

Annual Financial Statements

Fiscal year 2009/2010.

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Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2010.

1 Economic climate

1.1 General economic situation

The international financial and economic crisis led to drastic economic declines in almost all industrial countries at the start of the past fiscal year. Even those emerging countries that experienced very strong growth in recent years were forced to accept significant setbacks in some cases. The global gross domestic product shrunk by roughly 1 % in 2009 (growth in 2008 was still +3.1 %), to perform considerably worse than expected.

The governments of many countries responded to the recession with massive economic stimulus and support measures. Many investment programs were announced, reduced working hour models were introduced, assumptions of liability were provided for guarantees and interest levels were brought down to historic lows, in addition to many other measures.

Nevertheless, long-term financing for banks and companies still became more expensive over the course of the last fiscal year, a development that can be attributed in part to the drops in credit ratings and the resulting loss of trust on the part of market investors. A calming of the situation was only seen as of mid-2009. The financial markets recovered over the course of 2009 as well. Thanks to rising optimism, investor trust also took a turn for the better and the international stock markets recorded price gains of up to 40 %. Experts agree that this in part already anticipated a recovery of the real economy. In the banking sector, trust has been restored to an extent, as is reflected in lower risk premiums between banks, although the depreciation burden from "rotten" securities may still be high and the banks are also holding high liquidity reserves in light of the experiences of recent years. The current signs of a debt crisis are also contributing to a situation on the financial markets that must generally be considered unstable. Raw materials prices remained relatively constant during the last fiscal year. The price of oil, for instance, stood at about 80 USD per barrel Brent.

Increasing indications of an economic recovery can be seen in the last months of the fiscal year based on the current figures posted by companies as well as the rise in consumer confidence. The stock reduction that took place and the reports of increasing production capacities and capacity utilization levels also suggest a recovery of the real economy. A return to positive growth figures can generally be expected in the coming fiscal year (global GDP growth of +3.3 % is anticipated), although these figures may vary widely between different regions and in some cases the growth will be slow to materialize and very moderate in scope.

Around the world, the coming years will also be characterized by efforts to reduce the public debt levels that rose substantially during the crisis, which will generally have a dampening effect on economic developments in the near future.

The U.S.A. suffered its worst economic collapse in over seven decades during 2009. Well over 100 banks had to be closed, and the unemployment rate also reached 10.2 % in October, the highest value in the last 25 years. In a unique resuscitation effort, the U.S. government initiated numerous measures to reinvigorate the economy and the labor market. The continued maintenance of a low prime rate (between zero and 0.25 %) is also intended to contribute to the recovery.

The U.S. dollar also reflected the developments of the real economy in 2009. At the end of 2009, the euro was at 1.43 U.S. dollars. Only in the last few weeks did the U.S. dollar start to rise against the euro, although this can primarily be attributed to the debt problems of some euro countries.

Despite high unemployment, a clear and very rapid recovery is expected for the U.S.A. in 2010. Forecasts for GDP growth range between +2.5 and +3.0 %. The indicators of this growth include the stabilization of the real estate market and increasing demand for capital goods.

The emerging markets, in particular China and India, also felt the impact of the crisis. However, massive economic stimulus packages were implemented very quickly in these countries as well. The effects of these measures were also seen very quickly, even allowing significant GDP growth during 2009 for both China (+8.7%) and India (+5.6%). In Japan, on the other hand, the GDP declined by -5.0 %.

In 2010, China is expected to once again see growth exceeding +9% and even Japan is expected to make a turnaround and achieve +1.5 %.

The euro zone also suffered heavy economic declines in the year 2009 (-4.1 % drop in GDP). Companies were forced to contend with faltering exports (these also suffered to an extent from the strong euro), massive corrections on the real estate markets and difficult credit conditions. In Germany, the GDP fell by 5 % despite the fact that private consumption remained largely stable thanks to support from state stimulus programs.

Overall, the countries of Europe took on extensive debt due to the implementation of economic measures as well as tax increases and must now compensate with steep cost cuts, although the actual situations of individual countries differ greatly. The national debt of Greece, which is close to insolvent, has in particular become a major topic in recent weeks. As a natural consequence, no one was willing to lend Greece any more money and this was also reflected in Greek government bonds, leading to some uncertainty around the world. Reacting very quickly, the euro countries came together to aid Greece during this debt crisis. In addition to billions in immediate aid that Greece will receive from the other European countries, these countries have also agreed not to demand early repayment of previously invested funds. These aid measures are naturally linked to enormous savings measures on the part of Greece (value-added tax increase, massive wage cuts, etc.). More of these types of reforms will generally be seen in Europe in the future (timely sanctions for countries running up deficits, rights to intervene in the budgetary policy of individual countries, etc.).

The justifications for this emergency loan package lay in worries that the crisis could spread to other countries of Europe, such as Portugal, Spain, Italy, Ireland and even Great Britain, as well as general concerns regarding the stability of the euro and even fears that the Monetary Union could collapse, which would have done far more harm to Europe than the cost of the aid package.

The EU and the IMF (International Monetary Fund) together offered up loan guarantees of up to EUR 750 billion as a measure to signal the strength of the euro region. This united front is intended to ensure that even individual countries can continue to obtain money under favorable conditions as well as to demonstrate stability for the euro. It is also hoped that this measure will curb future turbulence on the financial markets and prevent associated speculation.

With regard to the real economy, many corporate figures already indicate that the situation in Europe may already have bottomed out. 2010 should see a return to positive numbers in the euro region as well, although the growth rates may be moderate compared with recoveries from earlier crises and take place slowly in stages. The current forecasts assume a GDP growth in the amount of +1 %. However, it is evident that developments in Europe will lag behind those of other continents.

In the new EU countries, the GDP decline in 2009 of -3.5 % was somewhat less severe than in the other euro countries, and GDP growth in 2010 is expected to be +0.4, which would place it below the level of other EU countries.

The Austrian GDP declined by -3.6 % in 2009, which can be attributed to both the significant drop in exports as well as reductions in the area of material goods production and the associated company investments. Consumption by private households was the only positive economic pillar and was driven by high real economic gains (tax reform, expansion of social transfer and low inflation).

In 2010 and 2011, the net real per capita income will decline somewhat due to weaker salary agreements and rising inflation. Nevertheless, a slight expansion in consumer spending by private households amounting to around 0.7 % is expected. Austrian goods exports should grow in 2010 by +5 % and in 2011 by +6 %.

Overall, the economic recovery in Austria (as in the EU, in general) is still unstable and subject to a number of risks, particularly with regard to international developments. One critical factor will be whether a strong upswing in investments by companies occurs before any possible demand-suppressing effects of the simultaneous budget consolidation all EU countries. The Austrian GDP should grow by +1.3 % in 2010, while an increase of +1.4 % is expected for 2011.

The economic stabilization in recent months has allowed the unemployment rate to hold steady, but no declines in unemployment are expected this year nor in 2011. Over 75,000 jobs have been lost in Austria since mid-2008, and unemployment is expected to reach a level of 360,000 persons in 2011, which would correspond to an unemployment rate of 7.7% (national) or 5.4 % of the working population (according to Eurostat).

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 ITS market (intelligent transportation systems). The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, May 2008, describes the ITS market as a diversifying market with the following, widely differing application and product segments.

Electronic toll collection systems (ETC): This is the segment in which Kapsch TrafficCom is most heavily active and encompasses electronic toll collection systems for the traffic between and within cities.

Commercial vehicle operations (CVO): CVO describes ITS applications that serve to improve the safety of commercial vehicle traffic. Systems for automated inspection of the vehicle status, load and registration fall into this category.

Advanced traffic management systems (ATMS): ATMS solutions improve traffic safety for all kinds of vehicles and traffic participants, help control and maintain the smooth flow of traffic and facilitate traffic monitoring by means of detector systems, cameras and communication systems.

Public vehicle transportation management systems (PVTMS): This segment covers management systems and communication systems for the monitoring and control of public transportation.

Advanced vehicle information systems (AVIS): This segment primarily includes in-vehicle information systems for drivers.

According to Global Industry Analysts, the ITS market is estimated to reach USD 9.8 billion worldwide in 2008 and will grow to USD 12.5 billion by 2010. The biggest segment is ATMS at USD 3.8 billion in 2008. The fastest-growing segment is ETC with a CAGR of 17.1 % between 2000 and 2010. The ETC sector will be worth USD 3 billion in 2010.

Market situation and market forces

Independent of the economic recession, the worldwide increase in road traffic is the most important growth factor of the ITS market. According to analyses by the EU (European Union 2006, "Energy and Transport in Figures"), commercial traffic increased by 2.8 % per year and in total by 31.3 % between 1995 and 2005. Commercial road traffic increased by 3.3% per year and by 37.9% in total. Despite political pressure, goods transport could not be shifted significantly from road to rail or ship transport. This exceptional 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 ETC sector, in particular.

In 2005, the trans-European road network (TEN-V) with a total length of 84,700 km comprised a 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 the investment needs by 2020 at EUR 600 billion. While long-term forecasts for traffic growth continue to remain high, the economic recession has resulted in a traffic reduction and an associated decline in revenues.

In addition to dedicated short-range communication systems (DSRC) according to the CEN 5.8 GHz 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 (ANPR) for tolling and enforcement in urban environments.

To reduce traffic congestion and environmental pollution, city charging systems or intelligent parking management systems are under discussion in several major cities.

The increasing traffic volume can be considered a global trend. Especially in Asia, an increased demand for ETC 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.

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, ETC 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. within the coming years.

2 Economic situation of the Group

2.1 Business development

Kapsch TrafficCom continued its expansion strategy with focus on the U.S. and South African market. In partnership with the New York State Department of Transportation, Volvo and the Southwest Research Institute, Kapsch TrafficCom develops a technology program that enables a variety of applications within the scope of the IntelliDrive program to promote the safety and mobility of the U.S. transportation system. To support the realization of the recently awarded project in the region of Gauteng in South Africa, Kapsch TrafficCom purchased a majority share in the local company Electronic Toll Collection Pty Ltd. (ETC). The shell company Triple Advanced Investment 22 (Pty) Ltd. was also acquired to strengthen the position in the South African market.

The takeover of the remaining shares in Kapsch Telematic Services GmbH, Vienna, from the BRISA Group was a further step in the strategic positioning of the telematic area within the Kapsch TrafficCom Group. Kapsch Telematic Services Danmark ApS, Copenhagen, was founded in August 2009, and in February 2010, an existing shell company (Durante Investments sp. z o.o., Warsaw) was acquired in Poland to handle the expected tenders. The shareholding situations of the Slovakian subsidiaries were also reorganized as all preparations were made to merge the three existing companies into one. Kapsch TrafficCom AG also acquired the outstanding minority shares in Kapsch Telematic Technologies Bulgaria EAD, Sofia.

The 20.47 % stake in Q-Free ASA, Norway, that was acquired in January 2009 was diluted to an actual stake of 18.46 % as a consequence of capital increases in fiscal year 2009/10.

In September 2009, Electronic Toll Collection (ETC), a joint venture led by Kapsch TrafficCom, was awarded a contract by the South African National Roads Agency Ltd. (SANRAL) for the implementation and operation of a multi-lane free-flow (MLFF) tolling system in the province of Gauteng. The first phase comprises the outfitting of 185 km of highways, to be completed within 18 months. The subsequent operating contract for technical maintenance will run for a period of 8 years, while the contract for the transaction clearing house and the violation processing center will initially have a term of 5 years. The order value for the implementation phase is approximately EUR 117 million, and the value for the operations phase is currently estimated at EUR 461 million since the final value can only be determined once the final scope and configuration of the system have been defined.

Another tender was won for an electronic toll system in Australia worth a total of EUR 4 million. Kapsch TrafficCom will implement a modern multi-lane free-flow (MLFF) toll solution on the Hale Street Link, a four-lane bridge in Brisbane.

In the Czech Republic, road user charges are currently collected on around 1,300 km of highways and expressways. At the moment, there are about 236 tolling stations and approximately 500,000 OBUs in operation. On 1 January 2010, the weight limit subject to tolling was reduced from 12 tons to 3.5 tons. Additional phases of the traffic management system for actively influencing the traffic flow via electronic displays, automatic traffic density measuring, visual tracking and average journey time detection were handed over to the customer. Completion of the traffic management systems is planned for mid 2010.

In Austria, about 2,200 km of highways and expressways are tolled for trucks above 3.5 tons by means of a fully electronic multi-lane free-flow system. Since 2004, Kapsch TrafficCom has delivered the entire central and road-side infrastructure for nearly 490 tolling stations as well as a current total of roughly 1 million OBUs (GO-Box). In fiscal year 2009/10, the highway-network was expanded by the road sections S1, S2 and A5 in the north of Vienna, totaling approximately 52 km. As part of this expansion, Kapsch TrafficCom equipped 36 new tolling stations and two new control stations. Extensive modifications to the tolling system software were carried out for the implementation of emissions-based tolling.

Average toll transaction rates achieved both in the Czech Republic and in Austria remained at a high level and could be further increased from 98.2 % in calendar year 2008 to 99.0 % in the Czech Republic in calendar year 2009, resulting in receipt of the contractually established bonus payments once again in fiscal year 2009/10.

2.2 Earnings situation

Revenues were at EUR 216.0 million in fiscal year 2009/10, up 8 % compared with the same period of the previous fiscal year even against the backdrop of the difficult situation currently prevailing on international markets. The increase in revenues in the past fiscal year was driven by the segment Services, System Extensions and Components Sales (SEC) with a growth of 19 % and the segment Other (OTH) with an increase of 4 %, whereas the segment Road Solution Projects (RSP) declined by nearly 19 % compared to the previous year.

The segment SEC was able to increase revenues by EUR 26.3 million from EUR 135.6 million to EUR 161.9 million. The main drivers here were the extensions to the existing Austrian highways and the opening of the "Nordautobahn" (A5), the expansion of tolling to include trucks above 3.5 tons in the Czech Republic as well as the sale of components and on-board-units (OBUs). The revenues in the segment SEC have increased continuously over the past years to now contribute a significant share of revenues amounting to 75 %.

The total volume of OBUs delivered in fiscal year 2009/10 was increased by 30 % to an all-time-high of 3.5 million units. Favorable sales figures were posted in Australia, France and Thailand.

