, South America, South Africa and Poland, demand for tolling systems will increase, in particular as a result of tight public budgets.
- The planning for the segment Road Solution Projects is based on projects in the Czech Republic, South Africa, U.S.A., Australia and Poland as well as on the fact that tenders in several countries are already in progress.
- 4 years of detailed planning
- 15.4 % (2009/10: 14.3 %) 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 4.0 % (2009/10: 4.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The break-even interest rate is 20.1 %.

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 segment Services, System Extensions, Components Sales is based on ongoing maintenance for existing tolling systems in Austria, Switzerland, the Czech Republic, Australia, South America, South Africa and Poland, on the commercial operation in the Czech Republic, South Africa and Poland as well as on component orders for customers worldwide, particularly in the U.S.A., Canada, Mexico, Australia, Turkey, Spain, Portugal, Denmark, France, Greece, Chile, Thailand, South Africa and Poland.
- 4 years of detailed planning
- 15.1 % (2009/10: 13.7 %) 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 4.0 % (2009/10: 4.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- The Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The break-even interest rate is 45.6 %.

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 2010/11 amounted to EUR 37,3 million (2009/10: EUR 24.9 million). In the fiscal year 2010/11, EUR 14,9 million thereof (2009/10: EUR 7.4 million thereof) was project-specific development costs and charged to the customer. The remaining amount of EUR 22,4 million (2009/10: EUR 17.5 million) was recognized as an expense.

14 Shares in associates

Shares in associates developed as follows:

	2010/11	2009/10
Carrying amount as of 31 March of prior year	**0**	**12,302**
Share in result	0	1,205
Addition	0	104
Currency translation differences	0	760
Effects from disproportional capital increases	0	69
Fair value adjustment on the date of losing significant influence according to IAS 28.18	0	14,038
Reclassification to “other non-current financial assets and investments”	0	-28,479
Carrying amount as of 31 March of fiscal year	**0**	**0**

In January 2009, the Group acquired an investment in the amount of 20.47 % in Q-Free ASA, Norway. In the third quarter of the fiscal year ending 31 March 2010, the share of Kapsch TrafficCom AG was diluted to below 20 % as a result of a capital increase at Q-Free ASA. This made a reclassification to the item “other non-current financial assets and investments” necessary (see Note 15). The accounting profit arising at the time of the dilution was recognized in income in accordance with IAS 28.18.

15 Current and non-current financial assets

	2010/11	2009/10
Other non-current financial assets and investments	34,490	38,937
Other current financial assets	8,037	6,898
	42,527	**45,835**

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other	Total
Carrying amount as of 31 March 2009	**3,437**	**347**	**0**	**3,784**
Currency translation differences	0	0	417	417
Addition from reclassification	0	28,479	0	28,479
Additions	0	0	6,432	6,432
Change in fair value	79	-255	0	-176
Carrying amount as of 31 March 2010	**3,517**	**28,571**	**6,849**	**38,937**
Currency translation differences	0	0	520	520
Additions	69	0	505	574
Change in fair value	-103	-3,313	0	-3,416
Write-down	0	-343	-157	-500
Disposals	0	0	-1,625	-1,625
Carrying amount as of 31 March 2011	**3,483**	**24,916**	**6,092**	**34,490**

Other current financial assets	Available-for-sale securities	Other	Total
Carrying amount as of 31 March 2009	**3,946**	**0**	**3,946**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	2,952	0	2,952
Carrying amount as of 31 March 2010	**6,898**	**0**	**6,898**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	1,139	0	1,139
Carrying amount as of 31 March 2011	**8,037**	**0**	**8,037**

As of 31 March 2011, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of 31 March 2011, the other investments classified as available-for-sale mainly relate to a 18.40 % investment in Q-Free ASA, Norway (see Note 14). These financial assets are measured at fair value based on quoted market prices (level 1 pursuant to IFRS 7). Unrealized gains and losses are recognized in other comprehensive income of the period (see Note 10).

In the fiscal year 2010/11, other non-current financial assets mainly relate to a fixed-term investment in the amount of TEUR 5,597 (2009/10: TEUR 6,697). The fixed-term investment is pledged as a collateral for guarantees issued by the Group.

16 Other non-current assets

	2010/11	2009/10
Truck tolling system Czech Republic	9,017	8,480
Other	1	1
	9,018	**8,481**

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 4.14 % to 5.00 % (for the 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:

	2010/11	2009/10
Up to 2 years	7,705	7,338
Between 2 and 3 years	1,753	1,554
More than 3 years	1	0
	9,459	**8,892**

Long-term receivables in the amount of TEUR 0 (2009/10: TEUR 8,480) were pledged as collateral to banks (see Note 21).

17 Inventories

	2010/11	2009/10
Purchased parts and merchandise, at acquisition cost	13,520	9,079
Unfinished goods and work in progress, at production cost	9,062	9,297
Finished goods, at production cost	26,903	19,206
	49,485	**37,582**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 9,793 (2009/10: TEUR 7,029).

18 Trade receivables and other current assets

	2010/11	2009/10
Trade receivables, less allowance for bad debt	79,329	83,999
Gross amount due from customers for contract work	84,225	7,301
Receivables from tax authorities (other than income tax)	10,030	2,779
Other receivables and prepaid expenses	17,301	7,370
	190,885	**101,448**

Allowances for bad debt developed as follows:

	2010/11	2009/10
Balance as of 31 March of prior year	**587**	**278**
Addition resulting from company acquisition	207	0
Addition	421	425
Utilization	-27	0
Disposal	-108	-115
Balance as of 31 March of fiscal year	**1,079**	**587**

Maturity structure of trade receivables and other current assets:

	2010/11	2009/10
Not yet due	176,618	81,753
Overdue, but not impaired:		
Less than 60 days	12,059	16,061
More than 60 days	3,288	4,221
	191,965	**102,035**

The fair values in the next fiscal year approximate the carrying amounts. Except for the tolling project in the Czech Republic, 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 4,361 (2009/10: TEUR 17,712) and to the operation and maintenance of the system in the amount of TEUR 27,907 (2009/10: TEUR 23,117) are due from Ředitelství silnic a dálnic ČR (RSD), a company of the Czech Republic.

Trade receivables in an amount of TEUR 7,353 (2009/10: TEUR 17,712) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work are as follows:

	2010/11	2009/10
Construction costs incurred plus recognized gains	136,707	7,301
Less amounts billed and prepayments received	-52,481	0
	84,225	**7,301**

As of 31 March 2011, amounts due from customers for contract work relate to the tolling project in South Africa in the amount of TEUR 43,273 and to the tolling project in Poland in the amount of TEUR 39,692.

19 Cash and cash equivalents

	2010/11	2009/10
Cash on hand	65	20
Deposits held with banks	41,935	47,723
	42,001	**47,743**

The carrying amounts of this item also represent cash and cash equivalents at the end of the reporting period as presented in the cash flow statement.

20 Share capital

	2010/11	2009/10
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 number of shares issued is 12,200,000. The shares are ordinary bearer shares and have no par value.

21 Current and non-current financial liabilities

	2010/11	2009/10
Current		
Loans for acquisitions	10,000	0
Other current loans	13,083	9,237
	23,083	**9,237**
Non-current		
Loans for acquisitions	0	10,000
Corporate bond	73,796	0
Other	316	60
	74,112	**10,060**
Total	**97,195**	**19,297**

In November 2010, Kapsch TrafficCom AG issued a corporate bond with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25 %. Considering offsetting capital expenses according to IFRS, the addition of non-current financial liabilities was TEUR 73,732 and led to an effective interest rate of 4.54%.

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

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

	2010/11	2009/10
Carrying amount	**97,195**	**19,297**
Fair value	**92,227**	**18,736**
Gross cash flows:		
Up to 1 year	23,083	9,237
Between 1 and 3 years	9,754	10,543
Between 3 and 5 years	6,273	0
More than 5 years	78,442	0
	117,551	**19,779**

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

	2010/11	2009/10
Total financial liabilities:		
Carrying fixed interest rates	79,579	1,937
Carrying variable interest rates	17,616	17,360
	97,195	**19,297**
Average interest rates:		
Short-term loans	1.65 – 2.25 %	1.67 – 3.25 %
Loans for acquisitions	3.53 %	3.19 %
Corporate bond	4.54 %	–
Other	2.50 %	2.50 %

Other non-current assets amounting to TEUR 0 (2009/10: TEUR 8,480), trade receivables (current) amounting to TEUR 7,353 (2009/10: TEUR 17,712) 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 (2009/10: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities

	2010/11	2009/10
Deferred tax assets – due from tax group leader	1,880	1,302
Deferred tax assets – non-tax group	6,230	8,348
	8,110	**9,650**
Deferred tax liabilities – due to tax group leader	1,794	1,812
Deferred tax liabilities – non-tax group	14,082	1,471
	15,876	**3,284**
Balance	**-7,766**	**6,366**

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 14,087 (2009/10: TEUR 2,080) 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 2009	Addition resulting from company acquisition	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2010
Deferred tax assets						
Tax loss carry-forwards	2,804	0	584	0	25	3,413
Provisions disallowed for tax purposes	1,140	0	695	0	33	1,868
Depreciation disallowed for tax purposes	40	0	-42	0	2	0
Other	4,258	0	-19	-20	150	4,369
	8,242	**0**	**1,218**	**-20**	**210**	**9,650**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	0	0	0	0
Other	1,871	0	702	738	-27	3,283
	1,871	**0**	**702**	**738**	**-27**	**3,283**
Total change	**6,371**	**0**	**516**	**-758**	**237**	**6,366**

	31 March 2010	Addition resulting from company acquisition	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2011
Deferred tax assets						
Tax loss carry-forwards	3,413	0	-195	0	1	3,219
Provisions disallowed for tax purposes	1,868	0	-817	0	26	1,077
Depreciation disallowed for tax purposes	0	0	894	0	0	894
Other	4,369	1,391	-2,871	26	6	2,921
	9,650	**1,391**	**-2,990**	**26**	**33**	**8,110**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	2	0	0	2
Other	3,283	12,798	-496	285	3	15,874
	3,283	**12,798**	**-494**	**285**	**3**	**15,876**
Total change	**6,366**	**-11,407**	**-2,496**	**-259**	**30**	**-7,766**

23 Liabilities from post-employment benefits to employees

Amounts recognized in the balance sheet:

	2010/11	2009/10
Termination benefits	5,912	5,561
Pension benefits	10,403	8,755
	16,315	**14,316**

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, except for the pension plans acquired in the course of the business combination Mark IV IVHS, 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).

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 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.

For the valuation of termination benefits and pension benefit obligations including plan assets an interest rate of 5 % (2009/10: 5 %) was used, and for compensation increases a rate of 3 % (2009/10: 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 (2009/10: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 2-3 % (2009/10: 2-3 %).

