Annual Financial Statements
Fiscal year 2013/14.

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Contents

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Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2014.

1 Economic climate.

1.1 General economic situation

Global economy

GDP growth	2013	2014e
World	3.0 %	3.6 %
U.S.A.	1.9 %	2.8 %
Japan	1.5 %	1.4 %

Source: IMF World Economic Outlook

In the year 2013, the world economy expanded by 3.0 %. Especially in the second half of the year the economy picked up significantly and on a global level 2013 was a period of consolidation. The macroeconomic pattern of growth, though, remained heterogeneous: some countries or regions – e.g. Canada, Great Britain, Brazil as well as Central and Eastern Europe – were able to further strengthen their positive economic development. Other economies, such as China, the United States or Russia, stagnated or even experienced a slowing-down in growth compared to 2012. In line with the global economic performance, world trade stabilised in 2013 and even displayed a slight upturn: the volume of internationally traded goods and services increased by 3.0 %, having grown by 2.8 % in 2012. A further expansion of the global economy is expected in 2014 – with continuing varied development in the different economic regions. The International Monetary Fund (IMF) forecasts global growth of 3.6 %. Overall, however, the vulnerability of the global economy with regard to crises and shocks will remain high in 2014. According to the IMF, the low inflation in the euro zone poses a challenge here that needs to be addressed. But also the recurrent abrupt capital outflows experienced in emerging economies and the related volatile development of their regional financial markets are regarded as problematic by the IMF.

U.S.A.

In the year 2013, U.S. economic growth decelerated to 1.9 %, compared to 2.8 % in 2012. Private consumption, in particular, was dampened due to the tightened fiscal policy of the U.S. government. Furthermore, the continuing budget dispute and the budgetary emergency which peaked in October 2013 caused uncertainty. Only the decision by the Congress to increase the debt limit, granting the U.S. a deferral until March 2015, eliminated the risk of a new budget crisis. This resulted in an improved climate among consumers and companies. Against this background, the IMF expects the pace of the U.S. economic growth to pick up in 2014, with a growth rate of 2.8 %.

Japan

Japan's economy expanded by 1.5 % in 2013 after growing by 1.4 % in 2012. The implementation of Prime Minister Abe's economic policy programme ("Abenomics") that promotes the relaxing of monetary policy and the expansion of fiscal policy had a positive impact overall. In the meantime, however, critical voices concerning this raft of economic measures have become increasingly audible and far-reaching structural reforms are called for. Although appropriate initiatives have been announced by the Japanese government, no significant progress has yet been made with their implementation. According to the IMF, a significant economic upturn is, therefore, unlikely in the near future: the economy is expected to grow by 1.4 % in 2014 and by a mere 1 % in 2015. The country's fiscal situation is viewed as critical: the government deficit amounted to 227 % of the total economic output in 2013.

Emerging Markets and Developing Economies

While the economic growth in these countries still lay at 6.3 % in 2011 and at 5 % in 2012, it further decreased slightly to 4.7 % in 2013. Hence, the impulses from the emerging economies for the global economic environment have lost some strength. However, the regional development varied considerably. Growth in the Commonwealth of Independent States (CIS) slowed to 2.1 % (3.4 % in 2012). The crucial factor for this decrease was the modest economic situation in Russia whose economic performance expanded only by 1.3 %. The current crisis in Crimea and Ukraine has serious economic consequences for Russia, too: in the first quarter of 2014 alone, capital outflows amounted to approximately 64 billion U.S. dollars. The U.S. and the European Union have said tougher sanctions could be used if the desired de-escalation of the conflict is not achieved. Investors are, therefore, likely to withdraw further capital. In line of this background, the country is likely to slide into recession. In a negative scenario, the World Bank expects a decrease in Russian economic performance by 1.8 % in 2014.

Having grown by 6.7 % in 2012, Asia's economic growth amounted to 6.5 % in 2013 according to the IMF. China, whose economy expanded by an average of 9.8 % per annum between 2000 and 2013, is expected to grow by 7.5 % in 2014 and thus nearly reach its 2013 rate of expansion. In the future, the Chinese economy is to be supported by a set of comprehensive measures and should reap the benefits of consistently high consumer spending. In addition to China, some other emerging markets failed to accelerate growth in 2013. The economic performance in India increased by 4.4 % having grown by 4.7 % in 2012, the ASEAN-5 (Indonesia, Malaysia, the Phillippines, Thailand and Vietnam) grew by 5.2 % (versus 6.2 % in 2012) and Latin America's (including the Carribean) growth rate was 2.7 % compared to 3.1 % in 2012. The MENA-Region (Middle East and North Africa, Afghanistan and Pakistan) and South Africa also followed the pattern of performing more poorly on the macroeconomic front in 2013.