The revenues in the segment RSP decreased by 19 % from EUR 56.8 million to EUR 45.8 million. The ongoing projects in Chile, the Czech Republic, Australia and South Africa were unable to offset the absence of the projects that were completed in the Czech Republic during the previous fiscal year. Except the nationwide truck tolling system in Slovakia no other major projects have been implemented in fiscal year 2009/10.

Revenue by segment (share in revenues)		2009/10	2008/09	+/- %	2007/08
Road Solution Projects (RSP)					
Revenues	in million EUR	45.8 (21 %)	56.8 (28 %)	-19 %	47.0 (25 %)
EBIT	in million EUR	-20.9	-1.7	>-100 %	6.3
Services, System Extensions, Components Sales (SEC)					
Revenues	in million EUR	161.9 (75 %)	135.6 (68 %)	19 %	128.8 (69 %)
EBIT	in million EUR	45.3	31.7	43 %	29.1
Others (OTH)					
Revenues	in million EUR	8.3 (4 %)	8.0 (4 %)	4 %	10.0 (5 %)
EBIT	in million EUR	0.2	-1.0	>-100 %	-0.4

With a total share in revenues of 54 %, the European region was still the most important region, although a decline of nearly EUR 5.7 million (-5 %) was reported here compared to the previous fiscal year. Turnover in the "Rest of the World" region increased by EUR 18.9 million (74 %), driven mainly by projects in South Africa and Australia. The increase of 12 % in Austria can be attributed to expansions in the segment SEC. The revenue decline in the Americas of EUR 1.9 million (-14 %) resulted from lower sales in Chile in the segment SEC.

Revenue by region (share in revenues)		2009/10	2008/09	+/- %	2007/08
Austria	in million EUR	42.4 (20 %)	37.8 (19 %)	12 %	36.6 (20 %)
Europe (excl. Austria)	in million EUR	117.1 (54 %)	122.8 (61 %)	-5 %	105.2 (57 %)
Americas	in million EUR	12.1 (5 %)	14.0 (7 %)	-14 %	18.8 (10 %)
Rest of the World	in million EUR	44.5 (21 %)	25.6 (13 %)	74 %	25.2 (13 %)

In fiscal year 2009/10, the operating result (EBIT) declined from EUR 29.0 million to EUR 24.5 million. The EBIT margin was reduced from 14.5 % to 11.4 %. The reduction of revenues as well as investments like the extension of capacity for the development of new markets caused the segment RSP to negatively impact the EBIT. The EBIT contribution of the segment SEC was positively affected by the retroactive clarification of the cost allocation for certain transaction clearings in the nationwide electronic truck tolling system in the Czech Republic. This led to an above-average EBIT margin of 28.0 % (2008/09: 23.4 %). The segment OTH had only a minor but positive effect on the EBIT.

Costs for material and other production services increased by EUR 19.9 million. Staff costs went up by EUR 5.1 million due to the higher number of employees (increase of 76 employees as at 31 March 2010) to arrange the demand for future large-scale projects and the development of new markets. The other operating costs increased by EUR 2.5 million as a result of higher rental costs for the new office building in Vienna and the need for higher provisions for warranties and guarantees.

Despite lower interest income and similar revenue, it was possible to achieve an improvement in the financial result from EUR -7.1 million to EUR 4.1 million. In addition to other factors, this can be partially attributed to the fact that no impairment adjustments on current financial assets (securities) were necessary in the past fiscal year.

The dilution of the stake held by Kapsch TrafficCom in Q-Free ASA, Norway, to below the threshold of 20 % as a consequence of capital increases resulted in a reclassification that yielded an accounting profit that was recorded in profit and loss. This led to a doubling of the pre-tax profit to EUR 43.9 million (2008/09: EUR 21.9 million) and made it possible to achieve a profit after taxes of EUR 36.5 million (2008/09: EUR 16.4 million).

2.3 Assets and liabilities

In the past fiscal year, the balance sheet total of the Kapsch TrafficCom Group decreased by 9% from EUR 324.5 million to EUR 295.1 million. This reduction resulted primarily from the change in short-term assets due to a decrease in trade receivables and other current assets by EUR 39.0 million and a decline in cash and cash equivalents by EUR 12.5 million. In the area of non-current assets, a reclassification of Q-Free ASA, Norway, (previously listed as an associated company) was necessary since capital increases brought the stake held by Kapsch TrafficCom below the threshold of 20%. This shareholding is now recorded under other non-current financial assets and investments (as of 31 March 2009, it was listed under shares in associates). The upward revaluation to the fair value undertaken as part of the reclassification yielded an accounting profit of EUR 14.1 million. The other non-current assets were reduced due to the scheduled payments associated with the nationwide electronic truck tolling system in the Czech Republic. The change in intangible assets was a consequence of the takeover of the minority shares in Kapsch Telematic Services from the BRISA Group.

On the liabilities side of the balance sheet, the decrease in the balance sheet total was reflected primarily in the current liabilities. It was possible to lower the current financial liabilities by EUR 40.0 million to EUR 9.2 million (31 March 2009: EUR 49.2 million). The trade and other current payables were EUR 14.9 million below the value at the same date of the previous year. The reduction of non-current liabilities was due to the project financing agreement in the Czech Republic.

As a consequence, the Kapsch TrafficCom Group was able to post a significant improvement in its equity ratio, which reached 57.0% as of 31 March 2010 (31 March 2009: 41.4%).

2.4 Financial position

Cash flow from operating activities was improved in fiscal year 2009/10 to EUR 46.5 million (2008/09: EUR 42.1 million) thanks to the positive development of the net current assets from EUR -7.7 million to EUR 17.4 million in fiscal year 2009/10, which was due in large part to a reduction in trade receivables and other assets.

Cash flow from investing activities was at EUR -15.3 million (2008/09: EUR -44.8 million) primarily due to other non-current assets related to the South African project in Gauteng as well as the acquisition of the minority shares in Kapsch Telematic Services GmbH, Vienna, from the BRISA Group. Investments in property, plants and equipment were limited to reinvestments.

Cash flow from financing activities amounted to EUR -48.4 million (2008/09: EUR 19.3 million) due to the reduction of current financial liabilities in Austria and the Czech Republic.

As a result of the cash outflow from financing activities, cash and cash equivalents decreased to EUR 47.7 million as at 31 March 2010 (31 March 2009: EUR 60.2 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 (OBU).

A high toll transaction rate translates to maximum toll revenue.

In 2009, the average toll transaction rate of the existing truck tolling system in Austria amounted to approximately 99.7 %, placing it at the same high level as in 2008.¹

During the same period, the average performance rate of the nationwide electronic tolling system in the Czech Republic was approximately 99.0 %, up 0.8 % from the value of 98.2 % in 2008.¹

Staff

In fiscal year 2009/10, the average number of employees in the Kapsch TrafficCom Group was 973. As of 31 March 2010, 1,023 persons were employed.

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. Training sessions tailored to the particular needs of employees are offered within the framework of the Kapsch Academy. Selected employees are prepared for their future tasks in a management trainee program.

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

The Group companies make contributions to an external pension fund on behalf of their employees based on length of employment and depending on company profits.

The Group also currently 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. The Group will strive in future to fulfill its responsibilities toward society even more extensively, particularly with regard to the efficient and responsible use of natural resources.

Corporate social responsibility

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 as well as selected training initiatives and extensive social measures. This attitude is reflected within the company as well as outside, and employees of the Kapsch TrafficCom Group benefit from the Group's long-term commitment to social responsibility in the form of a variety of programs and measures.

2.6 Risk management

As a technology company, Kapsch TrafficCom Group operates in an ever-changing environment. Risks are therefore part of its day-to-day business. 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.

¹ Calculation of the average performance rate is based on methodologies 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.

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. The risk management is gradually being developed into a company-wide opportunity and risk management system. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the management of the company.

The material risks of the Group and the respective risk management measures are briefly explained below:

Industry-specific risks

Volatility of new orders

A major portion of the revenues of 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 (ETC) systems. On the one hand, there exists 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, there exists a risk 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.

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

Risks of project execution

In connection with the installation of systems, the Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since ETC systems are frequently sophisticated and technologically complex systems that must be implemented within a short time frame, system and product defects can occur due to the limited time available for testing. If the guaranteed performance levels are not met or deadlines are exceeded, penalties usually have to be paid. A significant delay in a project or failure to achieve guaranteed performance levels in a project would also reduce the chances of success in future tenders for systems.

Kapsch TrafficCom Group 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 of 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 the competitive position of the Kapsch TrafficCom Group. 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 competitive position of the Group. 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, such as 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 companies around the world and integrated them into the Group. However, a number of challenges remain in connection with this growth strategy in order to achieve the desired synergies and objectives.

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 appear on the consolidated financial statements (transaction risk). In addition, risks arise from the conversion of separate financial statements of international companies into the Group currency, the euro (translation risk). Changes in exchange rates may also result in a change in the competitive position of the Kapsch TrafficCom Group. The income statement shows expenses for currency hedging contracts that were concluded in fiscal year 2009/10 to hedge the receivables denominated in Czech crowns.

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 to the extent these risks are significant.

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 deal with personnel risks, such as incentive schemes, training opportunities, etc.

Legal risks

The market for ETC systems is influenced by numerous statutory provisions at the EU level and at the level of national legislation. There exists a risk that specific regulations, such as data privacy laws or environmental and safety requirements, could have negative consequences for the Kapsch TrafficCom Group.

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 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.

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 analyzes and documents on an ongoing basis its existing internal processes relating to financial reporting. The results obtained so far were presented at the quarterly meetings of the audit committee for assessment and discussion.

The 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 Kapsch AG and contains the essential financial and reporting procedures based on IFRS. Groupwide 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 of 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 sizes of the subsidiaries. Companies submit reporting packages to the head office on a quarterly basis containing all accounting data pertaining to the income statement, balance sheet and cash flow statement. This data is then transferred into the central consolidation system (Hyperion financial management). This financial information is verified on groupwide 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 required to evaluate and document compliance with the controls defined in the ICS guidelines. 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 (Austria, HQ), Jönköping (Sweden), Buenos Aires (Argentina), and Carlsbad (California, U.S.A). These research and development centers are organized as competence centers. All research and development activities are coordinated from the headquarters. As of 31 March 2010, the Kapsch TrafficCom Group employed 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 (as of 31 March 2009: approximately 210).

Research and development activities are a high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. 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 and the countries of South America. In order to meet the high expectations of new markets and especially to address the ever-faster time-to-market requirements, research and development activities are often accompanied by acquisitions.

The Kapsch TrafficCom Group focuses its activities primarily on new, innovative applications and applied research and development for all kinds of ITS solutions. The research and development activities are complemented in some areas by joint projects and close cooperation with universities, public and private institutes and technology and research companies. Major development efforts of the last business year consisted of the specification and development of 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. 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/WAVE technologies to support the business development approach in the U.S.A.

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 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 satisfied. 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.

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 exercising of voting rights or the transfer of shares.
3. As of 31 March 2010, approximately 31.6 % of the shares of Kapsch TrafficCom AG were in free float. As of 31 March 2010, KAPSCH-Group Beteiligungs GmbH held approximately 68.4 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, the shares of which are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act ("Privatstiftungsgesetz"). As of 31 March 2010, 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 an 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 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 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 the fiscal year 2010/11 in mind, the company takes an optimistic view on its markets in the long term even in a changed economic environment. The fiscal year 2010/11 will be shaped by the realisation of the project in South Africa as well as the participation in tenders and by project awards in France, Poland, Hungary, Slovenia and Denmark.

2.11 Material events after the balance sheet date

Acquisitions and participations

On 1 April 2010, Kapsch Telematic Services GmbH, Vienna, acquired 60 % of the shares in PayVend F&P A/S, Copenhagen, for a purchase price of EUR 0.75 million. The company was then renamed to Kapsch Telematic Services Solutions A/S.

On 8 April 2010, Kapsch TrafficCom AG indirectly subscribed, via Triple Advanced Investments 22 (Pty), for new shares in TMT Services and Supplies (Pty) Ltd., Cape Town, representing 51.43 % of the increased share capital. The subscription consideration is 75 million rand (approximately EUR 8 million). The renaming of Triple Advanced Investments 22 (Pty) into Kapsch TrafficCom Holding SA is currently in progress.

Enlargement of the managing board

Effective 1 April 2010, André Laux was appointed as the third member of the managing board.

Vienna, 14 May 2010



Mag. Georg Kapsch
Chief Executive Officer



Ing. Erwin Toplak
Chief Operating Officer



André Laux
Executive Board member

Statement of all Members of the Managing Board.

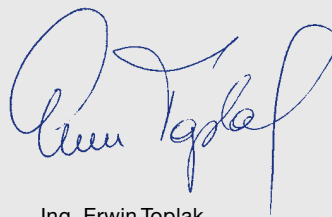
Statement of all Members of the Managing Board pursuant to Section 82 Para. 4 No. 3 BörseG (Austrian Stock Exchange Act)

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.

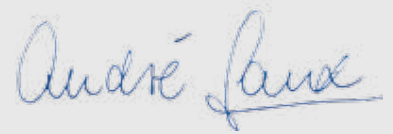
Vienna, 14 May 2010



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, 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 2010.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2009/10	2008/09
Revenue	(1)	216,012,391	200,281,637
Other operating income	(2)	10,938,947	2,612,709
Changes in finished and unfinished goods and work in progress	(3)	5,135,163	4,656,943
Other own work capitalized		15,707	145,729
Cost of materials and other production services	(4)	-98,041,051	-78,143,939
Staff costs	(5)	-59,701,767	-54,637,097
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-7,485,401	-6,031,349
Other operating expenses	(7)	-42,333,317	-39,882,867
Operating result		24,540,673	29,001,766
Finance income	(8)	9,260,153	12,076,245
Finance costs	(8)	-5,134,662	-19,211,633
Financial result	(8)	4,125,491	-7,135,388
Result from associates	(14)	15,243,465	0
Profit before income taxes		43,909,629	21,866,378
Income taxes	(9)	-7,398,920	-5,498,770
Profit for the period		36,510,709	16,367,608
Other comprehensive income for the period			
Gains/losses recognized directly in equity:			
Available for sale financial assets		2,776,231	780,930
Effects from disproportionate capital increase at associates		69,121	0
Currency translation differences		3,798,590	-4,291,896
Income tax relating to components of other comprehensive income		-757,790	44,573
Other comprehensive income for the period net of tax	(10)	5,886,150	-3,466,394
Total comprehensive income for the period		42,396,859	12,901,215
Profit attributable to:			
Equity holders of the Company		32,215,536	12,976,941
Minority interests		4,295,173	3,390,667
		36,510,709	16,367,608
Total comprehensive income attributable to:			
Equity holders of the Company		37,676,550	9,772,685
Minority interests		4,720,309	3,128,530
		42,396,859	12,901,215
Earnings per share from the profit for the period attributable to the equity holders of the Company (in EUR)	(29)	2.64	1.06
Earnings per share from the profit for the period attributable to the equity holders of the company (in EUR), adjusted *)	(29)	1.49	1.06

*) Adjusted for the fair value adjustment of the share in Q-Free ASA, Norway (see note 29).