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

	2010/11	2009/10
Current service cost	182	183
Interest expense	322	305
Actuarial losses	70	81
Total, included in staff costs (Note 5)	**573**	**569**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**5,561**	**5,294**
Total expense according to the table above	573	569
Payments	-223	-302
Carrying amount as of 31 March of fiscal year	**5,912**	**5,561**
Actuarial present value of obligations (defined benefit obligation)	7,094	6,516
Unrecognized actuarial gains/losses	-1,183	-954
Amount recognized in the balance sheet	**5,912**	**5,561**

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

	2010/11	2009/10
Current service cost	4	0
Interest expense	533	502
Actuarial adjustment	17	0
Gains from external plan assets	1	0
Total, included in staff costs (Note 5)	**556**	**502**
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**8,755**	**8,920**
Addition resulting from business combinations	2,024	0
Total expense according to the table above	556	502
Payments	-720	-667
Total	**10,616**	**8,755**
Fair value of plan assets	-213	0
Carrying amount as of 31 March of fiscal year	**10,403**	**8,755**
Actuarial present value of obligations (defined benefit obligation)	11,877	9,998
Unrecognized actuarial gains/losses	-1,261	-1,243
Fair value of plan assets	-213	0
Amount recognized in the balance sheet	**10,403**	**8,755**

24 Other non-current liabilities

	2010/11	2009/10
Truck tolling system Czech Republic	6,185	5,021
Other	4,238	4,332
	10,423	**9,353**

Other non-current liabilities relate to trade payables (non-current) in the amount of TEUR 6,185 (2009/10: TEUR 5,021) 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 16). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities mainly relate to a liability in the amount of TEUR 3,500 (2009/10: TEUR 3,500) from a put option for shares in Kapsch-Busi S.p.A, Bologna, Italy, and to the non-current portion of a contingent payment obligation in the amount of TEUR 574 (2009/10: TEUR 755) from the acquisition of the "Mobility Solutions" business of TechnoCom Corporation, Encino, U.S.A., in the fiscal year ending 31 March 2009.

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

	2010/11	2009/10
Less than 2 year	9,151	4,394
Between 2 and 3 years	1,450	4,910
More than 3 years	405	305
	11,006	**9,610**

25 Other liabilities and deferred income

	2010/11	2009/10
Amounts due to customers for contract work	300	1,679
Prepayments received	205	1,746
Non-current employee liabilities	13,381	9,790
Liabilities to tax authorities (other than income tax)	1,556	3,400
Other liabilities and deferred income	21,439	9,318
	36,881	**25,933**

Amounts due to customers for contract work are as follows:

	2010/11	2009/10
Construction costs incurred plus recognized gains	-202	-13,872
Less amounts billed and prepayments received	503	15,551
	300	**1,679**

26 Provisions

	2010/11	2009/10
Non-current	686	583
Current	4,722	6,845
	5,408	**7,428**

The provisions changed as follows:

	31 March 2009	Addition resulting from company acquisition	Addition	Utilization/ disposal	Currency translation differences	31 March 2010
Obligations from anniversary bonuses	524	1	78	-20	0	583
Other	0	0	0	0	0	0
Non-current provisions, total	**524**	**1**	**78**	**-20**	**0**	**583**
Warranties	1,820	0	1,029	-653	165	2,361
Losses from pending transactions and rework	934	0	0	-224	0	710
Legal fees, costs of litigation and contract risks	3,228	0	36	-2,473	99	891
Other	4,640	0	9,382	-11,260	120	2,883
Current provisions, total	**10,623**	**0**	**10,447**	**-14,609**	**384**	**6,845**
Total	**11,147**	**1**	**10,525**	**-14,629**	**384**	**7,428**

	31 March 2010	Addition resulting from company acquisition	Addition	Utilization/ disposal	Currency translation differences	31 March 2011
Obligations from anniversary bonuses	583	0	52	-29	0	605
Other	0	98	0	-14	-3	81
Non-current provisions, total	**583**	**98**	**52**	**-44**	**-3**	**686**
Warranties	2,361	45	100	-1,163	136	1,480
Losses from pending transactions and rework	710	0	0	-710	0	0
Legal fees, costs of litigation and contract risks	891	0	55	461	35	1,442
Other	2,883	51	1,761	-2,910	15	1,800
Current provisions, total	**6,845**	**96**	**1,916**	**-4,322**	**186**	**4,722**
Total	**7,428**	**194**	**1,969**	**-4,366**	**183**	**5,408**

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 % (2009/10: 5 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2009/10: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 3 % (2009/10: 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.

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 operating lease commitments

The Group's contingent liabilities primarily result from large-scale projects. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance and bid bonds and sureties.

Details of contingent liabilities and other commitments are as follows:

	2010/11	2009/10
Contract, warranty, performance and bid bonds		
City Highway Santiago	0	263
City Highway Sydney and Melbourne	2,306	2,881
Truck Tolling System Austria	12,500	12,500
Truck Trolling System Czech Republic	9,414	10,046
Tolling project Poland	24,656	0
Tolling projects South Africa: Gauteng, Marian Hill, Huguenot	120,208	117,084
Other	967	1,069
	170,051	**143,844**
Bank guarantees	**1,975**	**2,419**
Sureties	**544**	**30**
	172,570	**146,293**

For details of securities for above mentioned contingent liabilities and other commitments see Note 15 and Note 21. In addition, various assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 10,075 are pledged in favour of a Swedish bank in order to secure contingent liabilities.

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

	2010/11	2009/10
Up to 1 year	8,969	6,304
Between 1 and 5 years	25,198	16,550
Over 5 years	12,860	11,146
	47,027	**34,000**

28 Business combinations

Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark (formerly Payvend F&P A/S).

On 1 April 2010, Kapsch Telematic Services GmbH, Vienna, acquired 60 % of the shares in Payvend F&P A/S, Copenhagen, Denmark at a purchase consideration of TEUR 750. Subsequently, the company was renamed to Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark.

Purchase consideration	750
Less share of fair value of net assets acquired	750
Goodwill	**0**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Intangible assets	1,667	1,667
Liabilities, other liabilities and deferred income	-417	-417
Net assets acquired	**1,250**	**1,250**
Thereof controlling interest (60 %)	750	
Thereof non-controlling interest (40 %)	500	

The acquired company contributed revenue of TEUR 9 and a net income of TEUR -234 to the Group's result of the period from 1 April 2010 to 31 March 2011.

TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa.

Kapsch TrafficCom AG, Vienna, through a subsidiary, acquired 51.43 % of the increased share capital of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, as part of a capital increase on 8 April 2010. The consideration paid in connection with the capital increase amounted to a total of ZAR 75 million. This investment was increased to 56.81 % by an additional purchase of shares on 30 August 2010. The business combination involves the entities TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, SafeTCam (Pty) Ltd., Cape Town, South Africa, Traffic Software Solutions (Pty) Ltd., Cape Town, South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa, Electronic Tolling Operations (Pty) Ltd., Cape Town, South Africa, Crestwave 61 (Pty) Ltd., Cape Town, South Africa, Crestwave 63 (Pty) Ltd., Cape Town, South Africa, TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa and Berrydust 51 (Pty) Ltd., Cape Town, South Africa.

For the remaining share of 43.19 %, a put-option has been granted to the minority shareholders by the Group.

Purchase consideration (including contingent elements)	7,885
Less share of fair value of net assets acquired	6,420
Goodwill	**1,465**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Intangible assets	6,683	403
Property, plant and equipment	1,267	1,267
Receivables and other assets	4,577	4,577
Cash and cash equivalents	7,170	7,170
Liabilities, other liabilities and deferred income	-7,215	-5,456
Net assets acquired	**12,483**	**7,961**
Thereof controlling interest (51.43 %)	6,420	
Thereof non-controlling interest (48.57 %)	6,063	

The acquired company contributed revenue of TEUR 34,204 and a net income of TEUR 5,125 to the Group's result for the period from 8 April 2010 to 31 March 2011. If the acquisition had occurred on 1 April 2010, there would not have been a significant change in revenue or profit of the Group.

MARK IV IVHS, U.S.A., Canada, Mexico.

Kapsch TrafficCom AG agreed on 5 November 2010 (signing) to acquire the business of MARK IV IVHS, part of MARK IV, LLC (U.S.), in the U.S., in Canada and in Mexico. Closing date for this acquisition was 30 November 2010. This business combination involves the entities Kapsch TrafficCom IVHS Technologies Holding Corp., Sterling, U.S.A., Kapsch TrafficCom IVHS Holding Corp., Sterling, U.S.A., Kapsch TrafficCom IVHS Inc., Sterling, U.S.A., Mark IV Holdings B.V., Amsterdam, Netherlands, Kapsch TrafficCom IVHS Corp., Mississauga, Canada, and Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico.

Purchase consideration (including contingent elements)	55,071
Less share of fair value of net assets acquired	31,595
Goodwill	**23,476**

Assets and liabilities resulting from the acquisition are shown as follows (provisionally determined):

	Fair value	Carrying amount of the seller
Intangible assets	32,647	0
Property, plant and equipment	4,011	2,561
Receivables and other assets	15,716	15,716
Cash and cash equivalents	4,255	4,255
Liabilities, other liabilities and deferred income	-25,034	-14,411
Net assets acquired	**31,595**	**8,121**

The business acquired contributed TEUR 19,327 to the revenue of the Group. If the acquisition had occurred on 1 April 2010, there would have been an increase in the revenue of the Group of TEUR 38,650. It is not possible to indicate the effects on the group result of the period, as the seller was under creditor protection pursuant to "Chapter 11" in the prior period and the necessary results attributable to the assets and liabilities transferred in the course of the business combination were not available.

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 2010/11 amounted to TEUR 490 (2009/10: TEUR 494). The company invoiced to the Group expenses in connection with the implementation of the corporate performance management-tool ("CPM-Tool"- particularly with regard to synergies with the consolidation tool HFM) in the amount of TEUR 158 (2009/10: TEUR 0). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the Group in the amount of TEUR 22 (2009/10: TEUR 0).

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 20.2 million. For the project in South Africa (Gauteng), the company also issued parental guarantees in favor of Kapsch TrafficCom AG to Unicredit Bank Austria AG, Vienna, and to Raiffeisen Bank International AG, Vienna, in September 2009. As of the balance sheet date 31 March 2011, the assumed guarantees amount to EUR 29.7 million. The annual fee for the assumption of the liabilities is 0.5 % of the guaranteed amounts. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 241 (2009/10: TEUR 202).

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, Czech Republic, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, Czech Republic, UniCredit Bank Austria AG, Vienna, and Raiffeisen Bank International 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 2010/11 amounted to TEUR 110 (2009/10: TEUR 199). This guarantee was released on 20 October 2010, expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 110 (2009/10: TEUR 199).

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 2010/11 amounted to TEUR 1,924 (2009/10: TEUR 1,104).

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 2009/10 amounted to TEUR 1,591 (2009/10: TEUR 1,024).

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 2010/11 amounted to TEUR 1,400 (2009/10: TEUR 1,184).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the Group in the fiscal year 2010/11 amounted to TEUR 355 (2009/10: TEUR 309). Furthermore, Kapsch Aktiengesellschaft serviced a software tool and invoiced to the Group TEUR 55 (2009/10: 24).

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 and provides apprentices and trainees. Expenses incurred by the Group in the fiscal year 2010/11 amounted to TEUR 1,092 (2009/10: TEUR 920).

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 2010/11 amounted to TEUR 869 (2009/10: TEUR 2,246).

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 three largest of which by far are the “Truck Tolling System Austria”, the “Truck Tolling System Czech Republic” and the “Truck Tolling System Poland”. The deliveries and services performed amounted to TEUR 6,141 in the fiscal year 2010/11 (2009/10: TEUR 2,868).

The company provides IT, EDP and telephone services to the Group in the amount of TEUR 2,725 (2009/10: TEUR 376), as well as other services in the amount of TEUR 456 (2009/10: TEUR 928).