In the last few months, the emerging markets have been repeatedly faced with abrupt capital outflows, whereas the withdrawal of investors has hitherto been limited to individual markets. However, due to the structural problems in these countries, experts recognise the risk that their growth dynamics will decrease further.

Europe

GDP growth	2013	2014e
EU-28	0.1 %	1.5 %
Eurozone	-0.4 %	1.2 %
Austria	0.4 %	1.7 %

Source: European Commission, WIFO

In 2013 Europe managed to come out of the recession which had lasted for almost two years, the GDP growth of the EU-28 was at 0.1 %. Positive signals have recently emerged, for instance, from exports to third countries like the U.S. Moreover, an upswing in several leading indicators has led to cautious optimism among economists in 2014, particularly the pick-up in consumer confidence and the strengthening of industrial activity. At the same time, the persistently difficult situation on the European labour market has given cause for concern. Throughout 2013 unemployment in the EU-28 remained above the 10 % mark. Companies not being so inclined to invest also weighed on the European economy, as did the lack of growth impetus from the public sector. Taking all these factors into consideration, the rating agency Standard & Poor's lowered the EU's long-term credit rating from AAA to AA+ in December 2013.

Economic recovery in the Euro area was even more subdued than in the EU as a whole in 2013. The main reason for that was the sluggish business activity in France and Italy. The troubled peripheral states, in contrast, have recently shown first signs of economic improvement thanks to continuous reform efforts. One major problem in these states that remains to be resolved is the high level of youth unemployment. Besides, there are growing concerns that the Southern European countries could slip into deflation. This, in turn, could unleash a new wave of political and social unrest.

The European Central Bank (ECB) further committed itself to an accommodative monetary policy course in 2013 and took a number of steps to improve the situation on the financial markets. First and foremost, these steps include laying the groundwork for a central, ECB-led banking supervision body ("Single Supervisory Mechanism") as well as for a common framework for bailing out troubled banks ("Single Resolution Mechanism"). In order to provide support beyond the financial market too, the ECB lowered the prime interest rate to a record low of 0.25 % in November 2013. Economists assume that, with cheap money available, both investment and consumption will be stimulated, thus boosting the economy in the Euro area as a whole. The GDP forecast for 2014 is at +1.2 %.

The expansion of business activity in Central and Eastern Europe (CEE) was slightly stronger in 2013 than it was in Western Europe. Looking at the various countries in the region though, the picture was uneven: While Croatia and the Czech Republic, for instance, faced a recession, Latvia, Lithuania and Romania reported an increase in GDP of more than 3 %. As for 2014, experts predict that the CEE economy will gather pace. The main risk factor in this context is the conflict between Russia and Ukraine, not least due to pending cut-backs in foreign trade and foreign direct investment.

Austria

Austria's economic performance lost momentum in 2013 against the backdrop of a weak European economy, the GDP increased by 0.4 %. Unlike in the past, the exports of Austrian companies contributed only modestly to growth. As for 2014, economists expect the bounce-back of the European economy to boost Austrian exports, thus also stimulating business activity in general. More precisely, GDP is forecast to grow by 1.7 %.

The inclination of Austrian companies to invest was rather low in 2013, which can be explained by a high degree of uncertainty regarding future sales. Besides, it is worth mentioning that consumption did not have a stimulating effect on the Austrian economy for the first time in years. Despite an easing of inflationary pressures, the amount of money private households spent on consumption declined slightly. The main reasons for this include the precarious situation on the labour market and lacklustre growth in disposable income. The average annual inflation rate fell to 2 % in 2013. The latest forecasts for 2014 indicate a further decrease to just below 2 %.