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2010 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 2010	31 March 2009
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	15,823,618	16,886,895
Intangible assets	(13)	28,528,781	26,089,490
Shares in associates	(14)	0	12,302,472
Other non-current financial assets and investments	(15)	38,937,076	3,784,450
Other non-current assets	(16)	8,480,571	18,423,234
Deferred tax assets – due from tax group leader	(22)	1,302,201	1,300,938
Deferred tax assets – non-tax group	(22)	8,347,863	6,940,884
		101,420,110	85,728,363
Current assets			
Inventories	(17)	37,582,150	34,219,784
Trade receivables and other current assets	(18)	101,448,315	140,408,909
Other current financial assets	(15)	6,897,848	3,945,728
Cash and cash equivalents	(19)	47,743,108	60,229,653
		193,671,421	238,804,074
Total assets		295,091,531	324,532,437
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		80,936,724	47,769,158
		163,213,835	130,046,268
Minority interests		5,034,869	4,193,524
Total equity		168,248,704	134,239,792
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	10,060,250	10,060,250
Liabilities from post-employment benefits to employees	(23)	14,316,080	14,214,016
Non-current provisions	(26)	582,733	524,042
Other non-current liabilities	(24)	9,353,264	14,773,324
Deferred income tax liabilities – due to tax group leader	(22)	1,812,366	1,653,383
Deferred income tax liabilities – non-tax group	(22)	1,471,490	217,025
		37,596,183	41,442,040
Current liabilities			
Trade and other current payables		41,332,197	56,253,018
Other liabilities and deferred income	(25)	25,932,719	25,316,061
Current tax payables		5,900,286	7,449,143
Current financial liabilities	(21)	9,236,566	49,209,541
Current provisions	(26)	6,844,878	10,622,842
		89,246,646	148,850,605
Total liabilities		126,842,829	190,292,645
Total equity and liabilities		295,091,531	324,532,437

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2010 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 2008	12,200,000	70,077,111	48,976,473	2,123,011	133,376,596
Dividend for 2007/08			-10,980,000	-1,058,019	-12,038,019
Total comprehensive income			9,772,685	3,128,530	12,901,215
Carrying amount as of 31 March 2009	12,200,000	70,077,111	47,769,158	4,193,524	134,239,792
Dividend for 2008/09			-6,100,000	-2,287,948	-8,387,948
Effects from the acquisition of minority interests			1,591,015	-1,591,015	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

Consolidated cash flow statement.

All amounts in EUR				
	Note	2009/10	2008/09	
Cash flow from operating activities				
Operating result		24,540,673	29,001,766	
Adjustments for non-cash items and other reconciliations:				
Depreciation and amortization	(6)	7,485,401	6,031,349	
Increase/decrease in obligations for post-employment benefits	(23)	102,064	125,079	
Change in other non-current liabilities and provisions	(24, 26)	58,691	-39,109	
Increase in trade receivables (non-current)	(16)	9,911,672	36,613,599	
Increase in trade payables (non-current)	(24)	-5,494,549	-11,376,358	
Other (net)		3,243,138	-3,479,570	
		39,847,090	56,876,755	
Changes in net current assets:				
Increase/decrease in trade receivables and other assets	(18)	38,826,166	-4,571,823	
Increase/decrease in inventories	(17)	-3,362,366	-8,485,405	
Increase/decrease in trade payables and other current payables		-14,304,162	13,033,471	
Increase/decrease in current provisions	(26)	-3,777,964	-7,627,003	
		17,381,674	-7,650,760	
Cash flow from operations		57,228,764	49,225,995	
Interest received	(8)	676,682	2,025,158	
Interest payments	(8)	-2,642,103	-3,698,830	
Net payments of income taxes		-8,808,142	-5,454,731	
Net cash flow from operating activities		46,455,200	42,097,592	

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All amounts in EUR	Note	2009/10	2008/09
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-3,878,745	-17,542,971
Purchase of non-current intangible assets	(13)	-957,846	-4,687,266
Purchase of securities and investments	(15)	-6,279,899	-383,060
Payments for acquisition of companies (net of cash acquired)		0	-11,570,796
Payments for acquisition of minority interests		-4,226,308	0
Payments for the acquisition of shares in companies consolidated at equity	(14)	-103,918	-12,302,472
Proceeds from the disposal of property, plant and equipment and intangible assets		144,624	1,703,650
Proceeds from the sale of securities		0	13,358
Net cash flow from investing activities		-15,302,092	-44,769,557
Cash flow from financing activities			
Dividends paid to company shareholders		-6,100,000	-10,980,000
Dividends paid to minority shareholders of group companies		-2,287,948	-1,058,019
Increase in other non-current financial liabilities	(21)	0	10,060,250
Decrease in other non-current financial liabilities	(21)	0	-10,581,243
Increase in current financial liabilities	(21)	1,937,233	71,090,878
Decrease in current financial liabilities	(21)	-41,910,208	-39,263,120
Net cash flow from financing activities		-48,360,924	19,268,746
Net decrease/increase in cash and cash equivalents		-17,207,816	16,596,781
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	60,229,653	47,428,544
Net decrease/increase in cash and cash equivalents		-17,207,816	16,596,781
Exchange gains/losses on cash and cash equivalents		4,721,271	-3,795,672
Cash and cash equivalents at end of year	(19)	47,743,108	60,229,653

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2010 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Notes to the consolidated financial statements.

General information.

Kapsch TrafficCom Group is an international supplier of 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 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 A-1120 Vienna, Am Europlatz 2. Since 26 June 2007 the shares of the parent company have been listed in the Prime Market segment of the Vienna Stock Exchange.

The following subsidiaries are part of the consolidated group:

- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- Durante Investments sp. z o.o., Poland **)
- Electronic Toll Collection (PTY) Ltd., South Africa *)
- Jibesoev GmbH, Vienna
- Kapsch Components GmbH, Vienna
- Kapsch Components KG, Vienna
- Kapsch Telematic Services Danmark ApS, Denmark *)
- Kapsch Telematic Services GmbH, Vienna
- Kapsch Telematic Services GmbH, Germany

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2010 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.

- Kapsch Telematic Services Kft, Hungary
- Kapsch Telematic Services spol. s r.o., Czech Republic
- Kapsch Telematik Technologies Bulgaria AD, Bulgaria
- Kapsch TrafficCom (M) Sdn Bhd, Malaysia
- Kapsch TrafficCom AB, Sweden
- Kapsch TrafficCom Argentina S.A., Argentina
- Kapsch TrafficCom Australia Pty Ltd., Australia
- Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic
- Kapsch TrafficCom Kazakhstan LLC, Kazakhstan *)
- Kapsch TrafficCom U.S. Corp., U.S.A.
- Kapsch TrafficCom d.o.o., Slovenia
- Kapsch TrafficCom France SAS, France
- Kapsch TrafficCom Holding Corp., U.S.A.
- Kapsch TrafficCom Inc., U.S.A.
- Kapsch TrafficCom Limited, UK
- Kapsch TrafficCom Ltd., New Zealand
- Kapsch TrafficCom Russia ooo, Russia
- Kapsch TrafficCom S.r.l., Italy
- Kapsch TrafficCom South Africa (Pty) Ltd., South Africa
- Kapsch TrafficCom Chile S.A., Chile
- Kapsch-Busi S.p.A., Italy
- PREMID, a.s., Slovakia
- Triple Advanced Investments 22 (Pty) Ltd., South Africa **)
- VTI Industrials (Pty) Ltd., South Africa

*) Companies newly established in the fiscal year 2009/10

**) Acquisition of a shell company in the fiscal year 2009/10

In the fiscal year 2009/10, Kapsch TrafficCom SK Construction & Realization s.r.o., Slovakia, and Kapsch Telematik Services SK s.r.o., Slovakia, were merged into PREMID, a.s., Slovakia, as receiving company. DPS Automation Chile S.A., Chile, was merged into Kapsch TrafficCom Chile S.A., Chile, as receiving company in the fiscal year 2009/10. By purchasing all shares in Jibesoev GmbH, Vienna (formerly BRISA ACCESS Europe GmbH, Vienna), a minority interest in the amount of 7 % was acquired in Kapsch Telematic Services GmbH, Vienna, in the fiscal year 2009/10.

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 2010 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 2010 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 consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2010 prepared in accordance with International Financial Reporting Standards (IFRS) 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 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 managing board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of 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:

IAS 1 “Presentation of financial statements” replaces the existing IAS 1. The main changes to the previous version are that an entity shall a) present all non-owner changes either in one statement of comprehensive income or in two statements (a separate income statement and a reconciliation to comprehensive income), and b) present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement, and c) disclose income tax relating to each component of other comprehensive income, and d) disclose reclassification adjustments relating to the components of other comprehensive income. The first-time application resulted in minor changes in the presentation of the income statement and the statement of changes in equity

IFRS 8 “Operating segments” replaces IAS 14 “Segment reporting”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The first-time adoption did not have a material impact on the presentation of the consolidated financial statements.

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) New standards and interpretations adopted by the European Union:

IFRS 3 (revised) “Business combinations” and IAS 27 (amendments) “Consolidated and separate financial statements” (mandatory for reporting periods beginning on or after 1 July 2009). In case of future business combinations that fall under the scope of these standards, the Company plans to apply the amended standards for reporting periods beginning on or after 1 April 2010.

A number of further amendments to standards and interpretations were published and adopted by the European Union. The impact of these regulations on the consolidated financial statements of the Company is not material and, therefore, not presented in detail.

c) Standards, interpretations and amendments to published standards that have not yet been adopted by the European Union and are not relevant for the Group:

A number of amendments to standards, as well as a new standard and a new interpretation and an amended interpretation have already been published, but have not yet been adopted by the European Union. 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 managing board on the undersigned date and released for publication. The entity financial statements of the parent company, which have been included in the consolidated financial statements after transition to the applicable accounting standards, have not yet been approved by the supervisory board. The supervisory board and, in the event of presentation to the general meeting of shareholders, the general meeting of shareholders could amend the entity financial statements in a way that might affect the presentation of the consolidated financial statements.

2 Consolidation.

a) Subsidiaries

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

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

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

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

b) Associates

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

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Significant unrealized gains from transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

c) Transactions and balances

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

3 Currency translation.

a) Translation of financial statements in foreign currencies

In accordance with IAS 21, financial statements of foreign subsidiaries which are included in the consolidated financial statements are translated as follows:

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

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

b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-cash items in the balance sheet are translated at historical exchange rates, non-cash items which were recognized at their lower net realizable value are translated at the exchange rate prevailing at the time of measurement.

4 Financial instruments and risk management.

Material financial instruments presented in the balance sheet include "cash and cash equivalents", "securities", "financial assets and investments", "receivables and payables" and "loans". For the accounting and measurement policies applicable for these items refer to the explanation of the respective balance sheet item.

The Group's activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not employ hedge accounting as envisaged by IAS 39.

a) Foreign exchange risk

Foreign exchange risk is the risk arising from fluctuations in the value of financial instruments, other balance sheet items (e. g. receivables and payables) and/or cash flows due to exchange rate fluctuations. In particular, foreign exchange risk exists where business transactions are made or could arise in the normal course of business in a currency other than the company's functional currency (referred to as foreign currency below).

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech crown. Customer orders are invoiced mainly in the respective local currencies of the group companies. Only in case the Group expects to be exposed to significant foreign exchange risk, major orders denominated in foreign currencies are hedged by forward foreign exchange contracts.

If the exchange rate of the stated currencies as of 31 March 2010 (31 March 2009) 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	
		2009/10	2008/09
CZK	10 %	2,991	1,895
SEK	10 %	3	102
USD	10 %	149	201
ZAR	10 %	160	0

b) Interest rate risk

Interest rate risk is the risk arising from fluctuations in the value of financial instruments, other balance sheet items (e. g. receivables and payables) and/or cash flows due to fluctuations in the market interest rates.

For fixed-interest balance sheet items, the risk comprises the present value risk. In case the market rate for the financial instrument fluctuates, either a profit or a loss may result if the financial instrument is sold prior to maturity.

For variable-interest balance sheet items, the risk relates to the cash flow. With variable-interest financial instruments, adjustments in the interest rates may result from changes in the market rates. Such changes would entail changes in interest payments. Variable-interest (both short-term and long-term) financial liabilities account for the major part of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2010, 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 Czech tolling project (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 Austrian commercial law. The Group provides for its liquidity through available credit lines.

e) Capital management

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

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

in TEUR	2009/10	2008/09
Non-current financial liabilities	10,060	10,060
Current financial liabilities	9,237	49,210
Total financial liabilities	19,297	59,270
Cash on hand and at banks	47,743	60,230
Current securities	6,898	3,946
Net assets	35,344	4,906
Equity	168,249	134,240
Net gearing	n/a	n/a

At the balance sheet date 31 March 2010, mainly due to the initial public offering carried out in 2007, the Company had significant net assets (excess of cash and cash equivalents, bank balances and current securities over financial liabilities) so that the net gearing cannot be calculated. The net assets are retained with regard to planned acquisitions and the financing of future projects.

5 Research and development costs.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

- a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- b) management intends to complete the intangible asset and use or sell it;
- c) there is an ability to use or sell the intangible asset;
- d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding three years.