The Group invoices consulting services in the area of public relations to the company. Income of the Group resulting from these services in the fiscal year 2010/11 totaled TEUR 44 (2009/10: TEUR 44).

Kapsch Components GmbH & Co KG provides logistics services to the company in the amount of TEUR 71 (2009/10: TEUR 97), and other services in the amount of TEUR 100 (2009/10: TEUR 128).

Kapsch CarrierCom AG, Vienna

Kapsch TrafficCom AG provides services in the area of public relations to the company. Income of the Group resulting from this service in the fiscal year 2010/11 amounted to TEUR 44 (2009/10: TEUR 44).

Kapsch Components GmbH & Co KG provides logistics services to the company in the amount of TEUR 663 (2009/10: TEUR 617) and provides the company with other deliveries and services in the amount of TEUR 45 (2009/10: TEUR 19).

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 2010/11 totaled TEUR 2,736 (2009/10: TEUR 1,910). Furthermore, the company provided public relations services amounting to TEUR 91 in the fiscal year 2010/11 (2009/10: TEUR 95) and other services amounting to TEUR 133 (2009/10: TEUR 0).

Kapsch Sp. z o.o., Warsaw

The company provides hardware (IT equipment) and renders maintenance and other services for the tolling project in Poland to the Group. This services amounted to TEUR 2,857 in the fiscal year 2010/11 (2009/10: TEUR 0).

Kapsch Immobilien GmbH, Vienna

On 15 July 2008, a new lease agreement was concluded for the location Am Europlatz 2 and a waiver of termination was agreed for 10 years. It is possible to partly terminate the agreement after 5 or 7 years, respectively. Investments in the amount of TEUR 53 (2009/10: TEUR 0) were made for the adaptation in the field of garage and parking deck. Lease expenses incurred by the Group amounted to TEUR 3,193 in the fiscal year 2010/11 (2009/10: TEUR 3,245).

Lease income of the Group resulting from the sub-lease to related parties in the fiscal year 2010/11 totaled TEUR 386 (2009/10: TEUR 267).

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 tables provide an overview of revenue and expenses at the respective balance sheet date as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2010/11	2009/10
Parent company		
Revenue	0	0
Expenses	884	907
Affiliated companies		
Revenue	1,583	1,401
Expenses	21,667	10,807
Other related parties		
Revenue	0	1
Expenses	4,193	5,790

	31 March 2011	31 March 2010
Parent company		
Trade receivables and other assets	1,696	1,798
Trade payables and other payables	96	459
Affiliated companies		
Trade receivables and other assets	262	307
Trade payables and other payables	4,405	1,971
Other related parties		
Trade receivables and other assets	0	0
Trade payables and other payables	412	198

30 Earnings per share

Earnings per share (basic earnings) is calculated by dividing the profit for the period 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 2011, as in the prior year, no treasury shares were held by the Company.

	2010/11	2009/10
Profit for the period attributable to equity holders of the Company (in EUR)	22,062,116	32,215,536
Weighted average number of ordinary shares	12,200,000	12,200,000
Earnings per share (in EUR)	**1.81**	**2.64**
Profit for the period attributable to equity holders of the Company, adjusted for the fair value adjustment of the share in Q-Free ASA, Norway (see note 14)	22,062,116	18,177,176
Number of shares	12,200,000	12,200,000
Earnings per share, adjusted (in EUR)	**1.81**	**1.49**

31 Events after the balance sheet date

Financing activities

In April 2011, a revolving line of credit expiring on 31 December 2011 was contracted by the Group with a maximum amount of EUR 40 million (thereof EUR 20 million drawn at the date of this report) in connection with the tolling project in Poland.

Company foundation

On 1 April 2011, Kapsch Telematic Services FLLC, Minsk, Belarus was founded.

32 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 sp. z o.o., Poland, Electronic Toll Collection (PTY) Ltd., South Africa, Kapsch Telematic Services Danmark A/S, Denmark, Kapsch Telematic Services Solutions A/S, Denmark, Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services GmbH Deutschland, Germany, Kapsch Telematic Services Kft., Hungary, Kapsch Telematic Services spol. s r.o., Czech Republic, Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic, TMT Services and Supplies (Pty) Ltd., South Africa, SafeTCam (Pty) Ltd., South Africa, Traffic Software Solutions (Pty) Ltd., South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., South Africa, Electronic Tolling Operations (Pty) Ltd., South Africa, Crestwave 63 (Pty) Ltd., South Africa, Crestwave 61 (Pty) Ltd., South Africa, TMT Services and Supplies (North) (Pty) Ltd., South Africa and Berrydust 51 (Pty) Ltd., South Africa, directly or indirectly holds 100 % of the shares in the fully consolidated subsidiaries. With regard to additional disclosures in accordance with § 265 (2) UGB for the companies mentioned above, the protection-of-interest clause pursuant to § 265 (3) UGB was applied.

The average number of staff in the fiscal year 2010/11 was 1,551 salaried employees and 70 waged workers (2009/10: 921 salaried employees and 52 waged workers).

Expenses for the auditor

The expenses for the auditor amount to TEUR 184 (2009/10: TEUR 109) and are broken down as follows:

	2010/11	2009/10
Audit of the consolidated financial statements	61	40
Other assurance services	111	43
Tax consulting services	0	0
Other services	12	26
	184	**109**

Compensation and other payments to members of the management and the supervisory board

The compensation paid to members of the management board is shown below:

Managing board remuneration 2010/11 in TEUR	Fixed	Variable	Total
Georg Kapsch	416	405	821
Erwin Toplak	360	57	417
André Laux	278	56	334
Total	**1,054**	**518**	**1,573**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 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.

Expenses for termination benefits for members of the management board amount to TEUR 43.

Individual pension agreements are granted to Erwin Toplak and André Laux. Annually, approximately TEUR 19 is paid by Kapsch TrafficCom AG to an external pension fund.

Remunerations paid to supervisory board members amount to TEUR 21 (2009/10: TEUR 19).

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

In the fiscal year 2010/11, the following persons served on the managing board:
Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak
André Laux

In the fiscal year 2010/11, the following persons served on the supervisory board:
Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy Chairman)
William Morton Llewellyn

Delegated by the works council:
Ing. Christian Windisch
Dipl.-Ing. Werner Dreschl (until 19 November 2010)
Claudia Rudolf-Misch (from 20 November 2010)

Authorized for issue:

Vienna, 13 May 2011

Mag. Georg Kapsch Chief Executive Officer	Ing. Erwin Toplak Chief Operating Officer	André Laux Executive Board member

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2011 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.

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 2010 to 31 March 2011. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2011, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year ending 31 March 2011, and the notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with the legal provisions applicable in Austria. 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 Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with 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 comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 March 2011 and of its financial performance and its cash flows for the financial year from 1 April 2010 to 31 March 2011 in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Comments on the Management Report for the Group.

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether the other disclosures in the management report for the Group do not give rise to a misstatement of the Group's financial position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, 13 May 2011

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:
Felix Wirth
Austrian Certified Public Accountant

Kapsch TrafficCom AG, Vienna

Kapsch TrafficCom AG, Vienna

Management Report

on the financial statements as of March 31, 2011

1. General economic situation

Global Economy:

Following the financial and economic crisis, world trade has increased again since the start of 2009 and has largely been able to regain pre-crisis levels. Real global trade is expected to increase by 10% per year in 2011 and 2012 as well. The global economy also improved as a result of very expansive monetary and fiscal policy. The global gross domestic product rose by 4.5% year-on-year, but slowed over the course of 2010. The International Monetary Fund (IMF) has forecasted growth of 4.4% for 2011, and expects the global economy to continue growing by 4.5% in 2012.

From a regional perspective, the economic upturn has been very uneven. In the emerging markets, such as in Asia, recovery was observed earlier than in the industrial countries, such as the euro-zone in particular. However, the expansion in Asia is now showing a slight decline, which can be attributed to the end of the significant inventory build-up following the crisis as well as attempts by China and other emerging countries to slow growth in order to prevent their economies from overheating and to counteract rising inflationary pressure. Asian and Latin American economies will continue to grow in 2011 and 2012, lending a noticeable impetus to the global economy.

In the euro region, very large differences exist between the individual countries. High-export and internationally competitive nations such as Germany and the Scandinavian countries exhibited positive growth figures for 2010, while the situation in Southern European countries and in Ireland appeared somewhat worse. The problematic national budgets of these euro countries are leading to an abrupt increase in lending rates and continue to put the European Currency Union to a hard test. In the interests of solidarity, the EU has resolved to provide EUR 110 billion of support to Greece and EUR 85 billion to Ireland. It is also assumed that Portugal will need between EUR 80 and EUR 90 billion.

The oil price has risen again significantly in recent months due to the flare up of unrest in North Africa and the Near East and stood at roughly USD 110 per barrel Brent as of mid May. Raw materials prices are likewise increasing due to high demand. The price of gold is also rising, ending the reporting period at approx. USD 1.525 per Troy ounce.

2010 was a turbulent year for the financial markets. The European sovereign debt crisis and the relaxation of monetary policy by the US Federal Reserve dominated the international markets. The euro lost ground against the US dollar in the first half of 2010, but the euro exchange rate recovered again in the second half of the year. Demand for low-risk investments in German and American bonds increased.

The final weeks of the fiscal year 2010/11 were dominated by the terrible catastrophe in Japan. Following the massive destruction caused by the earthquake and tsunami, the threat of a nuclear disaster has largely been the focus of attention.

The consequences for the global economy are still difficult to estimate. Japan is faced with its largest reconstruction effort since World War II. The required investments and restoration of the destroyed infrastructure could mean a short-term boost to the Japanese economy. However, Japan is one of the few major economic powers with a strong focus on exports, and this leads to fears of massive economic losses due to production downtimes as well as the radioactive contamination of agricultural products and ocean water. According to economists, the direct consequences on the global economy should remain within limits.

The overall outlook for the global economy justifies the expectation that investors could remain in a risk-averse posture. The high national debts of the developed countries and rising raw materials prices will have a significant impact on growth.

U.S.A.:

The economy in the U.S.A. developed positively during 2010. The gross domestic product of the U.S.A. increased by 2.7% in 2010, and indicators point toward a continuation of this positive trend. GDP growth of 2.2% is forecasted for the year 2011 and a further increase in growth to 2.9% for 2012.

Measures to stabilize the economy as well as extensive intervention by the US Federal Reserve (Fed) during the year 2010 are allowing banks to repair their balance sheets. Expansive monetary policy and the buyback of government bonds by the Fed have kept the USD exchange rate low. At the end of 2010, the euro was at 1.34 US dollars, while on 31 March 2011 it was 1.42 US dollars. Since the end of 2010, the Fed has held to a historically low interest rate between 0.0% and 0.25%. Experts expect the prime rate will be kept low over the short-term and the relaxed monetary policy will be maintained.

The labor market has recovered slightly in recent months, but is still characterized by delayed development. The unemployment rate remains high and was at 9.0% in January 2011. In 2011, unemployment is expected to average between 8.8% and 9.0%. Developments in the areas of industrial production and exports are positive. Private consumer spending remained expansive despite belt-tightening, which can be attributed in part to the increased prices of food and fuel. Forecasts indicate that the consumption and real estate boom seen prior to the crisis will not return quickly. In particular, the recovery in the real estate market has remained very weak to date. No noticeable improvement is in sight for the construction industry as well.