The situation on the Austrian labour market was rather unsettling in 2013. The unemployment rate climbed from an average of 4.3 % in the preceding year to 4.9 % (according to Eurostat). 2014 is likely to witness an increase to above 5 %, owing to an expanding labour supply and subdued job creation. The Austrian national finances, in contrast, developed positively in 2013. The budget deficit receded to only 1.9 %. This improvement is largely due to one-off effects on the revenue side, though (e.g. the auctioning of mobile communication frequencies and new tax agreements with Switzerland and Liechtenstein). How the Austrian national finances develop in 2014 will primarily depend on the capital transfers required to wind down the crisis-ridden Hypo Alpe Adria Bank. Based on current projections, the budget deficit is set to rise to 3 %.

1.2 Development of the market for intelligent transportation systems (ITS)

Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS).

Kapsch TrafficCom addresses the market for intelligent transportation systems (ITS). ITS employ information and communication technologies to support and optimize road transportation, including infrastructure, vehicles, users and industry.

Market segmentation

The study "Intelligent Transportation Systems – A global strategic business report" from Global Industry Analysts, October 2012, describes the ITS market as a diversifying market with widely differing application and product segments. Thus, the market comprises the following three product segments:

Electronic toll collection (ETC) enables drivers to pay toll fees without stopping at toll stations.
Advanced traffic management systems (ATMS) monitor traffic, optimize signal timing and regulate the flow of traffic.
Other intelligent transportation systems (OTH ITS) comprise in particular:

- Commercial vehicle operations (CVO) encompassing systems for operating commercial vehicles in order to enhance freight carrier productivity and safety,
- Public vehicle transportation management systems (PVTMS) facilitating management of both local and long-distance public transportation, and
- Advanced vehicle information systems (AVIS) transmitting traffic-related vehicle information to travelers before or during the trip or provide navigation services.

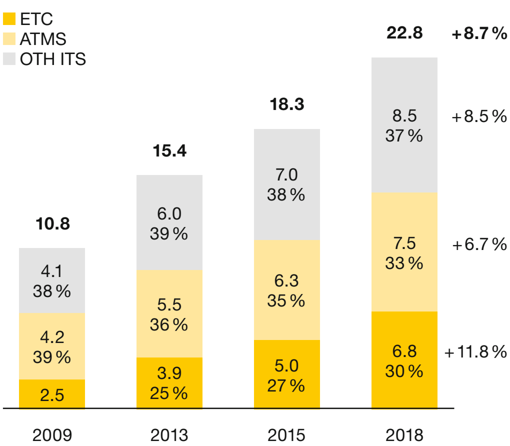
Market volume and growth

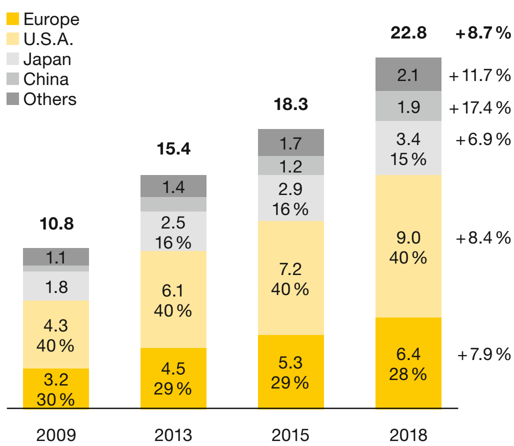
The global volume of the ITS market is estimated at USD 15.4 billion in 2013.

Global Industry Analysts (October 2012) estimated that the global volume of the ITS market amounted to USD 15.4 billion in 2013 and is expected to continue growing. The largest product segment in 2013 was ATMS, accounting for almost 36 % (USD 5.5 billion). Based on a worldwide volume of about USD 3.9 billion, ETC had an ITS market share of about 25 %. The largest geographic region for ITS in 2013 was the U.S.A. at 40 %, followed by Europe at 29 %.

The global ITS market is expected to grow at an average annual rate of 8.7 % between 2009 and 2018 to reach a global volume of USD 22.8 billion in 2018, of which ETC will account for USD 6.8 billion, equaling a share of 30 % and thereby exhibiting the fastest growth of all product segments at an average annual rate of 11.8 %.