Development assets are tested for impairment annually in accordance with IAS 36.

6 Intangible assets.

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

7 Other financial assets.

a) Securities

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

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

At each balance sheet date the group assesses whether there is objective evidence of impairment of each significant individual financial asset or group of financial assets. If such evidence exists, the group accounts for that impairment and the amounts previously recognized in equity are removed from equity and recognized in profit or loss. The amount of the impairment is measured as the difference between the carrying amount and the present value of the estimated future cash flows.

If in subsequent periods the fair value of the impaired financial instruments increases and that increase can be directly related to an event occurring after the impairment was recognized in profit or loss, the group reverses the impairment loss. In case of debt instruments the reversal is recognized in profit or loss, in case of equity instruments it is recognized directly in equity.

b) Other Investments

Other available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment.

At each balance sheet date the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

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

8 Property, plant and equipment.

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

The useful lives range between 3 to 26 years for plants and buildings on leasehold land, 4 to 20 years for technical equipment and machinery and 3 to 10 years for other equipment, factory and office equipment.

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

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

9 Leases.

a) Finance leases – Accounting for leasing agreements from the lessee’s perspective

Leasing agreements by which the Group as lessee assumes substantially all risks and rewards associated with the use of an asset are accounted for as finance leases.

The respective assets are capitalized under non-current assets at the lower of the net present value of minimum lease payments or the fair value of the leased asset and are depreciated over their expected useful lives or shorter lease term, if applicable. The difference between the minimum lease payments and the accrued net present value is recognized as deferred interest expense. The interest component is spread over the term of the lease using the effective interest rate method.

b) Operating leases – Accounting for leasing agreements from the lessee’s perspective

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

10 Government grants.

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

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

11 Inventories.

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

12 Construction contracts.

The Group accounts for construction contracts in accordance with IAS 11. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The construction progress is represented by the ratio of costs incurred by the balance sheet date and the estimated total costs for the respective project.

The carrying amount results from comparing the total of accumulated costs incurred by the balance sheet date plus the profit calculated according to the percentage of completion method (prorated) or loss (in full) on the respective construction contract to the invoiced amounts. The balance is recognized either under current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

13 Trade receivables.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

14 Cash and cash equivalents.

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

15 Other provisions.

Provisions are set up when the Group has a present legal or constructive obligation to third parties as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions for warranties, liabilities for construction flaws, serial and systems problems mainly serve as coverage for obligations for free repairs and replacement deliveries, in accordance with the general sales and delivery conditions or due to individual agreements and are measured using rates based on past experience regarding direct labor and material costs incurred, overheads, replacement deliveries or rebates. A provision is recognized for the best estimate of the costs of defects to be rectified under the warranty for products sold before the balance sheet date.

16 Employee benefits.

The Group provides various post-employment benefits to employees and other long-term benefits either based on individual agreements or in accordance with local labor law provisions.

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

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Contributions paid by the Group under a defined contribution pension scheme are charged to the income statement under staff costs in the period in which they occur.

For the calculation of liabilities arising from obligations for anniversary bonuses in accordance with IAS 19 the projected unit credit method is used. Anniversary bonuses are special lump-sum payments stipulated in the Collective Agreement and dependent on compensation and years of service. Eligibility is determined by a certain number of service years. The calculation of liabilities arising from obligations for anniversary bonuses is performed similarly to the calculation for liabilities arising of severance payments, however without taking the corridor method into consideration.

17 Deferred income tax.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

20 Revenue recognition.

In accordance with IAS 18 revenue is recognized in the income statement upon delivery when the significant risks and rewards of ownership of the goods are transferred to the customer, net of discounts and eliminated sales within the Group. Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue for construction contracts is recognized in accordance with the "percentage-of-completion method", provided the conditions under IAS 11 are met.

Other revenue is recognized by the Group as follows:

- Revenue from expenses recharged is recognized on the basis of the accumulated amounts in 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.

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

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	56.8	135.6	8.0	200.3
Operating result	-1.7	31.7	-1.0	29.0

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
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

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The segment assets and liabilities as of 31 March 2009 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	133.7	94.7	8.0	236.4
Investments in associates	0.0	12.3	0.0	12.3
Unallocated assets				75.9
Total assets	133.7	107.3	8.0	324.5
Liabilities	67.2	44.3	16.7	128.2
Unallocated liabilities				62.0
Total liabilities	67.2	44.3	16.7	190.3
Capital expenditure	1.6	17.1	1.1	19.8
Depreciation and amortization	1.7	3.9	0.4	6.0
Other non-cash-effective expenses	0.0	0.1	0.0	0.2

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

	2009/10			2008/09		
	Revenue	Road Solution Projects	Services, System Extensions, Components Sales	Revenue	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	78.6	X	X	92.3	X	X
Customer 2	35.0		X	30.5		X

Information by region

Revenues are 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 2010 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated Group
Revenues	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

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

	Austria	Europe (excl. Austria)	Americas	Rest of World	Consolidated Group
Revenues	37.8	112.8	14.0	25.6	200.3
Non-current non-financial assets	27.8	13.7	13.6	0.2	55.3

2 Other operating income.

	2009/10	2008/09
Income from the sale of non-current assets	2	5
Income from costs recharged	43	0
Sundry operating income	10,895	2,607
	10,939	2,613

In the fiscal year 2009/10, sundry operating income mainly relates to the retroactive settlement of 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.

	2009/10	2008/09
Change in unfinished goods and work in progress	3,217	-7,534
Change in finished goods	1,918	12,191
	5,135	4,657

4 Costs of materials and other production services.

	2009/10	2008/09
Cost of materials	32,066	25,972
Cost of purchased services	65,975	52,172
	98,041	78,144

5 Staff costs.

	2009/10	2008/09
Wages	2,197	2,483
Salaries and other remunerations	43,317	38,431
Expenses for social security and payroll-related taxes and contributions	12,484	11,842
Expenses for termination benefits (see Note 23)	569	641
Expenses for pensions (see Note 23)	502	485
Contributions to pension funds and other external funds (see Note 23)	164	164
Fringe benefits	468	592
	59,702	54,637

As of 31 March 2010, the number of staff amounted to 1,023 persons (31 March 2009: 946 persons) and averaged 973 persons in the fiscal year 2009/10 (2008/09: 898).

6 Depreciation and amortization expense.

	2009/10	2008/09
Depreciation of property, plant and equipment	5,145	3,587
Amortization of other intangible assets	2,340	1,789
Expenses from low-value assets written-off	0	655
	7,485	6,031

As of the fiscal year 2009/10, low-value assets are capitalized as property, plant and equipment or intangible assets and written off in the year of acquisition.

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7 Other operating expenses.

	2009/10	2008/09
Rental expenses	7,094	5,391
Legal and consulting fees	7,252	10,319
Impairment of receivables	371	103
Marketing and advertising expenses	8,671	7,629
Travel expenses	4,353	4,251
Maintenance	1,538	1,860
Communication and IT expenses	3,407	3,176
Training costs	855	638
Losses on disposal of non-current assets	35	56
Insurance costs	720	835
License and patent expenses	1,167	1,241
Office expenses	886	818
Taxes and charges	245	461
Adjustment provision for warranties	504	-1,646
Commissions and other fees	994	1,528
Transport costs	842	981
Automobile expenses	1,583	1,495
Other	1,815	748
	42,333	39,883

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

8 Financial result.

	2009/10	2008/09
Interest and similar income:		
Interest income from bank deposits and loans granted	454	1,757
Income from securities	223	269
Income from interest accretion of long-term receivables	1,825	3,790
Gains from the disposal of financial assets	7	13
Income from currency hedging	0	611
Currency translation differences	6,752	5,637
	9,260	12,076
Interest and similar expenses:		
Interest expense	-2,642	-3,699
Expense from interest accretion of long-term payables	-701	-1,277
Losses on disposals and write-down of financial assets, investments and securities	-79	-84
Impairment of available-for-sale securities	0	-4,950
Expenses from other investments	-22	0
Expenses from currency hedging	-1,219	-2,121
Currency translation differences	-471	-7,081
	-5,135	-19,212
	4,125	-7,135

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9 Income taxes.

	2009/10	2008/09
Current tax expense	-7,915	-6,748
Deferred tax assets/liabilities (see Note 22)	516	1,249
Total	-7,399	-5,499
Thereof income/(expense) from group taxation	112	1,309

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

	2009/10	2008/09
Profit before income taxes	43,910	21,866
Arithmetic tax income/(expense) based on a tax rate of 25 % (2008/09: 25 %)	-10,977	-5,467
Unrecognized deferred tax assets on current losses	-183	-773
Different foreign tax rates	109	625
Tax allowances claimed and other permanent tax differences	162	23
Income and expenses not subject to tax and other differences	3,490	93
Recognized tax income/(expense)	-7,399	-5,499

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

10 Other comprehensive income.

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

2008/09	Before taxes	Tax expense /income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealised gains/losses in the current period	-223	45	-178
Gains/losses recognized in the income statement	1,004	0	1,004
Currency translation differences	-4,292	0	-4,292
Fair value changes recognized in equity	-3,511	45	-3,466

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11 Additional disclosures on financial instruments by category.

	2009/10	2008/09
Available-for-sale financial assets		
Other non-current financial assets and investments	38,937	3,784
Other current financial assets	6,898	3,946
	45,835	7,730
Loans and receivables		
Other non-current assets	8,481	18,423
Trade receivables and other current assets	101,448	140,409
Cash and cash equivalents	47,743	60,230
	157,672	219,062
Financial liabilities at (amortized) cost		
Non-current financial liabilities	10,060	10,060
Other non-current liabilities	9,353	14,773
Trade payables and other current liabilities	41,332	56,253
Current financial liabilities	9,237	49,210
	69,982	130,296

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

	2009/10	2008/09
Available-for-sale financial assets	128	-4,141
Loans and receivables	8,559	4,102
Financial liabilities at (amortized) cost	-4,562	-7,097
	4,125	-7,135

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 2008	1,201	2,551	157	2,283	6,192
Currency translation differences	-16	-142	-2	-222	-381
Change in consolidated entities	3	26	0	27	55
Additions	4,444	5,629	1,509	5,905	17,488
Disposals	-912	-27	-1,639	-300	-2,879
Scheduled depreciation	-305	-1,291	0	-1,992	-3,587
Carrying amount as of 31 March 2009	4,416	6,745	25	5,701	16,887
Acquisition/production cost	4,966	24,080	25	11,810	40,882
Accumulated depreciation	-551	-17,335	0	-6,109	-23,995
Carrying amount as of 31 March 2009	4,416	6,745	25	5,701	16,887
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

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13 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Total
Carrying amount as of 31 March 2008	111	2,309	6,173	8,593
Currency translation differences	-12	56	0	44
Change in consolidated entities	536	2,107	41	2,685
Additions	12	2,031	14,519	16,563
Disposals	0	-6	0	-6
Scheduled amortization	-352	-1,437	0	-1,789
Carrying amount as of 31 March 2009	296	5,059	20,734	26,089
Acquisition/production cost	7,125	11,427	20,734	39,285
Accumulated amortization	-6,829	-6,368	0	-13,196
Carrying amount as of 31 March 2009	296	5,059	20,734	26,089
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

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

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

	Road Solution Projects	Services, System Extensions, Components Sales
The carrying amount of goodwill allocated to the CGU	TEUR 15,197	TEUR 5,389
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 road tolling systems, in particular in Austria, the Czech Republic, Switzerland, Australia, South America and South Africa, demand for tolling systems will increase, in particular as a result of tight public budgets.
- The planning for the Road Solution Projects segment is based on projects in the Czech Republic, South Africa, America, Australia, as well as the fact that tenders in several countries are already in progress.
- 4 years of detailed planning
- 14.3 % (2008/09: 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 % (2008/09: 4 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based, will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU.

Cash-generating unit “Services, System Extensions, Components Sales”:

Key assumptions for determining expected cash flows of the CGU

- The Management has based its determination on the assumption that the Group will remain the preferred supplier for operation, maintenance and supply of components for tolling projects installed in previous years.
- The planning for the Services, System Extensions, Components Sales segment is based on ongoing maintenance for existing tolling systems in Austria, Switzerland, the Czech Republic, Australia and South America, on the commercial operation in the Czech Republic as well as on component orders for customers worldwide, particularly in Australia, Turkey, Spain, Denmark, France, Greece, Chile and Thailand.
- 4 years of detailed planning
- 13.7 % (2008/09: 13.8 %) 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 % (2008/09: 4 %) 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.

Development costs relate to expenses in the area of, 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 2009/10 amounted to EUR 24.9 million (2008/09: EUR 21.3 million). In the fiscal year 2009/10 EUR 7.4 million thereof (2008/09: EUR 7.1 million) was project-specific development costs and charged to the customer. The remaining amount of EUR 17.5 million (2008/09: EUR 14.2 million) was recognized as an expense.

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

14 Shares in associates.

Shares in associates developed as follows:

	2009/10	2008/09
Carrying amount as of 31 March of prior year	12,302	0
Share in result	1,205	0
Addition	104	12,302
Currency translation differences	760	0
Effects from disproportional capital increases	69	0
Fair value adjustment on the date of losing significant influence according to IAS 28.18	14,038	0
Reclassification to "Other non-current financial assets and investments"	-28,479	0
Carrying amount as of 31 March of fiscal year	0	12,302

In January 2009, the Group acquired an investment in the amount of 20.47 % in Q-Free ASA, Norway, at a purchase price of TEUR 12,302. In the third quarter of the fiscal year ending 31 March 2010, the share of Kapsch TrafficCom AG was diluted to now 18.46% as a result of a capital increase at Q-Free ASA. This resulted in a reclassification to "Other non-current financial assets and investments" (see Note 15). The resulting accounting profit at the time of the dilution was recognized in profit and loss pursuant to IAS 28.18.