Emerging Markets:

The rapid implementation of government economic stimulus programs has boosted the emerging markets in the last two years. Emerging countries such as China and India have even seen a surplus of capital.
China exhibited GDP growth of 10.5% in 2010. Although the government took measures to counteract the risk of currency appreciation and rising inflationary pressure, growth amounting to 9% per year is expected for the years 2011 and 2012.
Japan made the turnaround in 2010 and was able to achieve an increase of 3.6% in its gross domestic product. As a result of the recent natural catastrophes, serious estimates regarding future developments are almost impossible, and the opinions of experts also diverge extensively in this area.

Europe:

Following the global crisis, recovery was also observed in the euro countries during 2010. The gross domestic product in the euro zone rose by 1.7%, and stable growth of 1.5% is expected for the years 2011 and 2012. Industry in the euro region was able to exceed production forecasts, and the volume of new orders also developed positively. At the start of the 4th quarter of 2010, the industrial capacity utilization of 77.6% was far above the low of the previous year (69.6%) but still fell short of the long-term average of 81.2%.

In general, an analysis of the current economic situations in the euro countries shows significant differences.

The competitive export countries of the euro region, such as Germany and the neighbors with which it has strong economic relationships, such as Austria and Slovakia, are profiting from the massive growth in the emerging markets (in particular, from China). Germany, for instance, proved to be the economic motor for Europe in 2010 with growth of 3.6%, and there are good prospects for continued stable growth in 2011 as well. Alongside the positive effects from the rise in global trade, German economic growth also benefits from the low interest rates in the euro zone. As a result, the country has been spared tax hikes and cost-cutting measures, benefiting companies and further promoting consumption.

Other euro countries have encountered great difficulties in controling their national debts and lag behind in terms of growth. High public spending and austerity packages can be seen in Greece, Ireland, Portugal and Spain, and the economies of these countries are stagnating. Portugal is even in a recession at this time.

In recent months, all the nations of Europe have banded together to overcome this crisis through joint action. To this end, a comprehensive plan was passed for opposing the debt crisis in the euro region, stabilizing the economic and monetary union and improving competitiveness. The new crisis fund for high-debt euro countries was recently raised to 700 billion EUR. As of 2013, this money should be made available as credit financing under favorable conditions to euro countries that are unable to get their national budgets under control on their own despite austerity programs. Almost all EU states are helping to finance this rescue fund through cash contributions and guarantees. Strict criteria, including massive cost-cutting measures, must be met in order to take advantage of this aid.

Although the EU began to assist Greece at the start of 2010 – in total, roughly 110 billion EUR should have been approved – the budget deficit for 2010 was again higher than expected at 10.5%. Ireland requested assistance at the end of 2010 and received a loan of roughly EUR 85 billion.

The situation in Portugal also intensified in the spring of 2011. The goals for the budget deficit in 2010 were clearly missed at 9.1%, and political turbulence has ensued since that time. The unemployment rate (11.2% in January 2011) and inflation (roughly 3.5% in February 2011) also rose considerably. At the start of April 2011, after receipt of a significantly worse rating and a correspondingly massive interest rate increase for Portuguese government bonds, the country requested assistance from the EU rescue fund. Estimates of the required aid run to EUR 80-90 billion.

In addition to the crisis fund, adherence to the stability package has once again received greater attention throughout the entire euro region. The new debt of a country may not exceed 3% and the total debt level must be lower than 60% of the GDP. If these criteria are not met, a deficit process must be followed by which 0.2% of the GDP must be set aside as a pledge for improving the debt. If the debt situation does not improve, this pledge is treated as a penalty. The euro countries are also called upon to more closely coordinate their tax, pension and social policies in order to avoid differences in competitiveness.

Overall, the economic recovery in the euro region has been astonishingly robust despite the rising price of oil and continued debt problems.

The new EU countries were able to achieve GDP growth of 1.9% in 2010 (2009: -3.3%). Indicators point to continued GDP growth of 2.6% in 2011 while growth as high as 3.6% is expected for 2012. Poland, the Czech Republic, Slovakia and Hungary have enjoyed good economic growth.

Inflation in the EU (EU-27) increased in 2010 primarily due to rising energy prices and was at 2.8% in February 2011. To counteract this, the European Central Bank raised the prime rate from 1% to 1.25% at the start of April 2011, and another increase is expected over the course of 2011. The 3-month Euribor rate was 1.23% on 31 March 2011.

The unemployment rate in the EU (EU-27) remained at a high level of 9.5% in February 2011, only 0.1% lower than the previous year. This figure also varies widely between the individual countries. The Netherlands, Luxembourg and Austria have the lowest rates, while the highest unemployment rates are reported by Spain, Lithuania and Latvia. Latvia, however, was also able to demonstrate the greatest reduction in unemployment, followed by Estonia and Sweden. The largest increase was reported by Greece and Ireland.

<u>Austria:</u>

The Austrian GDP increased by 2.0% in 2010, which can be primarily attributed to the strong growth in exports (2010: +12.3%) and rising investments. The GDP growth forecast for 2011 was recently revised upward to 2.5%, and growth of 2.0% is expected for 2012 as well.

Positive export developments can be attributed to the strong economic growth in Germany, which was in turn positively influenced by growing demand from Asia. Austria's exporters also profited from increasing exports to Switzerland, Russia and the U.S.A. According to forecasts, Austrian goods exports are expected to grow by 7% in 2011 and 6.4% in 2012.

Consumption by private households remained a stable pillar of the economy in 2010 due to high real growth (tax reform, expansion of social transfers and low inflation). Consumer spending by private households increased by 1.1% in 2010. Trade also profited from the positive development in consumer spending, making possible an increase of 2.8% in value creation.

In 2011, it is expected that net real per capita income will decline somewhat due to lower salary conditions in the public sector and a slight increase in the inflation rate. Net real wages should recover somewhat in 2012.

In February 2011, the inflation rate reached its highest level since September of the previous year. The Europe-wide harmonized consumer price index jumped to 3.1% and exerted a damping effect on economic growth. This increase can be attributed above all to increased prices for fuels, heating oil and food. Approximately 0.4% of this increase originates from the raising of indirect taxes for budget consolidation. On the other hand, core inflation, which excludes energy and unprocessed foods, remained low.

Overall, the Austrian economy is recovering very well compared with the rest of the world. Following on the economic stimulus programs, the austerity package and tax reforms were implemented relatively quickly and have already begun to show the desired effects, demonstrating that they were correctly dimensioned. It has been possible to keep many employees in their jobs by reducing working hours. In addition, innovative ideas helped Austrian companies successfully ride out the crisis.

However, the continued growth of the Austrian economy is subject to a number of uncertainties and risks. The EU countries are faced with the great challenge of overcoming the debt crisis and ensuring the stability of the monetary union in Europe. The unrest in the Near East and North Africa has led to increased oil prices and negatively impacted inflation. It remains to be seen how the situation in North Africa will develop. Due to the low trade volume with Japan, experts believe the catastrophe there will have only a negligible impact on the Austrian economy, with the exception of delivery bottlenecks. The potential influence of this situation on the global economy and thereby directly on Austria remains difficult to assess from today's perspective.

The development of the unemployment rate remains positive. Unemployment has continued to fall, reaching 6.9% in March 2011 according to the national calculation and 4.3% according to the Eurostat definition. This places Austria alongside the Netherlands in the top ranks of the 27 EU countries (average of 9.6%). According to the most recent forecasts, the unemployment rate should stabilize further, and an annual average of 4.1% is expected for 2011 and 4.0% for 2012.

2. Development of the market for intelligent transportation systems

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the intelligent transportation systems market. The study "Intelligent Transportation Systems - A global strategic business report" from Global Industry Analysts, September 2010, describes the ITS market as a diversifying market with the following, widely differing application and product segments.

- **Electronic toll collection (ETC)** systems with technologies that enable drivers to pay toll fees without stopping at tollgates.
- **Traffic management systems (TMS)** that monitor traffic, optimize signal timing, and regulate the flow of traffic.
- **Commercial vehicle operations (CVO) systems** which are technologies to enhance motor carrier productivity and safety during interstate transportation.
- **Public vehicle transportation management systems (PVTMS)** which streamline transit, allow transit companies to locate vehicles and provide safety to commuters.
- **Vehicle information systems (VIS)** which include a host of applications that enable commuters to have a safe journey.

According to Global Industry Analysts, the size of the ITS market amounted to USD 12.5 billion in 2010 and is increasing steadily. The largest market segment is traffic management systems, accounting for almost 40%. The fastest-growing ITS segment is electronic toll collection systems with a compounded average growth rate of 17.1% between 2000 and 2010; at a worldwide volume of about USD 3 billion, it had a share on the ITS market of roughly 25% in 2010.

Market situation and market forces

Funding of infrastructure projects. Independent of the economic recession, the worldwide increase in road traffic is the most important growth factor for the ITS market. According to analyses by the EU (European Union 2010, "Energy and Transport in Figures"), commercial traffic increased by 2.3% per year and in total by 33.7% between 1995 and 2008. Commercial road traffic increased by 2.9% per year and by 45.7% in total. While the recent economic crisis triggered a fall in the volume of goods transport, this has already been largely compensated for by the subsequent upswing. Despite political pressure, goods transport could not be shifted significantly from road to rail or ship transport. This growth increases the financing burden for road infrastructure enormously, which in turn fosters greater demand and a high growth potential for ITS applications and the market segment electronic toll collection systems, in particular.

In 2005, the trans-European road network (TEN-V) with a total length of 84,700 km comprised one-fourth of the primary street network but carried 40% of the total commercial traffic. It is predicted that TEN-V will be expanded by 4,800 km per year up to 2020, of which 3,500 km will consist of existing roads. Major investments will be required in the new member states and along the corridor routes to these countries. The European Union estimates investments of EUR 600 billion will be required by 2020. The long-term forecasts for traffic growth continue to remain high.

In addition to dedicated short-range communication systems (DSRC) according to the Comité Européen de Normalisation(CEN) standard, the use of satellite-based systems has been expanding, depending on the application requirements. Significant growth potential also exists in the area of video-based systems for automatic number plate recognition for tolling and enforcement in urban environments.

The high financing requirements for the preservation of road infrastructure are leading to new business models and private concessionaire models in the U.S.A. Standard & Poor's research estimates an annual demand of USD 92 billion for the preservation of highways and bridges and a further USD 125.6 billion for their improvement. While the standardized tolling technology based on 5.8 GHz DSRC microwave is used in Europe, electronic toll collection systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard based on 5.9 GHz will gradually replace the existing technology in the U.S.A. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for car-to-car communication and for applications that increase traffic safety as well as additional ITS solutions for traffic information, traffic management and entertainment. These developments will also make it possible for European manufacturers to gain a foothold in the North America, which is also an important growth market for Kapsch TrafficCom.

Reduction of congestion and environmental pollution through road traffic. To reduce traffic congestion and environmental pollution, city charging systems and environmental zones (low emission zones) are deployed in several major cities. Environmental pollution can be viewed as another key driver for the ITS market and also for electronic toll collection systems. In large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. This topic is politically very sensitive, and the development of this segment within electronic toll collection systems is therefore not as fast as originally expected. Traffic safety devices to monitor compliance with traffic regulations are another field of application in cities. Examples include systems to monitor traffic violations at junctions (e.g. jumping red lights) as well as systems to detect speeding. These applications, which fall under the traffic management system segment, enjoy fast-growing potential on the market both in and between cities, and for municipal authorities they often pave the way for larger and more extensive ITS solutions such as city charging.