Global ITS Market by product segment and **by geographic regions** (in USD billion)

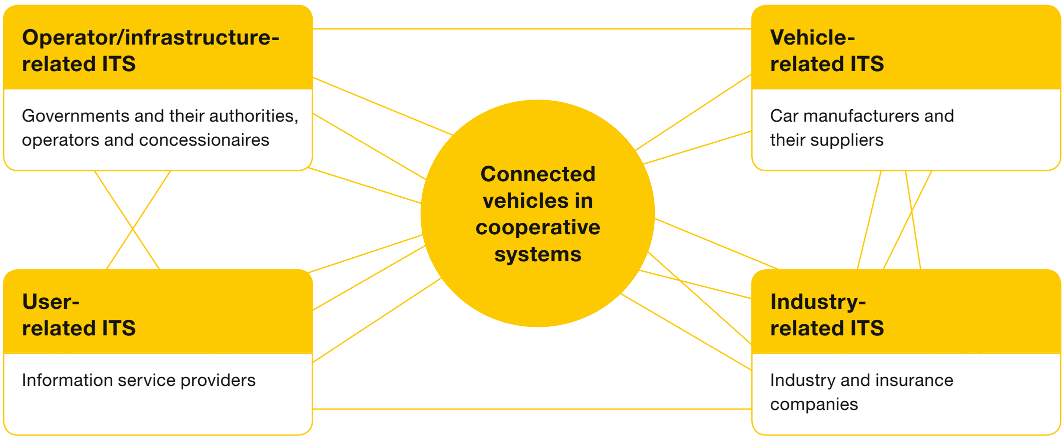




Customer segments

Kapsch TrafficCom has developed its own view of the ITS market for the definition of its market positioning.

Kapsch TrafficCom has developed its own understanding and its own view of the ITS market in order to define and develop its own market positioning. From this perspective, the ITS market was divided into four customer segments and the corresponding primary addressees were identified.



The current focus aims at the operator/infrastructure-related segment of the ITS market.

Operator/infrastructure-related ITS encompasses both ETC and ATMS as well as applications for urban access and parking. The addressees are governments and their authorities, road and toll operators as well as concessionaires, that develop transport policies using ITS to ensure the availability and quality of the infrastructure in a way that improves safety, performance, security and environmental protection.

Vehicle-related ITS aims at in-car telematics such as remote diagnostics or driver assistance systems (AVIS). They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles (CVO), as well as traffic safety and security. Addressees are mainly car manufacturers and their suppliers. This field also includes systems for real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X, which Kapsch TrafficCom believes will be based on 5.9 GHz technology.

User-related ITS focuses mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation during the journey, thereby increasing traffic safety. Example applications for advanced vehicle information systems (AVIS) include transmitting traffic-related vehicle information to travelers before or during the trip as well as navigation services. Addressees are information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices.

Industry-related ITS encompasses commercial applications designed to reduce the costs or maximize the yield of vehicle fleet operators, including public transportation companies (PVTMS). Example applications include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the addressees are insurance companies, who see pay-as-you-drive car insurance as a promising way to attract new customers by offering fair insurance rates and ITS-based value-added mobility services.

Market positioning

Kapsch TrafficCom intends to be a leading provider in the future area of “V2X” as well.

The current focus of Kapsch TrafficCom aims at the operator/infrastructure-related segment of the ITS market. The goal is to become a leading provider of solutions and technologies in the future field of “Vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication – V2X”. With this, Kapsch TrafficCom intends to offer solutions at both the infrastructure and vehicle levels, supplying the information and communication technologies as well as designing, building and operating select applications. The future focus will therefore also aim at vehicle-related and user-related ITS. The ongoing developments in industry-related ITS will be monitored as well.

Market situation and market drivers

Kapsch TrafficCom believes that the following six factors are the main drivers for the market which it currently addresses:

The market is influenced by economic as well as environmental and social aspects.

Funding for infrastructure projects. The worldwide increase in number of cars and the growing road traffic as a consequence of the global population growth require additional financing to construct new and maintain existing roads. Toll collection offers a constant source of income and thus helps governments to provide the necessary funding for infrastructure projects. Efficient toll collection systems, especially electronic ones, offer a significant, constant and sustainable source of additional funds for governments and their authorities, road and toll operators as well as concessionaires that can be used for the expansion and maintenance of road infrastructure.