15 Current and non-current financial assets.

	2009/10	2008/09
Other non-current financial assets and investments	38,937	3,784
Other current financial assets	6,898	3,946
	45,835	7,730

Other non-current financial assets and investments	Available-for-sale securities	Available-for-sale investments	Other	Total
Carrying amount as of 31 March 2008	3,401	4	0	3,405
Additions	40	343	0	383
Disposals	0	0	0	0
Change in fair value	-4	0	0	-4
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

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Other current financial assets	Available-for-sale securities	Other	Total
Carrying amount as of 31 March 2008	8,895	0	8,895
Additions	0	0	0
Disposals	0	0	0
Change in fair value (impairment)	-4,950	0	-4,950
Carrying amount as of 31 March 2009	3,946	0	3,946
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

As of 31 March 2010, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. Their fair value is determined according to level 1 pursuant to IFRS 7. As of 31 March 2010, the investments classified as available for sale relate to a 18.46 % investment in Q-Free ASA, Norway (see Note 14) (Level 1 pursuant to IFRS 7), a 12.5 % investment in ATC Austrian Technology Corporation GmbH, Vienna (Level 3 pursuant to IFRS 7), and a 25 % investment in Autostrada Wschodnia Spolka z o.o., Poland (Level 3 pursuant to IFRS 7).

Unrealised gains and losses are recognized in other comprehensive income of the period (see Note 10).

TEUR 6,280 of the addition to other non-current financial assets relates to a fixed-term investment. The fair value approximates the carrying amount.

16 Other non-current assets.

	2009/10	2008/09
Truck tolling system Czech Republic	8,480	18,392
Other	1	31
	8,481	18,423

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

Long-term receivables were discounted on the basis of cash flows using an interest rate of 5.00% (for that part which was funded by external loans) and an interest rate for alternative investments of 2.89 % (for that part which was funded by internal cash flows of the Group). Thus, the fair values approximate the carrying amounts.

Gross cash flows of other non-current assets are as follows:

	2009/10	2008/09
Up to 2 years	7,338	16,659
Between 2 and 3 years	1,554	2,745
More than 3 years	0	0
	8,892	19,404

Long-term receivables in the amount of TEUR 8,480 (2008/09: TEUR 18,392) were pledged as collateral to banks (see Note 21).

17 Inventories.

	2009/10	2008/09
Purchased parts and merchandise, at acquisition cost	9,079	10,852
Unfinished goods and work in progress, at production cost	9,297	6,080
Finished goods, at production cost	19,206	17,288
	37,582	34,220

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amounts to TEUR 7,029 (2008/09: TEUR 5,890).

18 Trade receivables and other assets.

	2009/10	2008/09
Trade receivables, less allowance for bad debt	83,999	129,993
Gross amount due from customers for contract work	7,301	653
Prepayments made	971	1,325
Receivables from tax authorities (other than income tax)	2,779	3,415
Other receivables and prepaid expenses	6,399	5,023
	101,448	140,409

Valuation allowances relating to trade receivables developed as follows:

	2009/10	2008/09
Balance as of 31 March of prior year	278	1,235
Addition	425	182
Utilization	0	-302
Disposal	-115	-838
Balance as of 31 March of fiscal year	587	278

Maturity structure of trade receivables and other current assets:

	2009/10	2008/09
Not yet due	81,753	133,371
Overdue, but not impaired		
Less than 60 days	16,061	2,872
More than 60 days	4,221	4,444
	102,035	140,687

The fair values approximate the carrying amounts. There is no concentration of credit risk with respect to trade receivables, as the Group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the Czech truck tolling system in the amount of TEUR 17,712 (2008/09: TEUR 49,745) and to the operation and maintenance of the system in the amount of TEUR 5,062 (2008/09: TEUR 15,272) are due from Ředitelství silnic a dálnic ČR (RSD), a company of the Czech Republic.

Trade receivables in an amount of TEUR 17,712 (2008/09: TEUR 49,745) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work detail as follows:

	2009/10	2008/09
Construction costs incurred plus recognized gains	7,301	653
Less amounts billed and prepayments received	0	0
	7,301	653

19 Cash and cash equivalents.

	2009/10	2008/09
Cash on hand	20	25
Deposits held with banks	47,723	60,205
	47,743	60,230

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.

	2009/10	2008/09
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.

	2009/10	2008/09
Current		
Loans for project financing	0	27,430
Other current loans	9,237	21,780
	9,237	49,210
Non-current		
Loans for project financing	0	0
Loans for acquisitions	10,000	10,000
Other	60	60
	10,060	10,060
Total	19,297	59,270

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

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

	2009/10	2008/09
Carrying amount	19,297	59,270
Fair value	18,736	58,467
Gross cash flows		
Up to 1 year	9,237	49,210
Between 1 and 2 years	10,482	10,642
Between 2 and 3 years	61	61
	19,779	59,913

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

	2009/10	2008/09
Total financial liabilities:		
Carrying fixed interest rates	1,937	15,104
Carrying variable interest rates	17,360	44,165
	19,297	59,270
Average interest rates:		
Short-term loans	1.67 – 3.25 %	2.00 – 6.40 %
Loans for project financing	3.44 – 4.19 %	4.69 %
Loans for acquisitions	3.19 %	3.82 – 4.35 %
Other	2.50 %	2.50 – 3.64 %

Other non-current assets amounting to TEUR 8,480 (2008/09: TEUR 18,392), trade receivables (current) amounting to TEUR 17,712 (2008/09: TEUR 49,745) and securities amounting to TEUR 0 (2008/09: TEUR 3,437) 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 (2008/09: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities.

	2009/10	2008/09
Deferred tax assets – due from tax group leader	1,302	1,301
Deferred tax assets – non-tax group	8,348	6,941
	9,650	8,242
Deferred tax liabilities – due to tax group leader	1,812	1,654
Deferred tax liabilities – non-tax group	1,471	217
	3,284	1,871
Balance	6,366	6,371

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 2,080 (2008/09: TEUR 1,938) 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 2008	Change in consolidated entities	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2009
Deferred tax assets						
Tax loss carry-forwards	2,213	0	565	0	26	2,804
Provisions disallowed for tax purposes	980	0	172	0	-12	1,140
Depreciation disallowed for tax purposes	14	0	30	0	-4	40
Other	4,074	0	286	45	-147	4,258
	7,280	0	1,053	45	-138	8,242
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	0	0	0	0
Other	2,055	0	-196	0	12	1,871
	2,055	0	-196	0	12	1,871
Total change	5,226	0	1,249	45	-150	6,371

	31 March 2009	Change in consolidated entities	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2009
Deferred tax assets						
Tax loss carryforwards	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

23 Liabilities from post-employment benefits to employees.

Amounts recognized in the balance sheet:

	2009/10	2008/09
Termination benefits	5,561	5,294
Pension benefits	8,755	8,920
	14,316	14,214

Termination benefits

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

Retirement benefits

Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on past service cost and are not covered by external plan assets (funds). In addition, contributions are paid to an external pension fund for employees of the Group (see Note 5).

For the valuation of severance payments and pension benefit obligations an interest rate of 5 % (2008/09: 5.25 %), was used and for compensation increases a rate of 3 % (2008/09: 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 (2008/09: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 2-3 % (2008/09: 2-3 %).

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

	2009/10	2008/09
Current service cost	183	184
Interest expense	305	378
Actuarial losses	81	78
Total, included in staff costs (Note 5)	569	641
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	5,294	5,001
Total expense according to the table above	569	641
Payments	-302	-347
Carrying amount as of 31 March of fiscal year	5,561	5,294
Actuarial present value of obligations (defined benefit obligation)	6,516	6,152
Unrecognized actuarial gains/losses	-954	-857
Amount recognized in the balance sheet	5,561	5,294

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

	2009/10	2008/09
Current service cost	0	0
Interest expense	502	485
Total, included in staff costs (Note 5)	502	485
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	8,920	9,088
Total expense according to the table above	502	485
Payments	-667	-653
Carrying amount as of 31 March of fiscal year	8,755	8,920
Actuarial present value of obligations (defined benefit obligation)	9,998	9,891
Unrecognized actuarial gains/losses	-1,243	-971
Amount recognized in the balance sheet	8,755	8,920

24 Other non-current liabilities.

	2009/10	2008/09
Truck tolling system Czech Republic	5,021	9,954
Other	4,332	4,820
	9,353	14,773

Other non-current liabilities relate to trade payables (non-current) in the amount of TEUR 5,021 (2008/09: TEUR 9,954) 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 relate to a liability in the amount of TEUR 3,500 from a put option for shares in Kapsch-Busi S.p.A, Bologna, Italy (after interest compounding to the balance sheet date 31 March 2010) and to the non-current portion of a contingent payment obligation in the amount of 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:

	2009/10	2008/09
Less than 2 year	4,394	11,361
Between 2 and 3 years	4,910	3,522
More than 3 years	305	424
	9,610	15,306

25 Other liabilities and deferred income.

	2009/10	2008/09
Amounts due to customers for contract work	1,679	4,723
Prepayments received	1,746	896
Non-current employee liabilities	9,790	9,205
Liabilities to tax authorities (other than income tax)	3,400	917
Other liabilities and deferred income	9,318	9,576
	25,933	25,316

Amounts due to customers for contract work detail as follows:

	2009/10	2008/09
Construction costs incurred plus recognized gains	-13,872	-9,162
Less amounts billed and prepayments received	15,551	13,885
	1,679	4,723

26 Provisions.

	2009/10	2008/09
Non-current	583	524
Current	6,845	10,623
	7,428	11,147

The provisions changed as follows:

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

	31 March 2009	Change in consolidated entities	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

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 % (2008/09: 5.25 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2008/09: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 3 % (2008/09: 3 %).

As manufacturer, dealer and service provider the Group issues product warranties at the time of sale to its customers. Usually, under the terms of the warranty contract, the Group has the obligation to repair or replace manufacturing or software defects that become apparent within the period under guarantee.

In case the Group expects warranty claims on products sold or services rendered during the period under guarantee, a corresponding provision will be set up in the financial statements. Based on the expectation that the majority of the expenditure will be incurred in the short or medium term, the best estimate for the cost of warranty is used for the recognition of the provision. Likewise, historical data is taken into account in the calculation of the amount of the provision. According to past experience, it is probable that there will be claims under the warranties.

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

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

27 Contingent liabilities, other commitments and financial obligations.

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

Details of contingent liabilities and other commitments are as follows:

	2009/10	2008/09
Contract, warranty, performance and bid bonds		
City Highway Santiago	263	846
City Highway Sydney and Melbourne	2,881	1,593
Truck Tolling System Austria	12,500	12,500
Truck Tolling System Czech Republic	10,046	19,938
Tolling project New Zealand	0	2,025
Expressway Toll Collection System, Maryland, U.S.A.	0	3,317
Tolling projects South Africa: Gauteng, Marian Hill, Huguenot	117,084	0
Other	1,069	5,338
	143,844	45,557
Bank guarantees	2,419	3,486
Sureties	30	30
	146,293	49,073

Financial obligations from lease contracts:

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

	2009/10	2008/09
Up to 1 year	6,304	5,509
Between 1 and 5 years	16,550	14,341
Over 5 years	11,146	14,045
	34,000	33,895

28 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 2009/10 amounted to TEUR 494 (2008/09: TEUR 373). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the Group in the amount of TEUR 0 (2008/09: TEUR 22).

In December 2005 the company issued a parental guarantee to FöreningsSparbanken AB, Stockholm, Sweden, in favor of the group company Kapsch TrafficCom AB, Jönköping, Sweden, in the amount of EUR 19.1 million. 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 Zentralbank Österreich Aktiengesellschaft, Vienna, in September 2009. As of the balance sheet date 31 March 2010, the assumed guarantees amount to EUR 29.4 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 2009/10 amounted to TEUR 202 (2008/09: TEUR 83).

In January 2007 KAPSCH-Group Beteiligungs GmbH issued an unconditional and irrevocable first demand payment guarantee up to EUR 40 million with respect to the payment obligations of Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, UniCredit Bank Austria AG, Vienna, und Raiffeisen Zentralbank Österreich AG, Vienna, for the delivery and operation of the Czech truck tolling system. The annual fee for the assumption of the liability is 0.5 % of the guaranteed amount. Expenses incurred by the Group in the fiscal year 2009/10 amounted to TEUR 199 (2008/09: TEUR 220).

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 2009/10 amounted to TEUR 1,104 (2008/09: TEUR 733).

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 1,024 (2008/09: TEUR 925).

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 2009/10 amounted to TEUR 1,184 (2008/09: TEUR 959).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the Group in the fiscal year 2009/10 amounted to TEUR 309 (2008/09: TEUR 249).

Kapsch Partner Solutions GmbH, Vienna

The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the Group. Expenses incurred by the Group in the fiscal year 2009/10 amounted to TEUR 920 (2008/09: TEUR 691).

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 2009/10 amounted to TEUR 2,246 (2008/09: TEUR 2,070).

Kapsch BusinessCom AG, Vienna

The company delivers hardware (IT equipment) on behalf of Kapsch TrafficCom AG, Vienna, and provides maintenance and other services for various customer projects, the two largest of which by far are the "Truck Tolling System Austria" and the "Truck Tolling System Czech Republic". The deliveries and services performed amounted to TEUR 2,868 in the fiscal year 2009/10 (2008/09: TEUR 4,575).

The company provides IT, EDP and telephone services to the Group in the amount of TEUR 376 (2008/09: TEUR 252), as well as other services in the amount of TEUR 928 (2008/09: TEUR 507), among other things for the IT technical restructuring of the new location of Kapsch Components KG and for the integration of the Swedish, Argentinean and U.S. American subsidiaries.

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 2009/10 totaled TEUR 44 (2008/09: TEUR 0).

Kapsch Components KG provides logistic services to the company in the amount of TEUR 97 (2008/09: TEUR 128) and other services in the amount of TEUR 128 (2008/09: TEUR 74).

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 2009/10 amounted to TEUR 44 (2008/09: TEUR 0).

Kapsch Components KG provides logistic services to the company in the amount of TEUR 617 (2008/09: TEUR 826) and produces various components for the company in the amount of TEUR 19 (2008/09: TEUR 0).

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 2009/10 totaled TEUR 1,910 (2008/09: TEUR 386). Furthermore, the company provided public relations services amounting to TEUR 95 in the fiscal year 2009/10 (2008/09: TEUR 98).