The increasing traffic volume can be considered a global trend. Especially in Asia, an increased demand for electronic toll lanes is expected for the replacement and expansion of toll systems previously based on more traditional methods. India has one of the largest road networks in the world, amounting to 3.4 million km in 2004. Only 2% is made up of highways, but these carry 40% of the commercial traffic. Between 1992 and 2002, 52,000 km of highways were built in China and an additional 200,000 km are planned for the coming years.

Reduction of road accidents. Traffic management systems are particularly expected to increase the probability of surviving accidents and reduce accident rates.

3. Economic situation of Kapsch TrafficCom AG

3.1. General situation

In the past fiscal year Kapsch TrafficCom AG managed to further consolidate its position as internationally leading provider of innovative traffic telematics systems, products and services. The company supplies products and systems for toll collection and traffic management and, in addition, offers the technical and also commercial operation, as is the case e.g. in the nationwide electronic truck tolling system in the Czech Republic.

The fiscal year 2010/11 was marked by the project in South Africa as well as by the award of the contract for the implementation and operation of a nationwide electronic truck tolling system in Poland.

The contract awarded by the South African National Roads Agency Ltd (SANRAL) in September 2009 for the implementation and operation of an electronic toll collection system for the multi-lane free-flow of traffic in the Gauteng province was in the implementation phase during the reporting period. After transfering the toll collection system as agreed in fiscal year 2011/12, the technical and commercial operation will be handled by the South African subsidiary.

With the signing of a contract on 2 November 2010 for the implementation and operation of a nationwide electronic truck tolling system in Poland, the Kapsch TrafficCom Group was able to further expand its leading position in the European market. The first construction phase encompasses the existing road network of roughly 1,750 km and the technical as well as commercial operation up to 2018 with an order value of approximately EUR 560 million. The commissioning will take place in fiscal year 2011/12. The Polish contract partner GDDKiA (General Directorate for National Roads and Highways) expects an expansion of the road network to 7,600 km by 2018.

In Austria, roughly 2,200 km of highways and expressways are tolled with fully electronic multi-lane free-flow systems for trucks heavier than 3.5 tons permissible total weight. Since 2004, Kapsch TrafficCom AG has delivered the entire central and roadside infrastructure for 490 toll stations as well as approximately 1 million on-board units (GO Boxes). The average toll transaction rate in Austria remained at the previous year's high level of 99.88%.

In a move that further highlights the planned growth course, a 4.25% corporate bond with a volume of EUR 75 million and a tenor of seven years was successfully issued on 3 November 2010.

The US, Canadian and Mexican business of MARK IV IVHS was taken over on 30 November 2010. This brings the largest provider of components for electronic toll systems based on the existing 915 MHz technology in North America into the Kapsch TrafficCom Group. The newly acquired subsidiaries are exclusive suppliers of the E-ZPass® Group, a consortium of 24 toll authorities in 14 US states. Projects are also running with customers in Canada and Mexico. In addition to current customer relationships, this takeover offers the ideal basis for participating in the expected technology migration from 915 MHz to 5.9 GHz WAVE. Initial demo and pilot projects based on the 5.9 GHz technology have already been implemented in the U.S.A. by the Kapsch TrafficCom Group.

Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates, was founded on 30 March 2011 together with a local partner.

3.2. Financial Performance Indicators

(a) Earnings situation

Compared to the prior year, net sales in the amount of EUR 79.5 million were up 13 %, and the operating performance was EUR 87.9 million. This means an increase in the operating performance of 23 % over the prior year (EUR 71.5 million). Sales in the segment Road Solution Projects (RSP) increased from EUR 5.6 million in prior year to EUR 24.9 million in the fiscal year. Sales in the segment Services, System Extensions, Component Sales (SEC) however declined from EUR 64.8 million in the prior year to EUR 54.7 million.

The increase in sundry other operating income by EUR 2.6 million is primarily due to intercompany recharges and higher research funding awards.

In connection with the increase in sales primarily from the tolling projects in Poland and South Africa, cost of materials and other purchased services also increased from EUR 32.9 million to EUR 45.1 million, and other operating expenses from EUR 27.1 million to EUR 31.2 million.

Personnel expenses rose from EUR 26.2 million to EUR 29.9 million, which is due to the increase in the number of staff to prepare and execute the current and planned projects and to the expansion for investments in technology.

Due to these cost increases, EBIT declined by EUR 1 million from EUR -0.5 million to EUR -1.5 million year-on-year.

In contrast, the financial result developed positively and increased on the prior year from EUR 15.1 million to EUR 19.8 million which is mainly due to dividends from subsidiaries.

(b) Assets and liabilities

The balance sheet total of Kapsch TrafficCom AG increased by 57 % from EUR 166.2 million to EUR 261.0 million.

On the one hand, with regard to financial assets, shares in affiliated companies rose by EUR 20.0 million as a result of the acquisition of the North American business of Mark IV IVHS, on the other hand, receivables from affiliated companies increased by EUR 53.5 million.

Furthermore, on the assets side, long-term receivables increase by EUR 11.7 million to EUR 48.9 million resulting from the financing of the acquisition of the Mark IV IVHS entities and the development costs for the North American market.

On the liabilities side, the increase of the balance sheet total is mainly reflected in liabilities. Due to the issuing of the company bond (EUR 75 million), an increase in loans and overdrafts by EUR 2.5 million, an increase in trade payables by EUR 6.8 million and an increase in payables to affiliated companies by EUR 6.2 million total liabilities increased by EUR 90.7 million.

This development resulted in a decrease of the equity ratio from 77.7 % to 53.0 %.

(c) Financial position

Due to the increase in inventory, the net cash flow from operating activities amounted to EUR 11.2 million.

The net cash flow from investing activities of EUR -75.7 million results from investments made in financial assets and financing of subsidiaries.

The net cash flow from investing activities was EUR 68.3 million and results from the issuing of the bond in an amount of EUR 75 million as well as the payment of the dividend for the fiscal year 200910 in the amount of EUR 9.1 million.

Overall, cash and bank balances increased from EUR 2.5 million to EUR 6.3 million over the prior year.

3.3. Non-financial performance indicators

(a) Reliability and accuracy of installed ETC-Systems

The toll transaction rate is a figure for assessing 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. A high toll transaction rate translates to maximum toll revenue.

In 2010, the average toll transaction rate of the existing truck tolling system in Austria amounted to approximately 99.88%, placing it at the same high level as in 2009.

(b) Personnel-related issues

The average number of employees in Kapsch TrafficCom AG in the fiscal year 2010/11 was 395 (prior year: 354) employees. As of 31 March 2011, the company had a workforce of 433 (prior year: 363).

The Company is certified pursuant to OHSAS 18001 since 2005. The related measures for occupational safety and health regarding risk evaluation, planning and supervision have been implemented in the internal processes.

(c) Environmental issues

The Company is certified pursuant to ISO 14001 since 2005. Environmental awareness could be raised throughout the Company. It is planned also for the future to meet the Company's social responsibility: in particular, to use natural resources even more economically and responsibly.

(d) Other

Kapsch specifically supports women through trainee and advanced training programs in the Company and also participates in events of the Technical University. Together with the Public Employment Service Austria (AMS), the "women in engineering" project is implemented.

Kapsch – in recognition of the socio-cultural significance of art and culture and aware of the socio-political responsibility of the Company – supports a variety of training initiatives, contemporary art and selected social projects. These activities are carried out through Kapsch Aktiengesellschaft for the entire Group.

The following examples – representative of numerous other projects – provide an overview of the Company's activities in the area of corporate social responsibility:

Music. A key element of this commitment covers sponsoring activities related to the Vienna Concert Hall (Wiener Konzerthaus). This cultural institution has an excellent reputation far beyond Austria's borders. The Kapsch Group has been the main sponsor of the Vienna Concert Hall since 1992. The Modern Vienna festival – one of the world's best known festivals of contemporary music – has been supported by Kapsch since its launch in 1989.

Visual arts. Promoting less known artists is of particular concern to the Kapsch Group. In particular, young domestic and international artists are assisted by sponsorship campaigns. One example is the photo calendar that Kapsch Group has supported since 1994. The calendar is presented annually in late fall in a private exhibition.

Educational institutions. As a company that is driven by technology and innovation, we are constantly interested in establishing contacts as early as possible with the best engineering talents. Since 2005, the Kapsch Group has supported Universitäre Gründerservice Wien GmbH which aims to support and accompany young entrepreneurs in the implementation of ideas relating to key business concepts.

Social activities. Kapsch TrafficCom takes pride in supporting selected social projects at home and abroad. One example of the numerous projects is ICEP – the Institute for Cooperation in Development Projects, whose activities help to improve the circumstances of people in developing countries. With the specific advancement of migration and integration, Kapsch TrafficCom contributes to social justice, the positive development of society and safety over the long-term.

3.4. Risk reporting

As a technology company, Kapsch TrafficCom Group operates in an ever-changing environment. Risks are therefore part of its day-to-day business. For the company, risk means the possibility of deviating from company objectives, meaning that the definition of risk encompasses both positive (opportunities) as well as negative (risks) deviations from planned objectives.

Risk management system

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, the risk management system comprises institutionalized processes for collecting and analyzing all relevant opportunities and risks pertaining to Kapsch TrafficCom Group's projects and provides the basis for the timely planning and implementation of control measures. In the 2010/11 fiscal year risk management was developed into a company-wide opportunity and risk management system. In addition to project risks, Enterprise Risk Management also analyses strategic, technological, organizational, financial, legal and IT risks, reporting to management on a regular basis. 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 faced by the Group and the respective risk management measures are briefly explained below:

Industry-specific risks

Volatility of new orders. A major portion of the revenues of the Kapsch TrafficCom AG are generated in the segment Road Solution Projects (RSP). 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 a risk that tenders in which the Group participates or plans to participate could be delayed or withdrawn, for instance as a result of political changes, appeals or legal actions by unsuccessful bidders. On the other hand, a risk exists that Kapsch TrafficCom AG may not win its bids for new projects due to technological, financial, formal or other reasons. Continuing revenues from maintenance agreements and from technical operations also depend on the successful participation in tenders for systems.
In the past, the sales revenues of Kapsch TrafficCom AG have been heavily influenced by the realization of RSP implementation projects in the given fiscal year. Significantly higher revenues were recorded, in particular, in 2003 (implementation of a national electronic truck tolling system in Austria) and 2006/07 (implementation of a national electronic truck tolling system in the Czech Republic). In the 2010/11 fiscal year sizeable revenue was generated from implementing an electronic toll system in South Africa as part of the Gauteng Project, and from starting to implement a national electronic truck tolling system in Poland.
The strategy of Kapsch TrafficCom AG is aimed at reducing the volatility of revenues from single large projects through increased geographic diversification and increased diversification of the product portfolio as well as sustained growth in the share of maintenance and operations of systems.

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom AG is usually contractually obligated to provide performance guarantees. Since ETC systems and other ITS solutions are frequently sophisticated and technologically complex systems that must be implemented within a short period, system and product defects can occur due to the limited time available for testing. The failure to meet guaranteed performance levels or missed deadlines usually results in penalties and/or compensation, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses, which enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom AG cannot execute projects in line within the set cost budgets.