Kapsch Immobilien GmbH, Vienna

On 15 July 2008, a new lease agreement was concluded for the location Am Europlatz 2 and a cancellation waiver for 10 years was agreed to. It is possible to partly terminate the agreement after 5 or 7 years respectively. Investments in the amount of TEUR 0 (2008/09: TEUR 1,767) were made for the adaptation of the leased property. Lease expenses incurred by the Group amounted to TEUR 3,245 in the fiscal year 2009/10 (2008/09: TEUR 1,980).

Lease income of the Group resulting from the sub-lease to related parties in the fiscal year 2009/10 totaled TEUR 267 (2008/09: TEUR 226). The services rendered for relocations in the course of vacating the location Wagenseilgasse 1 amounted to TEUR 0 (2008/09: TEUR 142).

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

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

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

	31 March 2010	31 March 2009
Parent company		
Trade receivables and other assets	1,798	1,687
Trade payables and other payables	459	284
Affiliated companies		
Trade receivables and other assets	307	439
Trade payables and other payables	1,971	1,771
Other related parties		
Trade receivables and other assets	0	0
Trade payables and other payables	198	908

29 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 2010, as in the prior year, no treasury shares were held by the Company.

	2009/10	2008/09
Profit for the period attributable to equity holders of the Company (in EUR)	32,215,536	12,976,941
Weighted average number of ordinary shares	12,200,000	12,200,000
Earnings per share (in EUR)	2.64	1.06
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	18,177,176	12,976,941
Number of shares	12,200,000	12,200,000
Earnings per share, adjusted (in EUR)	1.49	1.06

30 Events after the balance sheet date.

Investments

On 1 April 2010, Kapsch Telematic Services GmbH, Vienna, acquired 60% of the shares in PayVend F&P A/S, Copenhagen, Denmark, at a price of EUR 0.75 million. Subsequently, the company was renamed to Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark. In South Africa, Kapsch TrafficCom AG, Vienna, through a purchased subsidiary acquired 51.43 % of the increased share capital of TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa, under a capital increase on 8 April 2010. The consideration for the capital increase amounted to a total of 75 million rand (approximately EUR 8 million). Triple Advanced Investments 22 (Pty) is being renamed to Kapsch TrafficCom Holding SA.

Due to the short time span between the acquisition date and the authorization for issue of the consolidated financial statements, the disclosure of additional information is not possible.

Expansion of the managing board

Effective as of 1 April 2010, André Laux was appointed as the third member of the managing board.

31 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 Durante Investments sp. z o.o., Poland, Electronic Toll Collection (PTY) Ltd., South Africa, Kapsch Telematic Services Danmark ApS, 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, and Kapsch TrafficCom U.S. Corp., U.S.A., directly or indirectly holds 100% of the shares in the fully consolidated subsidiaries. With regard to additional disclosures in accordance with § 265 (2) 1 UGB for 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 2009/10 was 921 salaried employees and 52 waged workers (2008/09: 831 salaried employees and 67 waged workers).

Expenses for the auditor

The expenses for the auditor amount to TEUR 109 (2008/09: TEUR 105) and are broken down as follows:

	2009/10	2008/09
Audit of the consolidated financial statements	40	35
Other assurance services	43	41
Tax consulting services	0	0
Other services	26	29
	109	105

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

Costs for the chairman of the board are included in the cross-charge of management and consulting services from Kapsch Aktiengesellschaft (see Note 28). Regarding the total emoluments of the other member of the managing board, the protection-of-interest clause of § 266 No. 7 UGB is applied.

Remunerations paid to supervisory board members amount to approximately TEUR 19 (2008/09: TEUR 0).

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

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2010 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.

In the fiscal year 2009/10, the following persons served on the managing board:

Mag. Georg Kapsch (Chief Executive Officer)

Ing. Erwin Toplak (Chief Operating Officer)

André Laux (since 1 April 2010)

In the fiscal year 2009/10, 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

Authorized for issue:

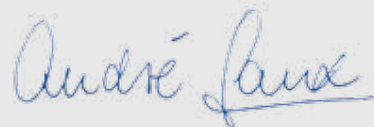
Vienna, 14 May 2010



Mag. Georg Kapsch
Chief Executive Officer



Ing. Erwin Toplak
Chief Operating Officer



André Laux
Executive Board member

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 2009 to 31 March 2010. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2010, 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 2010, 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 2010 and of its financial performance and its cash flows for the financial year from 1 April 2009 to 31 March 2010 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, 14 May 2010

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:
Felix Wirth
Austrian Certified Public Accountant

Kapsch TrafficCom AG, Vienna

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MANAGEMENT REPORT

on the financial statements as of March 31, 2010

1.) General economic situation

The international financial and economic crisis led to drastic economic declines in almost all industrial countries at the start of the past fiscal year. Even those emerging countries that experienced very strong growth in recent years were forced to accept significant setbacks in some cases. The global gross domestic product shrunk by roughly 1 % in 2009 (growth in 2008 was still +3.1 %), to perform considerably worse than expected.

The governments of many countries responded to the recession with massive economic stimulus and support measures. Many investment programs were announced, reduced working hour models were introduced, assumptions of liability were provided for guarantees and interest levels were brought down to historic lows, in addition to many other measures.

Nevertheless, long-term financing for banks and companies still became more expensive over the course of the last fiscal year, a development that can be attributed in part to the drops in credit ratings and the resulting loss of trust on the part of market investors. A calming of the situation was only seen as of mid-2009. The financial markets recovered over the course of 2009 as well. Thanks to rising optimism, investor trust also took a turn for the better and the international stock markets recorded price gains of up to 40 %. Experts agree that this in part already anticipated a recovery of the real economy. In the banking sector, trust has been restored to an extent, as is reflected in lower risk premiums between banks, although the depreciation burden from “rotten” securities may still be high and the banks are also holding high liquidity reserves in light of the experiences of recent years. The current signs of a debt crisis are also contributing to a situation on the financial markets that must generally be considered unstable.

Raw materials prices remained relatively constant during the last fiscal year. The price of oil, for instance, stood at about USD 80 per barrel Brent.

Increasing indications of an economic recovery could be seen in the last months of the fiscal year based on the current figures posted by companies as well as the rise in consumer confidence. The stock reduction that took place and the reports of increasing production capacities and capacity utilization levels also suggest a recovery of the real economy. A return to positive growth figures can generally be expected in the coming fiscal year (global GDP growth of +3.3 % is anticipated), although these figures may vary widely between different regions and in some cases the growth will be slow to materialize and very moderate in scope.

Around the world, the coming years will also be characterized by efforts to reduce the public debt levels that rose substantially during the crisis, which will generally have a dampening effect on economic developments in the near future.

- U.S.A.:

The U.S.A. suffered its worst economic collapse in over seven decades during 2009. Well over 100 banks had to be closed, and the unemployment rate also reached 10.2 % in October, the highest value in the last 25 years. In a unique resuscitation effort, the US government initiated numerous measures to reinvigorate the economy and the labor market. The continued maintenance of a low prime rate (between zero and 0.25 %) is also intended to contribute to the recovery.

The U.S. dollar also reflected the developments of the real economy in 2009. At the end of 2009, the euro was at 1.43 U.S. dollars. Only in the last few weeks did the U.S. dollar start to rise against the euro, although this can primarily be attributed to the debt problems of some euro countries.

Despite high unemployment, a clear and very rapid recovery is expected for the U.S.A. in 2010. Forecasts for GDP growth range between +2.5 and +3.0 %. The indicators of this growth include the stabilization of the real estate market and increasing demand for capital goods.

- Emerging markets:

The emerging markets, in particular China and India, also felt the impact of the crisis. However, massive economic stimulus packages were implemented very quickly in these countries as well. The effects of these measures were also seen very quickly, even allowing significant GDP growth in 2009 for both China (+8.7%) and India (+5.6%). In Japan, on the other hand, the GDP declined by -5.0 %. In 2010, China is expected to once again see growth exceeding +9% and even Japan is expected to make a turnaround and achieve +1.5 %.

- Europe:

The euro zone also suffered heavy economic declines in the year 2009 (-4.1 % drop in GDP). Companies were forced to contend with faltering exports (these also suffered to an extent from the strong euro), massive corrections on the real estate markets and difficult credit conditions. In Germany, the GDP fell by 5 % despite the fact that private consumption remained largely stable thanks to support from state stimulus programs.

Overall, the countries of Europe took on extensive debt due to the implementation of economic measures as well as tax increases and must now compensate with steep cost cuts, although the actual situations of individual countries differ greatly. The national debt of Greece, which is close to insolvency, has in particular become a major topic in recent weeks. As a natural consequence, no one was willing to lend Greece any more money and this was also reflected in Greek government bonds, leading to some uncertainty around the world. Reacting very quickly, the euro countries came together to aid Greece during this debt crisis. In addition to billions in immediate aid that Greece will receive from the other European countries, these countries have also agreed not to demand early repayment of previously invested funds. These aid measures are naturally linked to enormous savings measures on the part of Greece (value-added tax increase, massive wage cuts, etc.). More of these types of reforms will generally be seen in Europe in the future (timely sanctions for countries running up deficits, rights to intervene in the budgetary policy of individual countries).

The justifications for this emergency loan package lay in worries that the crisis could spread to other countries of Europe, such as Portugal, Spain, Italy, Ireland and even Great Britain, as well as general concerns regarding the stability of the euro and even fears that the Monetary Union could collapse, which would have done far more harm to Europe than the cost of the aid package.

The EU and the IMF (International Monetary Fund) together offered up loan guarantees of up to EUR 750 billion as a measure to signal the strength of the euro region. This united front is intended to ensure that even individual countries can continue to obtain money under favorable conditions as well as to demonstrate the stability of the euro. It is also hoped that this measure will curb future turbulence on the financial markets and prevent associated speculation.

With regard to the real economy, many corporate figures already indicate that the situation in Europe may already have bottomed out. 2010 should see a return to positive numbers in the euro region as well, although the growth rates may be moderate compared with recoveries from earlier crises and take place slowly in stages. The current forecasts assume a GDP growth in the amount of +1 %. However, it is evident that developments in Europe will lag behind those of other continents.

In the new EU countries, the GDP decline in 2009 of -3.5 % was somewhat less severe than in the other euro countries, and GDP growth in 2010 is expected to be +0.4, which would place it below the level of other EU countries.

- Austria:

The Austrian GDP declined by -3.6 % in 2009, which can be attributed to both the significant drop in exports as well as reductions in the area of material goods production and the associated company investments. Consumption by private households was the only positive economic pillar and was driven by high real economic gains (tax reform, expansion of social transfer and low inflation).

In 2010 and 2011, the net real per capita income will decline somewhat due to weaker salary agreements and rising inflation. Nevertheless, a slight expansion in consumer spending by private households amounting to around 0.7 % is expected. Austrian goods exports should grow in 2010 by +5 % and in 2011 by +6 %.

Overall, the economic recovery in Austria (as in the EU, in general) is still unstable and subject to a number of risks, particularly with regard to international developments. One critical factor will be whether a strong upswing in investments by companies occurs before any possible demand-suppressing effects of the simultaneous budget consolidation all EU countries.

The Austrian GDP should grow by +1.3 % in 2010, while an increase of +1.4 % is expected for 2011.

The economic stabilization in recent months has allowed the unemployment rate to hold steady, but no declines in unemployment are expected this year nor in 2011. Over 75,000 jobs have been lost in Austria since mid-2008, and unemployment is expected to reach a level of 360,000 persons in 2011, which would correspond to an unemployment rate of 7.7 % (national) or 5.4 % of the working population (according to Eurostat).

2.) Development of the market for traffic telematics solutions

To allow for easier comparisons, the Kapsch TrafficCom Group makes use of the internationally prevailing terms for the ITS market (Intelligent Transportation Systems). The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, May 2008, describes the ITS market as a diversifying market with the following, widely differing application and product segments:

- Electronic Toll Collection Systems (ETC): This is the segment in which Kapsch TrafficCom is most heavily active and encompasses electronic toll collection systems for the traffic between and within cities.
- Commercial Vehicle Operations (CVO): CVO describes ITS applications that serve to improve the safety of commercial vehicle traffic. Systems for automated inspection of the vehicle status, load and registration fall into this category.
- Advanced Traffic Management Systems (ATMS): ATMS solutions improve traffic safety for all kinds of vehicles and traffic participants, help control and maintain the smooth flow of traffic and facilitate traffic monitoring by means of detector systems, cameras and communication systems.
- Public Vehicle Transportation Management Systems (PVTMS): This segment is not part of the Kapsch TrafficCom portfolio. It covers management systems and communication systems for the monitoring and control of public transportation.
- Advanced Vehicle Information Systems (AVIS): This segment primarily includes in-vehicle information systems for drivers and systems that do not belong in any of the above-mentioned categories.

According to Global Industry Analysts, the ITS market is estimated to reach USD 9.8 billion worldwide and will grow to USD 12.5 billion by 2010. The biggest segment is ATMS at USD 3.8 billion in 2008. The fastest-growing segment is ETC with a CAGR of 17.1 % between 2000 and 2010. The ETC sector will be worth USD 3 billion in 2010.

Market situation and market forces

Independent of the economic recession, the worldwide increase in road traffic is the most important growth factor of the ITS market. According to analyses by the EU (European Union 2006, "Energy and Transport in Figures"), commercial traffic increased by 2.8 % per year and in total by 31.3 % between 1995 and 2005. Commercial road traffic increased by 3.3% per year and by 37.9 % in total. Despite political pressure, goods transport could not be shifted significantly from road to rail or ship transport. This exceptional 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 ETC sector, in particular.

In 2005, the trans-European road network (TEN-V) with a total length of 84,700 km comprised a 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 the investment needs by 2020 at EUR 600 billion. While long-term forecasts for traffic growth continue to remain high, the economic recession has resulted in a traffic reduction and an associated decline in revenues.

In addition to Dedicated Short Range Communication systems (DSRC) according to the CEN 5.8 GHz standard, the use of satellite-based systems has been expanding rapidly, 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.

To reduce traffic congestion and environmental pollution, city charging systems or intelligent parking management systems are under discussion in several major cities.

The increasing traffic volume can be considered a global trend. Especially in Asia, an increased demand for ETC 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.

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 microwave is used in Europe, ETC 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. within the coming years.

3.) Economic situation of Kapsch TrafficCom AG

GENERAL

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. We supply products and systems for toll collection and traffic management and, in addition, offer 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 2009/10 was marked by the award of the Gauteng tolling system in South Africa. A multi-lane free-flow (MLFF) tolling system is to be implemented on 185 km of highway in the province of Gauteng, South Africa, and operated technically for 8 years and commercially for 5 years. To support the realization of the recently awarded project in the region of Gauteng in South Africa, Kapsch TrafficCom AG purchased a majority share in the local company Electronic Toll Collection PTY Ltd. (ETC). The shell company Triple Advanced Investment 22 (Pty) Ltd. was also acquired to strengthen the position in the South African market.

In Austria, the highway-network was expanded by the road sections S1, S2 and A5 in the north of Vienna, by a total of 36 new tolling stations and 2 new control stations. In addition, extensive modifications to the tolling system software were carried out for the implementation of emissions-based tolling. Average toll transaction rates achieved both in the Czech Republic and in Austria remained at a high level, resulting in receipt of the contractually established bonus payment once again in the past fiscal year.

According to contract, another phase in connection with the implementation of a traffic management system was completed in the Czech Republic.

The takeover of the remaining shares in Kapsch Telematic Services GmbH, Vienna, from the BRISA Group was a further step in the positioning of the telematics area within the Kapsch TrafficCom Group. The shareholdings of the Slovakian subsidiaries were also reorganized and all preparations made to merge the three existing companies into one. Kapsch TrafficCom AG also acquired the outstanding minority shares in Kapsch Telematic Technologies Bulgaria EAD, Sofia.

The 20.47 % stake in Q-Free ASA, Norway, which had been acquired in January 2009 was diluted to an actual stake of 18.46 % as a consequence of another capital increase in the fiscal year 2009/10.

FINANCIAL PERFORMANCE INDICATORS

(a) Earnings situation

Compared to the prior year, net sales in the amount of EUR 70.5 million were down 25 %, and the operating performance was EUR 71.5 million. This means a decline in the operating performance of 22 % over the prior year (EUR 91.4 million). Sales in the SEC segment in the amount of EUR 64.8 million just fell short of the prior year figure (EUR 65.9 million), RSP sales however declined from EUR 27.7 million in the prior year to EUR 5.6 million, as the implementation of the GORT project, South Africa, was just started, and as in this fiscal year no further major projects, with the exception of the nation-wide tolling system in Slovakia, are being implemented.

The increase in sundry other operating income by EUR 6.2 million is primarily due to foreign currency gains and intercompany recharges.

In connection with the decline in sales, cost of materials and other purchased services also declined from EUR 39.1 million to EUR 32.9 million, and other operating expenses from EUR 34.3 million to EUR 27.1 million.

Personnel expenses rose from EUR 24.4 million to EUR 26.2 million, which is due to the increase in the number of staff to prepare and execute the planned projects and to the expansion for investments in technology mainly in the U.S.A.

Despite these cost savings, EBIT declined from EUR 3 million to EUR -0.5 million year-on-year.

In contrast, the financial result developed positively and increased on the prior year from EUR 7.7 million to EUR 15.1 million.

(b) Assets and liabilities

The balance sheet total of Kapsch TrafficCom AG declined by 9 % from EUR 182.4 million to EUR 166.2 million.

On the one hand, with regard to financial assets, shares in affiliated companies rose by EUR 12.7 million as a result of the acquisition and subsequent capitalization of Triple Advanced Investments 22 (Pty) Ltd., South Africa, in the amount of EUR 7.8 million and as a result of the repurchase of BRISA shares in Kapsch Telematic Services GmbH in the amount of EUR 4.2 million, on the other hand, receivables from affiliated companies declined by EUR 22.0 million.

On the liabilities side, the reduction of the balance sheet total is mainly reflected in liabilities. Bank loans and overdrafts decreased by EUR 12.5 million, and whereas payables to affiliated companies also declined by EUR 4.2 million.

This development resulted in a significant improvement of the equity ratio from 66.1 % to 77.7 %.

(c) Financial position

Due to the decline in receivables, the net cash flow from operating activities amounted to EUR 22.1 million.

The net cash flow from investing activities of EUR -19.1 million results from investments made in financial assets and financing of subsidiaries.

The net cash flow from investing activities was EUR -24.4 million and results from the payment of the dividend for the fiscal year 2008/09 in the amount of EUR 6.1 million and from the repayment of financial loans.

Overall, cash and bank balances decreased from EUR 23.9 million to EUR 2.4 million over the prior year.

NON-FINANCIAL PERFORMANCE INDICATORS

(a) Personnel-related issues

In the fiscal year 2009/10, the average number of staff of Kapsch TrafficCom AG was 354 (prior year: 327). As of March 31, 2010, the Company employed 363 (prior year: 340) persons.

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.

(b) 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.

(c) 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:

- Vienna Concert Hall ("Wiener Konzerthaus")

The Vienna Concert Hall enjoys the reputation – even internationally – of attracting new groups of audiences by its exciting and courageous programming on the one hand and keeping old traditions alive on the other hand. Kapsch Aktiengesellschaft has been supporting the demanding goals of the Concert Hall already since 1992 as general sponsor.

- Wien modern

Already since 1989 Kapsch has been supporting the festival "Wien modern". The purpose of this series of events, which also attracts international audiences, has been and still is to secure the position of Vienna as a modern cultural city. The participating composers, singers and ensembles have to be regarded as trendsetters in their respective genres in the same way as Kapsch is acting as "trailblazer" by applying innovative technical solutions.

- Picture calendar

In 1994 Kapsch for the first time published a picture calendar in the “Art, Culture and Communication” (“Kunst, Kultur und Kommunikation”) series. The purpose of this project is to help Austrian artists who are already well-known in insider circles to gain wider recognition. The calendar is presented annually in late autumn in a vernissage.

- University of Applied Sciences Technikum Wien and the Department of Electrical Engineering of the Technical University of Vienna

Well-trained graduates of technically oriented fields with practical experience are in high demand in the economy and industry. In order to get in contact with the respective students as early as possible, Kapsch Group for many years has been cooperating with various institutions of higher technical education. For years, the Group had an intensive partnership particularly with Technikum Wien and with the Department of Electrical Engineering of the Technical University. These cooperations provide Kapsch with the opportunity to present the Company at fairs, in courses and lecture series and thus use such events for purposes of human resource marketing.

- Sponsorship INiTS Awards

INiTS Universitäres Gründerservice Wien GmbH is a company of the Centre for Innovation & Technology of the City of Vienna, the University of Vienna and the Technical University of Vienna. Founded 5 years ago, INiTS pursues the goal of accompanying and supporting young entrepreneurs in the implementation of ideas into conclusive business concepts. Since 2005 Kapsch Group has been supporting this initiative – as an innovation-driven company Kapsch seeks contact with university graduates who, in addition to trendsetting ideas, also contribute economic thoughts with regard to feasibility.

- Cliniclow ns, St. Anna Children’s Hospital and “wings for handicapped”

In addition to numerous social activities focused on employees, the sustained support of selected external social projects is of concern to the Company.

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 the Group's projects and provides the basis for the timely planning and implementation of control measures. The risk management is gradually being developed into a company-wide opportunity and risk management system. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the management of the company.

The material risks of the Group and the respective risk management measures are briefly explained below.

Industry-specific risks

Volatility of new orders

A major portion of the revenues of the Kapsch TrafficCom Group are generated in the Road Solution Projects (RSP) segment. In this segment, the Group regularly participates in tenders for the implementation and operation of large electronic toll collection (ETC) systems. On the one hand, there exists 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, there exists a risk 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.

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

Risks of project execution

In connection with the installation of systems, the Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since ETC systems are frequently sophisticated and technologically complex systems that must be implemented within a short time frame, system and product defects can occur due to the limited time available for testing.

As security for customers, suppliers and creditors, Kapsch TrafficCom AG on a regular basis issues guarantees and assumes liabilities, mainly including guarantees for the performance of contracts. Taking into account experiences from past projects, it can be assumed that these risks are low and will not materialize in a significant extent.

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 of the Kapsch TrafficCom AG 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 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 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, the 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 the competitive position of the Kapsch TrafficCom AG. 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 Company. In addition, any failures in protecting these technologies may have a negative impact on the competitive position of the Company. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties.

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

Financial risks

Currency risk

As a result of its international orientation, Kapsch TrafficCom AG is particularly exposed to currency and inflation risks. The Company therefore tries to fend off the currency and inflation risk (through hedging, using mainly forward transactions and fixed interest rate arrangements) in an optimized way. In the past year hedges were entered into in order to secure receivables from the Czech subsidiaries, the impact of which is disclosed in the income statement.

Personnel risk

The success of the Kapsch TrafficCom AG depends heavily on key personnel with many years of experience in the traffic telematics industry. That is why the Company has implemented a number of measures to deal with personnel risks, such as incentive schemes, training opportunities, etc.

Legal risks

The market for ETC systems is influenced by numerous statutory provisions at the EU level and at the level of national legislation. There exists a risk that specific regulations, such as data privacy laws or environmental and safety requirements, could have negative consequences for the Kapsch TrafficCom AG.

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.

Internal control system (ICS)

The Corporate Law Amendment Act (URAG 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 continuously analyzes and documents its existing internal processes relating to financial reporting. The results obtained so far were presented at the quarterly meetings of the Audit Committee to the Supervisory Board for assessment and discussion.

The 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 Kapsch Aktiengesellschaft 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 Executive 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, assisted by the controlling department, verifies the compliance and efficiency of the ICS and regularly reports on his findings to the Audit Committee.

RESEARCH and DEVELOPMENT

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

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. In order to meet the high expectation of the market, especially to address the rising demand of time-to-market, research and development activities are often accompanied by acquisitions. The acquisition of the assets of the “Mobility Solutions” business unit of TechnoCom Corporation resulted in an expansion of the research and development centers.

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.

Kapsch TrafficCom AG focuses its activities primarily on new, innovative applications and applied research and development for all kinds of telematics solutions. The research and development activities in some areas are complemented by joint projects and close cooperation with universities, public and private institutes and technology and research companies. Major development efforts of the past fiscal year consisted of the development of a new, common, generic and scalable software platform that integrates all major sensor systems for the purpose of 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. The main initiatives in the component business area lay in developing new and lower-cost on-board units (OBUs) for microwave (CEN/DSRC) and satellite (GPS/GNSS) tolling as well as new WLAN-based 5.9/WAVE technology, the latter in particular to support the business development approach in the U.S.A.

Research costs are recognized as expenses. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are satisfied. 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 15.7 million (prior year: EUR 13.5 million).

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, 2010, approximately 31.6 % of the shares in Kapsch TrafficCom AG have been in free float. As of March 31, 2010, 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, 2010, 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.

OUTLOOK

With the fiscal year 2010/11 in mind, the Company takes an optimistic view on its markets in the long term even in a changed economic environment. The fiscal year 2010/11 will be shaped by the realization of the project in South Africa as well as the participation in tenders and by project awards in France, Poland, Hungary, Slovenia and Denmark.

MATERIAL EVENTS AFTER THE BALANCE SHEET DATE

Acquisitions and participations

On 8 April 2010, Kapsch TrafficCom AG indirectly subscribed, via Triple Advanced Investments 22 (Pty) Ltd., for new shares in TMT Services and Supplies (Pty) Ltd., Cape Town, representing 51.43 % of the increased share capital. The subscription consideration is ZAR 75 million (approximately EUR 8 million). The renaming of Triple Advanced Investments 22 (Pty) Ltd. into Kapsch TrafficCom Holding SA is currently in progress.

Enlargement of the Executive Board

Effective 1 April 2010, André Laux was appointed as the third member of the Executive Board.

Vienna, May 14, 2010

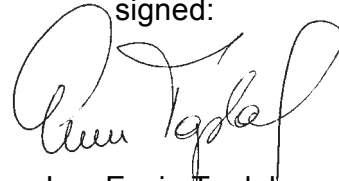
The Executive Board:

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, 14 May 2010



Mag. Georg Kapsch

Chief Executive Officer



Ing. Erwin Toplak

Chief Operating Officer



André Laux

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, 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, 2010

Assets	March 31, 2010 EUR	March 31, 2009 KEUR	Shareholders' Equity and Liabilities	
	EUR	KEUR	March 31, 2010 EUR	March 31, 2009 KEUR
A. Fixed assets				
I. Intangible assets				
Industrial property and similar rights and assets, and licenses in such rights and assets	2.580.737,88	3.060	12.200.000,00	12.200
II. Tangible assets				
1. Investments in leasehold buildings	3.043.993,40	3.321		
2. Technical equipment and machinery	517.935,15	675	69.200.000,00	69.200
3. Other equipment, factory and office equipment	2.292.188,67	2.420	47.784.417,01	39.240
III. Financial assets				
1. Shares in affiliated companies	37.661.844,69	24.930		
2. Participating interests	12.748.970,30	12.645		
3. Securities	6.902.223,49	3.950		
	57.313.038,48	41.525		
	65.747.893,58	51.001		
B. Current assets				
I. Inventories				
1. Merchandise	4.996.308,80	4.565	11.425.462,56	23.959
2. Services not yet invoiced	4.958.009,39	3.911	81.270,00	615
3. Prepayments	4.493.770,19	998	2.060.248,07	4.415
	14.448.088,38	9.474	5.011.727,21	9.249
II. Receivables and other assets				
1. Trade receivables	14.089.697,66	5.821	3.538.404,73	1.988
2. Receivables from affiliated companies	66.137.145,01	88.088		
3. Receivables from companies in which the Company has a participating interest	152.106,59	0		
4. Other assets	1.724.098,95	1.983		
	82.103.048,21	95.892		
	2.448.770,83	23.924		
	98.999.907,42	129.290		
III. Cash, bank balances	1.498.881,00	2.078		
	166.246.682,00	182.369		
C. Prepaid expenses and deferred charges				
			22.117.112,57	40.226
			1.816.881,00	1.817
			166.246.682,00	182.369