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

Long-term contracts with public authorities. In many cases, the system contracts are awarded by public agencies. Framework agreements and service contracts in connection with tolling projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to Kapsch TrafficCom AG. 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 concluded by the Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While Kapsch TrafficCom AG aims to include appropriate limitations to its liability in contracts, it is still impossible to guarantee that all contracts contain sufficient limitations to the company's liability or that these limitations can be enforced under applicable law.

Strategic risks

Innovation leadership. The leading market position of Kapsch TrafficCom AG 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, Kapsch TrafficCom AG 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 its competitive position. Since its innovation leadership is based largely on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the Kapsch TrafficCom Group. In addition, any failures in protecting these technologies may have a negative impact on Kapsch TrafficCom Group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties.

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

Acquisition and integration of companies as a part of the Group's growth. One of the strategic objectives of Kapsch TrafficCom AG is to grow internationally both by organic means and through selected acquisitions and joint ventures. In the implementation of this strategy, Kapsch TrafficCom Group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Country risk. The strong expansion of business activities in Eastern Europe and non-European countries has exposed Kapsch TrafficCom AG to a heightened political risk. Significant and unforeseeable political changes can exert a major influence on the ability to implement or operate ITS projects in these countries and also affect the availability and accessibility of funds. There may also be interference with the property rights of Kapsch TrafficCom AG or problems with business practices and activities.

Financial risks

Foreign exchange risk. The Group maintains branches, offices and subsidiaries in several countries outside the euro zone. A considerable portion of revenues and costs are denominated in the currencies of the respective foreign companies rather than in EUR. Although the company aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the financial statements

Interest rate risk. Within the framework of project financing, the Group regularly agrees to variable interest rates that are tied to market interest rates (Euribor, Pribor etc.). This exposes Kapsch TrafficCom AG to interest rate risks. Kapsch TrafficCom AG utilizes appropriate financial instruments to hedge against interest rate risks when these risks are significant.

Liquidity risk. Sufficient financial resources must be available to ensure that Kapsch TrafficCom AG can meet its payment liabilities at any time. The availability of medium and long-term financing is required to carry out large-scale projects (such as implementing a national toll system under delayed payment terms from the client) and for acquiring other businesses. Additionally, implementing large-scale projects with ITS solutions often requires the provision of significant bank guarantees to secure bid obligations (bid bonds) or to secure possible warranty claims (performance bonds).
In financing agreements Kapsch TrafficCom AG is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of Kapsch TrafficCom AG and the results of operations. A lack of liquid assets (even if the company is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of Kapsch TrafficCom AG and the results of operations. The issuing of a seven-year, EUR 75 million bond in November 2010 helped Kapsch TrafficCom AG to again improve its liquidity.

Credit risk. Kapsch TrafficCom AG is exposed to the risk of non-payment by customers. The credit ratings of new and existing customers are checked on a regular basis. Many of the key customers of Kapsch TrafficCom AG are public authorities, especially in connection with implementing and/or operating national or regional toll systems. There is also a risk that the counterparties (including financial institutions assumed to have good credit ratings) of both original and derivative financial instruments cannot meet their payment obligations when due. A payment default or the recognition of impairment charges to receivables can be extremely detrimental for the net assets and financial position of Kapsch TrafficCom AG and the results of operations.

Personnel risks

The success of Kapsch TrafficCom AG depends heavily on key personnel with many years of experience in the industry. Moreover, the ability to recruit qualified staff, integrate them into the company and retain them over the long-term is crucial in the current growth phase. The loss of key personnel and difficulties in the recruitment of personnel may adversely affect the success of the company.

Kapsch TrafficCom AG has implemented a number of measures to counteract personnel risks, such as incentive schemes, training opportunities, etc.

Legal risks

A variety of regulations and legal requirements must be observed in connection with participating in public tenders, establishing infrastructure for ITS solutions (such as tolling stations) and operating toll systems. Working out applicable legal regulations and adhering to applicable legal regulations and requirements can result in considerable administrative and technical expense. The failure to meet regulations or official requirements can lead to severe penalties and also reduce the possibility of (successfully) taking part in tenders or continuing with the given business activity. In connection with the acquisition of shares in Q-Free ASA, Norway, in January 2009, Norwegian authorities have initiated investigation proceedings against Kapsch TrafficCom AG and Kapsch Aktiengesellschaft. Kapsch TrafficCom AG disagrees with the basis for these allegations and believes that any adverse impact on the financial position of Kapsch TrafficCom AG will not be material. Kapsch TrafficCom AG intends to vigorously defend against the allegations.

IT risks

As a technology group, Kapsch TrafficCom AG is exposed to typical IT risks relating to security, confidentiality and the availability of data. For this reason, Kapsch TrafficCom AG has implemented an IT risk management system designed according to the corporate risk and IT security application method (CRISAM) and has been certified pursuant to ISO 27001 (information security management). Kapsch TrafficCom AG is also certified according to ISO 20000 "IT service management" (similar to ITIL) for the operation of toll systems.

Summary assessment of the risk situation

From a current perspective, no risks have been identified that could endanger the continued operations of Kapsch TrafficCom AG. Increasing geographic diversification, the diversification of the product portfolio and an increased share of recurring revenues (further growth in the Services, System Extensions, Components Sales segment) are planned to further reduce the concentration of risks in the future.

3.5. Internal Control System (ICS)

The Corporate Law Amendment Act (URÄG 2008) adopted the 8th EU Directive into Austrian law. Under this legislation, companies with a capital market orientation are henceforth obliged to include in their group management reports not only an outline of their risk management systems but also of the main features of their ICS with regard to the financial reporting process.

Kapsch TrafficCom AG started to analyze and document its existing internal processes for financial reporting on an ongoing basis in the fiscal year 2009/10. The results obtained so far were presented at the quarterly meetings of the audit committee for assessment and discussion.

The International Financial Reporting Standards (IFRS) Group Accounting Manual represents the cornerstone for financial accounting and reporting throughout the whole Kapsch Group. The manual is published and regularly updated by the Kapsch Group and contains the essential financial and reporting procedures based on IFRS. Group-wide guidelines and work instructions represent another important pillar of the internal control system.

The central elements of the ICS process include regular compliance checks according to the principle of dual control, the segregation of duties and defined actions for monitoring the effectiveness and efficiency of operating activities, the reliability of financial reporting and the compliance with relevant legal regulations. The ICS guidelines of Kapsch TrafficCom AG follow the basic structure of the internationally recognized standards for internal control systems (COSO - Internal Control and Enterprise Risk Managing Frameworks of the Committee of Sponsoring Organizations of the Treadway Commission).

The supervisory board is kept informed of business developments by the managing board during regular meetings by way of consolidated presentations consisting of segment reporting, earnings development analyses containing comparisons of current figures with figures from the budget and the previous period as well as select financial figures, forecasts, group financial statements and developments in the number of employees and order inflow.

The head of finance, the central controlling department and the internal audit department subsequently verify compliance with these audit procedures by local management, and the results are regularly reported to the audit committee.

3.6. Research and development

Kapsch TrafficCom AG has a network of research and development centers in Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Carlsbad (California, U.S.A.) and Capetown (South Africa). The research and development centers are organized as competence centers. Research and development activities are being coordinated from the headquarters in Vienna.

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 AG 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, South Africa and also Russia.

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.

Major development efforts of the last fiscal year consisted of specifying and developing a new, generic and scalable roadside platform that integrates all major sensor systems into a single, common software platform. The main goals of this work include eliminating overlapping development work by different R&D centers and offering our international sales force the basis for a more flexible, adaptable and customer-specific approach in system sales. This new sensor platform is currently in its end-testing phase and will be put into operation for the first time as part of the toll project in South Africa. The main initiatives in the component business area lay in developing new and lower-cost on-board unit generations for CEN/DSRC microwave and GPS/GNSS satellite tolling as well as new WLAN-based 5.9GHz technologies to support the business development approach in the U.S.A., which is still ongoing, These technologies are currently in the standardization process and will be used in road safety systems as well as tolling systems in the U.S.A. and in Europe.

Research costs are recognized as expenses. Since the income statement is structured by expense type, the research and development costs are reported within various items of the income statement, in particular under the cost of material and other production services, staff costs and other operating expenses.

In the past fiscal year expenses for research and development amounted to EUR 23.4 million (prior year: EUR 15.7 million).

3.7. Disclosures pursuant to 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 March 31, 2011, approximately 31.6 % of the shares in Kapsch TrafficCom AG have been in free float. As of March 31, 2011, 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 March 31, 2011, 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 authorized capital within five years from the date the authorization granted by the shareholders' meeting dated May 15, 2007 was entered into the commercial register.
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.

3.8. Outlook

With a view to the fiscal year 2011/12, the company on market developments over the long-term is optimistic even in a changed economic environment. The implementation and launch of the tolling systems in Poland and South Africa will be significant. In the U.S.A. we are awaiting the decision on the tender for the renewal of the E-ZPass® Group contracts. Furthermore, the coming fiscal year will be shaped by the preparation for the tenders expected in Hungary, Slovenia and Denmark as well as by the integration of MARK IV IVHS.

3.9. Material events after the balance sheet date

Financing

In April 2011, a revolving line of credit expiring on 31 December 2011 was contracted by Kapsch TrafficCom AG with a maximum amount of EUR 40 million (thereof EUR 20 million drawn at date of this report) in connection with the tolling project in Poland.

Company foundation

On April 1, 2011, Kapsch Telematic Services FLLC, Minsk, Belarus was founded.

Vienna, May 13, 2011

The Executive Board:

signed:

Mag. Georg Kapsch
(Chief Executive Officer)

signed:

Ing. Erwin Toplak
(Executive Board member)

signed:

André Laux
(Executive Board member)

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)

We 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 parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 13 May 2011

Mag. Georg Kapsch	Ing. Erwin Toplak	André Laux
Chief Executive Officer	Chief Operating Officer	Board member

Additional Information pursuant to Section 82 Para. 4 No. 3 BörseG.