Contingent liabilities

79.791.204,60

63.620

Income Statement for the fiscal year 2009/10

	2009/10	2008/09
	EUR	kEUR
1. Net sales	70.450.008,03	93.687
2. Change in services not yet invoiced	1.047.111,15	-2.270
3. Other operating income		
a) Income from the retirement of fixed assets excluding financial assets	3.368,45	3
b) Income from the reversal of accruals	1.451.072,79	2.215
c) Other	14.863.684,48	8.646
	16.318.125,72	10.864
4. Cost of materials and purchased services		
a) Cost of materials	-7.254.097,91	-16.943
b) Cost of purchased services	-25.606.187,91	-22.151
	-32.860.285,82	-39.094
5. Personnel expenses		
a) Wages	-108.947,37	-63
b) Salaries	-20.234.104,59	-18.821
c) Expenses for severance payments and contributions to severance provision funds	-463.560,35	-432
d) Expenses for pensions	-89.226,98	-134
e) Expenses for statutory social security, payroll-related taxes and mandatory contributions	-5.184.415,19	-4.780
f) Other social benefits	-136.074,92	-123
	-26.216.329,40	-24.353
6. Depreciation and amortization of fixed intangible and tangible assets	-2.095.984,12	-1.514
7. Other operating expenses		
a) Taxes not included in taxes on income	-75.983,68	-217
b) Other	-27.049.508,00	-34.056
	-27.125.491,68	-34.273
8. Subtotal of lines 1 to 7 (Operating result)	-482.846,12	3.047
9. Income from participating interests, of which from affiliated companies EUR 12,098,094.61 (prior year: kEUR 14,093)	12.098.094,61	14.093
10. Income from other long-term securities	85.192,92	123
11. Other interest and similar income, of which from affiliated companies EUR 1,163,201.58 (prior year: kEUR 2,079)	1.276.068,93	2.665
12. Income from the write-up of fixed financial assets	2.952.119,88	0
13. Expenses on fixed financial assets, of which		
a) Amounts written off EUR 724,994.75 (prior year: kEUR 6,750)	-724.994,75	-6.762
b) Relating to affiliated companies EUR 0 (prior year: kEUR 12)		
14. Interest and similar expenses	-559.069,29	-2.375
15. Subtotal of lines 9 to 14 (Financial result)	15.127.412,30	7.744
16. Net operating income	14.644.566,18	10.791
17. Taxes on income, thereof recharged from group parent EUR 0 (prior year: kEUR 1,198)	-75,78	1.130
18. Net income for the year	14.644.490,40	11.921
19. Prior period unappropriated retained earnings brought forward	33.139.926,61	27.319
20. Unappropriated retained earnings	47.784.417,01	39.240

Notes to the financial statements for the fiscal year 2009/10

A. Accounting and valuation methods

1. General principles

The financial statements as of March 31, 2010 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. A discount rate of 5.0 % (prior year: 5.25 %) 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

Assets

Fixed assets

Movements in fixed assets:

	Acquisition/Production cost						Net book value		Amortization/ depreciation current year EUR	Write-ups of current fiscal year EUR
	Balance April 1, 2009 EUR	Additions EUR	Disposals EUR	Balance March 31, 2010 EUR	Accumulated amortization/ depreciation EUR	Balance				
						March 31, 2010 EUR	March 31, 2009 EUR			
I. Intangible assets Industrial property and similar rights and assets, and licenses in such rights and assets *)	6,905,024.86	501,168.70	37,809.12	7,368,384.44	4,787,646.56	2,580,737.88	3,059,888.56	980,319.38	0.00	
II. Tangible assets 1. Investments in leasehold buildings 2. Technical equipment and machinery 3. Other equipment, factory and office equipment **)	3,734,707.31 1,108,157.35 4,413,000.55 9,255,865.21	195,232.91 49,227.94 320,788.37 565,249.22	329,066.01 0.00 215,177.00 544,243.01	3,600,874.21 1,157,385.29 4,518,611.92 9,276,871.42	556,880.81 639,450.14 2,226,423.25 3,422,754.20	3,043,993.40 517,935.15 2,292,188.67 5,854,117.22	3,320,790.92 674,587.47 2,420,385.11 6,415,763.50	472,030.43 205,880.26 437,754.05 1,115,664.74	0.00 0.00 0.00 0.00	
III. Financial assets 1. Shares in affiliated companies 2. Participating interests 3. Securities	26,834,029.08 12,645,052.68 10,004,356.99 49,483,438.75 65,644,328.82	13,456,424.66 103,917.62 0.00 13,560,342.28 14,626,760.20	0.00 0.00 0.00 0.00 582,052.13	40,290,453.74 12,748,970.30 10,004,356.99 63,043,781.03 79,689,036.89	2,628,609.05 0.00 3,102,133.50 5,730,742.55 13,941,143.31	37,661,844.69 12,748,970.30 6,902,223.49 57,313,038.48 65,747,893.58	24,930,414.78 12,645,052.68 3,950,103.61 41,523,571.07 51,001,223.13	724,994.75 0.00 0.00 724,994.75 2,820,978.87	0.00 0.00 2,952,119.88 2,952,119.88 2,952,119.88	
*) thereof low-value assets in accordance with Section 13 EStG		18,043.71	18,043.71					18,043.71		
**) thereof low-value assets in accordance with Section 13 EStG		33,168.11	33,168.11					33,168.11		

In the fiscal year no **intangible assets** were acquired from affiliated companies (prior year: kEUR 1,805).

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	4,473,838.90	4,055	11,000,631.30	11,206

Shares in affiliated companies and shares in associates

Supplementary disclosures pursuant to Section 238 No. 2 UGB

	Share	Shareholders' equity	Result of fiscal year	FN
	%	kEUR	kEUR	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100	21,237	11,811	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95	1,231	292	1)
Kapsch Components KG, Vienna	100	-3,699	149	1)
Kapsch Components GmbH, Vienna	100	69	8	1)
Kapsch TrafficCom Holding Corp., Sterling, Virginia, USA	100	4,997	-1,164	1)
Kapsch Telematic Services GmbH, Vienna	-	-	-	2)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	99	10,344	2,972	1)
Kapsch TrafficCom S.r.l., Milan, Italy	100	61	19	1)
Kapsch-Busi S.p.A., Bologna, Italy	67	146	-9	1)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100	37	14	3)
Kapsch TrafficCom Ltd., Manchester, United Kingdom	100	420	254	1)
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100	61	-15	1)
Kapsch TrafficCom Russia OOO, Moscow, Russia	100	-495	-254	3)
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	100	16	5	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	158	61	1)
Electronic Toll Collection (Pty) Ltd., Cape Town, South-Africa	25	1,075	64	1)
Triple Advanced Investments 22 (Pty) Ltd., Cape Town, South-Africa	100	7,784	0	1)
Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan	100	7	6	3)
Jibeseov GmbH, Vienna	100	165	135	3)
PREMID a.s., Bratislava, Slovak Republic	100	-30	-404	1)
b) Shares in associates				
Autostrada Wschodina Sp. z o.o., Warsaw, Poland	25	137	-455	3)
Q-Free ASA, Trondheim, Norway	18.46	58,207	6,514	3)

1) Figures as of March 31, 2010

2) The protection-of-interest clause pursuant to Section 241 (2) UGB is used.

3) Figures as of December 31, 2009

Current assets

Inventories

Prepayments in the amount of EUR 3,900,000 (prior year: kEUR 421) relate to prepayments made to affiliated companies.

Maturity of receivables

	3/31/2010		3/31/2009	
	Total	of which with a remaining maturity > 1 year	Total	of which with a remaining maturity > 1 year
	EUR	EUR	EUR	EUR
1. Trade receivables	14.089.697,66	8.429,23	5.821.089,23	0,00
2. Receivables from affiliated companies	66.137.145,01	11.661.334,33	88.088.487,51	15.634.188,47
3. Receivables from companies in which the Company has a participating interest	152.106,59	0,00	0,00	0,00
4. Other assets	1.724.098,95	0,00	1.982.882,92	0,00
	82.103.048,21	11.669.763,56	95.892.459,66	15.634.188,47

Receivables from affiliated companies include trade receivables in the amount of EUR 39,011,038.45 (prior year: kEUR 63,055), other receivables in the amount of EUR 14,200,678.64 (prior year: kEUR 11,469), a dividend receivable in the amount of EUR 5,700,000 (prior year: kEUR 7,000) and intra-group recharges in the amount of EUR 7,225,427.92 (prior year: kEUR 6,564).

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

Other receivables include income in the amount of EUR 1,419,963.56 (prior year: kEUR 1,434) 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 from the lessor for the adaptation of the new location at Euro Plaza. The grant is related to the following items of fixed assets:

	4/1/2009	Usage	3/31/2010
	EUR	EUR	EUR
Leasehold improvements	748,319.33	-76,680.67	671,638.66

Accruals

Other accruals include the following items:

	3/31/2010 EUR	3/31/2009 kEUR
Losses from pending transactions	710,043.00	3,055
Personnel accruals (including vacation accruals EUR 2,013,794.23, prior year: kEUR 2,030)	3,227,363.30	3,169
Warranties and liabilities for construction flaws, as well as production and system defects	392,548.89	1,874
Invoices not yet received and outstanding project costs	5,094,987.85	7,446
Sundry accruals	531,635.72	1,080
	<u>9,956,578.76</u>	<u>16,624</u>

Accounts payable

Maturity of payables

	31/3/2010		31/3/2009	
	Total	of which with a remaining maturity > 1 year	Total	of which with a remaining maturity > 1 year
	EUR	EUR	EUR	EUR
1. Bank loans and overdrafts	11,425,462.56	10,000,000.00	23,958,795.91	10,000,000.00
2. Customer advances	81,270.00	0.00	615,296.25	0.00
3. Trade payables	2,060,248.07	0.00	4,415,130.20	32,333.98
4. Payables to affiliated companies	5,011,727.21	0.00	9,248,488.83	0.00
5. Other liabilities	3,538,404.73	60,250.00	1,988,096.57	72,990.00
	22,117,112.57	10,060,250.00	40,225,807.76	10,105,323.98

All long-term payables have a remaining maturity of less than five years.

The payables to affiliated companies include trade payables in the amount of EUR 5,011,727.21 (prior year: kEUR 3,935) and intra-group recharges in the amount of EUR 0 (prior year: kEUR 5,314).

Other liabilities include expenses in the amount of EUR 3,312,660.29 (prior year: kEUR 1,363) 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 Bank der oesterreichischen Sparkassen 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 KG, Vienna, and Kapsch TrafficCom Argentina 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 79,791,204.60 (prior year: kEUR 63,620) result from the assumption of liability on behalf of subsidiaries in the amount of EUR 10,234,658.19 (prior year: kEUR 14,055), bank guarantees for the performance of contracts relating to major projects in the amount of EUR 42,956,852.79 (prior year: kEUR 12,500), payment guarantees in the amount of EUR 10,049,867.94 (prior year: kEUR 32,768), guarantees for project financings in the amount of EUR 15,668,095.48 (prior year: kEUR 0) as well as other guarantees (security deposits, bid bonds and sureties) in the amount of EUR 881,730.20 (prior year: kEUR 4,297).

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 41.3 million.

Derivative financial instruments

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

Prior year:

Category Type of financial instrument	Amount		Fair value		Book value	Balance sheet item
	Nominal amount	Number	positive	negative		
	CZK		EUR	EUR	EUR	
Currency related products Forward contracts	630.0 m	6	-	2,120,673.56	2,120,673.56	Other accruals

C. Comments on income statement items

Breakdown of net sales

By activity:	2009/10 EUR	2008/09 kEUR
Road Solution Projects	5,639,345.42	27,743
Services, System Extensions, Components Sales	64,810,662.61	65,944
	<u>70,450,008.03</u>	<u>93,687</u>

By region:	2009/10 EUR	2008/09 kEUR
Domestic	35,252,498.58	30,902
European Union	24,576,635.19	56,867
Foreign	10,620,874.26	5,918
	<u>70,450,008.03</u>	<u>93,687</u>

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

	2009/10 EUR	2008/09 kEUR
Expenses for severance payments	262,611.75	253
Payments to severance provision funds	200,948.60	179
	<u>463,560.35</u>	<u>432</u>

Expenses for the auditor

Expenses for the auditor amount to EUR 109,355.00 (prior year: kEUR 105) and are broken down as follows:

	2009/10 EUR	2008/09 TEUR
Audit of the financial statements	43,100.00	41
Other assurance services	40,100.00	35
Tax consulting services	0.00	0
Other services	26,155.00	29
	<u>109,355.00</u>	<u>105</u>

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 471,951.82 (prior year: kEUR 294).
- 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, 2010 (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 2009/10 was 354, including 340 salaried employees and 14 waged workers (prior year: 320 salaried employees, 7 waged workers).

With regard to the disclosure of emoluments of the management board and expenses for severance payments and pensions for members of the management board, the protection-of-interest clause pursuant to Section 241 (4) UGB was applied.

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

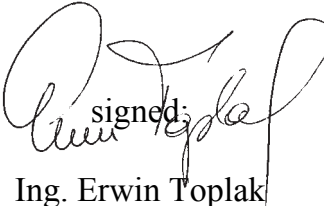
delegated by the Works Council:

Ing. Christian Windisch
Dipl.-Ing. Werner Dreschl

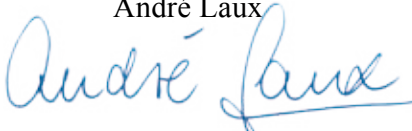
Vienna, May 14, 2010


signed:
Mag. Georg Kapsch

The Management Board:


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, 2009 to March 31, 2010. These financial statements comprise the balance sheet as of March 31, 2010, the income statement for the fiscal year ended March 31, 2010, 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.

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.

Kapsch TrafficCom is an international supplier of superior intelligent transportation systems (ITS). Its principle business is the development and supply of electronic toll collection (ETC) systems, in particular for the multi-lane free-flow (MLFF) of the traffic, and the technical and commercial operation of such systems. Kapsch TrafficCom also supplies traffic management systems, with a focus on road safety and traffic control, and electronic access systems and parking management. With more than 230 references in 38 countries in all 5 continents, and with almost 18 million on-board units (OBUs) delivered and nearly 13,000 lanes equipped, Kapsch TrafficCom has positioned itself among the leading suppliers of ETC systems worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 25 countries.

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