(Austrian Stock Exchange Act)

Board Member	Area of responsibility
Georg Kapsch (CEO)	Finance and Administration, Mergers & Acquisitions, Investor Relations, Legal, International Subsidiaries, Human Resources, Marketing & Communications, International Relations & Affairs, Innovation Management, Production, Telematic Services and North American Market
Erwin Toplak (COO)	Sales region 1, Business Development, System Engineering, Research & Development and Technical Operations
André F. Laux (Member of the Board)	Sales region 2, Business Development, Product and Project Management

Balance Sheet as of March 31, 2011

Assets

	March 31, 2011 EUR	March 31, 2010 kEUR
A. Fixed assets		
I. Intangible assets		
Industrial property and similar rights and assets, and licenses in such rights and assets	1,835,094.41	2,581
II. Tangible assets		
1. Investments in leasehold buildings	2,692,925.66	3,044
2. Technical equipment and machinery	507,722.05	518
3. Other equipment, factory and office equipment	2,301,403.89	2,292
	5,502,051.60	5,854
III. Financial assets		
1. Shares in affiliated companies	57,698,370.23	37,662
2. Participating interests	12,406,390.85	12,749
3. Securities	8,041,215.79	6,902
	78,145,976.87	57,313
	85,483,122.88	65,748
B. Current assets		
I. Inventories		
1. Merchandise	17,182,575.81	4,996
2. Services not yet invoiced	13,350,620.17	4,958
3. Prepayments	4,928,876.13	4,494
	35,462,072.11	14,448
II. Receivables and other assets		
1. Trade receivables	7,998,447.38	14,090
2. Receivables from affiliated companies	119,665,713.81	66,137
3. Receivables from companies in which the Company has a participating interest	0.00	152
4. Other assets	4,266,154.92	1,724
	131,930,316.11	82,103
III. Cash, bank balances	6,273,415.90	2,449
	173,665,804.12	99,000
C. Prepaid expenses and deferred charges	1,875,224.10	1,499
	261,024,151.10	166,247

Shareholders' Equity and Liabilities

	March 31, 2011 EUR	March 31, 2010 kEUR
A. Shareholders' equity		
I. Share capital	12,200,000.00	12,200
II. Capital reserves		
Appropriated	69,200,000.00	69,200
III. Unappropriated retained earnings, thereof prior period unappropriated retained earnings brought forward EUR 38,634,417.01 (prior year: kEUR 33,140)	56,868,992.26	47,784
	138,268,992.26	129,184
B. Investment grants	594,957.99	672
C. Accruals		
1. Accruals for severance payments	2,718,181.00	2,500
2. Other accruals	6,597,677.99	9,957
	9,315,858.99	12,457
D. Accounts payable		
1. Corporate Bonds	75,000,000.00	0
2. Bank loans and overdrafts	13,925,462.56	11,426
3. Customer advances	530,748.62	81
4. Trade payables	8,895,826.49	2,060
5. Payables to affiliated companies	11,238,295.36	5,012
6. Other liabilities, of which taxes EUR 52,369.46 (prior year: kEUR 1,812), of which social security payables EUR 599,295.08 (prior year: kEUR 504)	3,254,008.83	3,538
	112,844,341.86	22,117
E. Deferred income	0.00	1,817
	261,024,151.10	166,247
Contingent liabilities	113,438,855.40	79,791

Income Statement for the fiscal year 2010/11

	2010/11 EUR	2009/10 kEUR
1. Net sales	79,538,776.09	70,450
2. Change in services not yet invoiced	8,392,610.78	1,047
3. Other operating income		
a) Income from the retirement of fixed assets excluding financial assets	0.00	3
b) Income from the reversal of accruals	2,436,759.95	1,451
c) Other	16,507,253.19	14,864
	18,944,013.14	16,318
4. Cost of materials and purchased services		
a) Cost of materials	-6,166,367.13	-7,254
b) Cost of purchased services	-38,888,591.96	-25,606
	-45,054,959.09	-32,860
5. Personnel expenses		
a) Wages	-125,042.48	-109
b) Salaries	-23,290,624.23	-20,234
c) Expenses for severance payments and contributions to severance provision funds	-502,907.22	-464
d) Expenses for pensions	-19,238.00	-89
e) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-5,800,662.92	-5,184
f) Other social benefits	-155,312.64	-136
	-29,893,787.49	-26,216
6. Depreciation and amortization of fixed intangible and tangible assets	-2,161,022.57	-2,096
7. Other operating expenses		
a) Taxes not included in line 17	-100,712.71	-76
b) Other	-31,132,599.30	-27,050
	-31,233,312.01	-27,126
8. Subtotal of lines 1 to 7 (Operating result)	-1,467,681.15	-483
9. Income from participating interests, of which from affiliated companies EUR 20,477,705.40 (prior year: kEUR 12,098)	20,477,705.40	12,098
10. Income from other long-term securities	20,372.22	85
11. Other interest and similar income, of which from affiliated companies EUR 1,820,184.71 (prior year: kEUR 1,163)	1,925,618.19	1,276
12. Income from the write-up of fixed financial assets	1,138,992.30	2,952
13. Expenses on fixed financial assets, of which		
a) Amounts written off EUR 2,019,288.08 (prior year: kEUR 725)	-2,019,288.08	-725
b) Relating to affiliated companies EUR 1,676,708.63 (prior year: kEUR 0)		
14. Interest and similar expenses, of which relating to affiliated companies EUR 75,741.79 (prior year: kEUR 89)	-1,743,484.75	-559
15. Subtotal of lines 9 to 14 (Financial result)	19,799,915.28	15,127
16. Net operating income	18,332,234.13	14,644
17. Taxes on income, thereof recharged from group parent EUR 97,578.77 (prior year: kEUR 0)	-97,658.88	0
18. Net income for the year	18,234,575.25	14,644
19. Prior period unappropriated retained earnings brought forward	38,634,417.01	33,140
20. Unappropriated retained earnings	56,868,992.26	47,784

Notes to the financial statements for the fiscal year 2010/11

A. Accounting and valuation methods

1. General principles

The financial statements as of March 31, 2011 have been prepared in accordance with the financial reporting requirements of the Austrian Commercial Code (UGB) as amended.

The financial statements, prepared under Austrian generally accepted accounting principles, present a true and fair view of the assets and liabilities, the financial situation of the Company, as well as its results of operations.

Accounting and valuation methods are based on generally accepted accounting principles. Section 201 (2) UGB was adhered to, as were the provisions on classification and valuation of balance sheet and income statement items under Sections 195 to 211 and 222 to 235 UGB. The income statement was prepared in accordance with the total expenditure format.

2. Fixed assets

Purchased **intangible assets** and **tangible assets** are valued at acquisition or production cost less scheduled straight-line amortization/depreciation charged according to the estimated useful life of the assets.

Low-value assets with acquisition costs of less than EUR 400 were written off in the year of acquisition or production in an insignificant amount.

Intangible assets

Acquired IT software is amortized based on a useful life of between four to eight years.

Tangible assets

Tangible assets were depreciated on a straight-line basis over the following useful lives:

	Years
Investments in leasehold buildings	2 - 10
Technical equipment and machinery	2 - 20
Factory and office equipment	3 - 20

No unscheduled depreciation was charged in the fiscal year.

Additions to fixed assets are depreciated according to the date of their initial use.

Financial assets

Financial assets are stated at acquisition costs or the lower market values at the balance sheet date. Write-downs are made only in case a diminution in value is expected to be permanent.

3. Foreign currency receivables and payables

Foreign currency receivables are stated using the exchange rate at the date of the transaction or the lower bank buying rate at the balance sheet date.

Foreign currency payables are stated using the exchange rate at the date of the transaction or the higher bank selling rate at the balance sheet date.

4. Current assets

Inventories and receivables were stated in accordance with the strict lower of cost or market principle.

Inventories

The stocks of purchased goods, recorded by means of electronic data processing, were stated using the moving average price method. Inventories denominated in foreign currencies were stated using the exchange rate at the date of acquisition. Where required, write-downs were made to lower replacement costs.

A proportional deduction from acquisition or production cost was made for goods with diminished usability or marketability, which was derived from the respective inventory turnover ratio. In case of long-term contracts, no administrative and selling overheads were capitalized (option provided by Section 206 (3) UGB).

Receivables

Receivables were stated at nominal values. Identifiable risks were considered in the valuation of the individual receivables by write-offs. No-interest or low-interest receivables were discounted.

5. Accruals

The accruals were set up in accordance with the principle of prudence at the estimated amounts.

The accruals for severance payments and anniversary bonuses were calculated in accordance with IAS 19 using the projected unit credit method (for severance payments the corridor method of IAS 19 is applied). A discount rate of 5.0 % (prior year: 5.0 %) was used for the calculation of entitlements and a percentage of 3.0 % (prior year: 3.0 %) was assumed for salary increases. Furthermore, the calculation was based on the earliest possible retirement age in accordance with the transitional statutory provisions and the mortality tables Pagler & Pagler AVÖ 2008-P (prior year: AVÖ 2008-P).

6. Accounts payable

In accordance with the principle of prudence, accounts payable were valued at the amount repayable.

B. Comments on balance sheet items

A s s e t s

Fixed assets

Movements in fixed assets:

	Acquisition/Production cost				Accumulated	Net book value		Amortization/	Write-ups
	Balance April 1, 2010	Additions	Disposals	Balance March 31, 2011	amortization/ depreciation	Balance March 31, 2011	Balance March 31, 2010	depreciation current year	of current fiscal year
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets									
Industrial property and similar rights and assets, and licenses in such rights and assets *)	7,368,384.44	267,509.16	281,066.52	7,354,827.08	5,519,732.67	1,835,094.41	2,580,737.88	939,893.89	0.00
II. Tangible assets									
1. Investments in leasehold buildings	3,600,874.21	151,832.63	0.00	3,752,706.84	1,059,781.18	2,692,925.66	3,043,993.40	502,900.37	0.00
2. Technical equipment and machinery	1,157,385.29	226,614.31	3,636.04	1,380,363.56	872,641.51	507,722.05	517,935.15	236,719.70	0.00
3. Other equipment, factory and office equipment **)	4,518,611.92	524,182.13	193,753.80	4,849,040.25	2,547,636.36	2,301,403.89	2,292,188.67	481,508.61	0.00
	9,276,871.42	902,629.07	197,389.84	9,982,110.65	4,480,059.05	5,502,051.60	5,854,117.22	1,221,128.68	0.00
III. Financial assets									
1. Shares in affiliated companies	40,290,453.74	21,713,234.17	0.00	62,003,687.91	4,305,317.68	57,698,370.23	37,661,844.69	1,676,708.63	0.00
2. Participating interests	12,748,970.30	0.00	0.00	12,748,970.30	342,579.45	12,406,390.85	12,748,970.30	342,579.45	0.00
3. Securities	10,004,356.99	0.00	0.00	10,004,356.99	1,963,141.20	8,041,215.79	6,902,223.49	0.00	1,138,992.30
	63,043,781.03	21,713,234.17	0.00	84,757,015.20	6,611,038.33	78,145,976.87	57,313,038.48	2,019,288.08	1,138,992.30
	79,689,036.89	22,883,372.40	478,456.36	102,093,952.93	16,610,830.05	85,483,122.88	65,747,893.58	4,180,310.65	1,138,992.30
*) thereof low-value assets in accordance with Section 13 EStG		14,928.84	14,928.84					14,928.84	
**) thereof low-value assets in accordance with Section 13 EStG		31,180.86	31,180.86					31,180.86	

Financial obligations of the Company from the use of tangible assets not recognized in the balance sheet amount to:

	In the following fiscal year		In the next 5 fiscal years	
	EUR	Prior year kEUR	EUR	Prior year kEUR
Obligations from rental and leasing agreements	5,143,571.49	4,474	15,905,751.19	11,001

Shares in affiliated companies and shares in associates

Supplementary disclosures pursuant to Section 238 No. 2 UGB

	Share	Sharehold-ers' equity	Result of fiscal year	FN
	%	kEUR	kEUR	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100	24,900	7,965	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95	1,770	607	1)
Kapsch Components GmbH & Co KG, Vienna	100	-679	3,019	1)
Kapsch Components GmbH, Vienna	100	76	7	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100	24,858	-78	1)
Kapsch Telematic Services GmbH, Vienna	-	-	-	2)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	99	12,872	2,150	1)
Kapsch TrafficCom S.r.l., Milan, Italy	100	37	-23	1)
Kapsch-Busi S.p.A., Bologna, Italy	67	-152	-298	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100	34	-4	3)
Kapsch TrafficCom Ltd., Manchester, England	100	299	-124	1)
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100	57	-4	1)
Kapsch TrafficCom Russia OOO, Moscow, Russia	100	-434	53	3)
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	100	22	7	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	230	72	1)
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	25	3,110	2,009	1)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100	8,696	-16	1)
Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan	100	17	11	3)
Jibeseov GmbH, Vienna	100	231	187	3)
PREMID a.s., Bratislava, Slovak Republic	100	-40	-10	1)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates		-	-	2)
b) Shares in associates				
Autostrada Wschodina Sp. z o.o., Warsaw, Poland	25	60	-72	3)
Q-Free ASA, Trondheim, Norway	18.40	55,341	-4,816	3)

1) Figures as of March 31, 2011
2) The protection-of-interest clause pursuant to Section 241 (2) UGB is used.
3) Figures as of December 31, 2010

Current assets

Inventories

Prepayments in the amount of EUR 4,325,000 (prior year: kEUR 3,900) relate to prepayments made to affiliated companies.

Maturity of receivables

	3/31/2011		3/31/2010	
	Total	of which with a remaining maturity > 1 year	Total	of which with a remaining maturity > 1 year
	EUR	EUR	EUR	EUR
Trade receivables	7,998,447.38	8,429.23	14,089,697.66	8,429.33
Receivables from affiliated companies	119,665,713.81	48,847,153.27	66,137,145.01	11,661,334.33
Receivables from companies in which the Company has a participating interest	0.00	0.00	152,106.59	0.00
Other assets	4,266,154.92	0.00	1,724,098.95	0.00
	131,930,316.11	48,855,582.50	82,103,048.21	11,669,763.66

Receivables from affiliated companies include trade receivables in the amount of EUR 31,017,656.22 (prior year: kEUR 39,011), other receivables in the amount of EUR 69,511,943.94 (prior year: kEUR 14,201), dividend receivables in the amount of EUR 17,860,000.00 (prior year: kEUR 5,700) and intra-group recharges in the amount of EUR 1,276,113.65 (prior year: kEUR 7,225).

Other assets mainly include research bonuses, receivables from fiscal authorities, accrued receivables and other receivables.

Other receivables include income in the amount of EUR 2,693,659.00 (prior year: kEUR 1,420) that will affect cash flow only after the balance sheet date.

Shareholders' equity and liabilities

Investment grants

Kapsch TrafficCom AG, Vienna, received an investment grant amounting to EUR 750,000.00 from the lessor for the adaptation of the new location at Euro Plaza. The grant is related to the following items of fixed assets:

	4/1/2010	Usage	3/31/2011
	EUR	EUR	EUR
Leasehold improvements	671,638.66	-76,680.67	594,957.99

Accruals

Accruals for severance payments

The amount recognized in the balance sheet does not include actuarial losses amounting to EUR 475,652.00 (prior year: kEUR 239).

Other accruals include the following items:	3/31/2011	3/31/2010
	EUR	kEUR
Losses from pending transactions	0.00	710
Personnel accruals (including vacation accruals of EUR 2,341,838.96, prior year: kEUR 2,014)	3,704,615.89	3,227
Warranties and liabilities for construction flaws, as well as production and system defects	183,651.57	393
Invoices not yet received and outstanding project costs	2,196,271.81	5,095
Sundry accruals	513,138.72	532
	6,597,677.99	9,957

Accounts payable

Maturity of payables

	3/31/2011			3/31/2010	
	total	remaining maturity < 1 year	remaing maturity > 5 years	total	remaining maturity < 1 year
	EUR	EUR	EUR	EUR	EUR
1. Corporate bond	75,000,000.00	75,000,000.00	75,000,000.00	0.00	0.00
2. Bank loans and overdrafts	13,925,462.56	0.00	0.00	11,425,462.56	10,000,000.00
3. Customer advances	530,748.62	0.00	0.00	81,270.00	0.00
4. Trade payables	8,895,826.49	0.00	0.00	2,060,248.07	0.00
5. Payables to affiliated companies	11,238,295.36	0.00	0.00	5,011,727.21	0.00
6. Other payables	3,254,008.83	60,250.00	0.00	3,538,404.73	60,250.00
	112,844,341.86	75,060,250.00	75,000,000.00	22,117,112.57	10,060,250.00

In November 2010, Kapsch TrafficCom AG issued a corporate bond with a volume of EUR 75 million, a maturity of 7 years and a fixed interest rate of 4.25 %.

All other long-term liabilities have a maturity below five years.

Payables to affiliated companies include only trade payables (same as prior year).

Other liabilities include expenses in the amount of EUR 2,946,929.27 (prior year: kEUR 3,313) that will affect cash flow only after the balance sheet date.

Collateral securities

9.9 million bearer shares in Q-Free ASA were pledged as collateral for a loan from Erste Group Bank AG.

The export promotion credit recognized in the amount of EUR 1,425,462.56 is secured by bill of exchange.

In connection with the financing of the “Truck Tolling Czech Republic” project, current as well as future receivables, rights or other claims from the subcontractor agreement for the “Truck Tolling Czech Republic” project against Kapsch Components GmbH & Co KG, Vienna, and Kapsch TrafficCom Argentinia S.A., Buenos Aires, Argentina, as well as from a receivable subordinated in relation to Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic, were pledged as collateral to Ceskoslovenska Obchodni Banka A.S., Prague, Czech Republic, in accordance with the collateral agreement and collateral assignment agreement dated January 23, 2007.

Contingent liabilities

Contingent liabilities in the amount of EUR 113,438,855.40 (prior year: kEUR 79,791) result from the assumption of liability on behalf of subsidiaries in the amount of EUR 10,624,565.09 (prior year: kEUR 10,234), bank guarantees for the performance of contracts relating to major projects in the amount of EUR 68,380,768.34 (prior year: kEUR 42,957), payment guarantees in the amount of EUR 17,670,205.44 (prior year: kEUR 10,050), guarantees for project financings in the amount of EUR 16,286,437.40 (prior year: kEUR 15,668) as well as other guarantees (security deposits, bid bonds and sureties) in the amount of EUR 476,879.13 (prior year: kEUR 882).

In addition, Kapsch TrafficCom AG, Vienna, issued performance bonds for export transactions or projects of Kapsch TrafficCom AB, Jönköping, Sweden, in a contract value of EUR 44.8 million (prior year: EUR 41.3 million).

Derivative financial instruments

At the balance sheet date, the Company had no obligations from derivative financial instruments.

C. Comments on income statement items

Breakdown of net sales

By activity:	2010/11 EUR	2009/10 kEUR
Road Solution Projects	24,880,188.26	5,639
Services, System Extensions, Components Sales	54,658,587.83	64,811
	79,538,776.09	70,450

By region:	2010/11 EUR	2009/10 kEUR
Domestic	17,669,042.63	35,252
European Union	48,322,871.01	24,577
Foreign	13,546,862.45	10,621
	79,538,776.09	70,450

Expenses for severance payments and contributions to severance provision funds include the following:

	2010/11 EUR	2009/10 kEUR
Expenses for severance payments	261,443.17	263
Payments to severance provision funds	241,464.05	201
	502,907.22	464

Expenses for the auditor

Expenses for the auditor amount to EUR 184,830.00 (prior year: kEUR 109) and are broken down as follows:

	2009/10 EUR	2008/09 kEUR
Audit of the financial statements	50,190.00	43
Other assurance services	122,280.00	40
Other services	12,360.00	26
	184,830.00	109

Taxes on income

a) As in the previous year, the movement in untaxed reserves did not result in change in the item “taxes on income”.

b) The option to capitalize **deferred tax assets** on temporary differences between the business result and tax result was not used. The capitalizable amount pursuant to Section 198 (10) UGB amounts to EUR 897,896.36 (prior year: kEUR 418) and is mainly long-term.

c) The Company is member of a tax group, parent of the tax group is KAPSCH-Group Beteiligungs GmbH, Vienna. In accordance with Section 9 (1) KStG (Austrian Corporate Income Tax Act), the tax result of the respective group member is allocated to the tax result of the holding company or the group parent in the respective fiscal year. Pursuant to Section 7 (2) KStG, the income is determined at the group parent based on the consolidated result of the group and taxed. Tax is allocated using the stand-alone method.

D. Other disclosures

Disclosures on share capital

The registered share capital of the Company amounts to EUR 12,200,000. The share capital is fully paid in. The total number of shares issued is 12,200,000. The shares are no-par value bearer shares.
Under the initial public offering in June 2007 the Company issued 2,200,000 new shares at an issue price of EUR 32 per share.

Authorized capital

Authorized capital amounts to EUR 800,000 as of March 31, 2011 (prior year: kEUR 800).

Group relations

The Company is a 68.42% subsidiary of KAPSCH-Group Beteiligungs GmbH, Vienna, and thus is related to its shareholder and its affiliated companies as a group company.

DATAX HandelsgmbH, Vienna, prepares the consolidated financial statements for the largest group of companies. These consolidated financial statements are deposited at the Commercial Court Vienna.

The Company prepares the consolidated financial statements for the smallest group of companies.

Regarding the disclosure on the legal and economic relations with affiliated companies, the protection clause pursuant to Section 241 (3) UGB was used.

Disclosures on board members and staff

The average number of staff during the fiscal year 2010/11 was 395, including 375 salaried employees and 20 waged workers (prior year: 340 salaried employees, 14 waged workers).

In the fiscal year, total remunerations of the management board amounted to EUR 1,572,805.00, expenses for severance payments and pensions for managing directors amounted to EUR 62,083.93. In the prior year, the protection-of-interest clause pursuant to Section 241 (4) UGB was applied.
Remunerations paid to the supervisory board amounted to EUR 21,365.13.

The following persons served on the management and supervisory board:

Management Board

Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak
André Laux (since April 1, 2010)

Supervisory Board

Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy Chairman)
William Morton Llewellyn

delegated by the Works Council:

Ing. Christian Windisch
Dipl.-Ing. Werner Dreschl (until November 19, 2010)
Claudia Rudolf-Misch (since November 20, 2010)

Vienna, May 13, 2011

The Management Board:

signed: Mag. Georg Kapsch

signed: Ing. Erwin Toplak

signed: André Laux

We draw attention to the fact that the English translation of this auditor's report is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements including the accounting system of Kapsch TrafficCom AG, Vienna, for the fiscal year from April 1, 2010 to March 31, 2011. These financial statements comprise the balance sheet as of March 31, 2011, the income statement for the fiscal year ended March 31, 2011, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles. 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 in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we 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 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 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. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of March 31, 2011 and of its financial performance for the fiscal year from April 1, 2010 to March 31, 2011 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB are appropriate.

Vienna, May 13, 2011

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Felix Wirth
Austrian Certified Public Accountant

Kapsch TrafficCom is an international supplier of superior Intelligent Transportation Systems (ITS). Its principle business is the development and supply of electronic toll collection systems, in particular for the multi-lane free-flow of the traffic, and the technical and commercial operation of such systems. Kapsch TrafficCom also supplies traffic management systems, urban traffic solutions and selected ITS and telematic applications. With 260 references in 41 countries on all 5 continents, and with almost 44 million on-board units delivered and more than 18,000 lanes equipped, Kapsch TrafficCom has positioned itself among the internationally recognized suppliers of electronic toll collection systems worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 25 countries.

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