Urbanisation. The urbanisation is the second megatrend next to the global population growth driving the ITS market in the view of Metalan Research. In large conurbations and capital cities, there is a growing need for electronic systems to control and reduce traffic. Toll collection is largely perceived as an effective solution for reducing high levels of congestion, as mandatory payments for road usage encourage carpooling or the use of public transportation. Systems for city charging and enforcing low-emission environmental zones are deployed by cities to reduce traffic congestion and environmental pollution. Traffic safety devices to monitor compliance with traffic regulations are another field of ITS applications in cities. Examples include systems to monitor traffic violations at junctions (e.g. running red lights).

Reducing congestion and further environmental pollution caused by road traffic. Efforts to reduce environmental pollution caused by road traffic have become a market driver for the introduction of toll collection systems. Such systems encourage reduced or modified vehicle usage, thereby lowering emissions and pollution levels. Electronic toll collection systems, in particular for multi-lane free-flow traffic, have proven their ability to decrease environmental pollution and carbon dioxide emissions by reducing congestion at toll plazas without interfering with the traffic flow.

Increasing traffic safety and security. Governments and their authorities, road and toll operators as well as concessionaires, are particularly engaged in improving the availability and quality of traffic infrastructure in a way that increases safety and security. Advanced traffic management systems (market segment ATMS) lower accident rates while also helping increase the probability of surviving accidents.

Enhancing vehicle and fleet productivity. Commercial applications for vehicle operators, including transportation companies (market segment PVTMS), provide support for fleet management and the collection of information on the logistics of large-scale vehicle operators.

Increased comfort expectations of travelers. Greater convenience and efficiency for users generally also means higher traffic safety. Model applications include vehicle information systems that forward traffic-relevant data to the vehicle driver before and during travel as well as navigation services. Information service providers such as wireless network operators, radio broadcasters and vendors of portable navigation devices are all interested in the further development of such systems.

Technology

The communication standard 5.9 GHz WAVE is already designed with future applications in mind.

Depending on the requirements of the specific application, systems are used for toll collection which are based on microwave technology (dedicated short-range communication; DSRC), satellite navigation (global navigation satellite system; GNSS), or automatic number plate recognition (ANPR). While in Europe the standardized technology is based on 5.8 GHz according to the Comité Européen de Normalisation (CEN) standard, electronic toll collection systems in North America are based on proprietary protocols in the 915 MHz band. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for real-time vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication.

Convergence on the ITS market

The product and customer segments of the ITS market are increasingly merging.

A common thread among all these market drivers and technologies is a convergence on the ITS market. Kapsch TrafficCom has realized that product and customer segments are becoming increasingly interconnected in view of future solutions and is convinced that applications, platforms and technologies will finally converge. In the view of Kapsch TrafficCom, the future lies in the interaction between vehicles (vehicle-to-vehicle; V2V) and vehicle to infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X. The driving forces in this convergence are governments and the automotive industry.

2 Economic situation of the group.

2.1 Business development

In fiscal year 2013/14, the Kapsch TrafficCom Group achieved a revenue of EUR 487.0 million, a slight decline of 0.4 % compared with the previous year. The segment of Services, System Extensions, Component Sales (SEC) accounted for 68.1 % of the revenue as the recurring portion of the business. The segment Road Solution Projects (RSP), which represents the project business, contributed a slightly higher share of revenue than in the previous year at 27.1 %.

In addition to existing major projects in Belarus, France and the U.S.A. that shaped the 2013/14 fiscal year, the following new projects were acquired and project progress made:

The fiscal year was marked by considerable project progress and new projects, including in the new ITS areas.

- On 18 June 2013, Kapsch TrafficCom received a five-year order from Canadian Tolling Company International Inc. (Cantoll). Kapsch TrafficCom will deliver the next generation of the TDMA V6 interior transponder – a special on-board unit – for highway 407 ETR in the metropolitan region of Toronto in the Canadian province of Ontario.
- On 20 June 2013, Kapsch TrafficCom was awarded an order for the implementation and operation of the new VMS system (variable message signs) in Chile. The order amounts to roughly EUR 0.7 million. The world's largest underground copper mine is located south of the capital, Santiago de Chile. More than 10,000 miners are brought to the mine under strict safety requirements on 500 buses via the only access road to the mine. While the buses are on the road, no trucks loaded with copper ore or other vehicles are permitted to drive there. The VMS system will in future ensure greater efficiency and safety here. The solution conceived by Kapsch TrafficCom can be easily integrated into a central traffic control system, which is planned for the second expansion phase.
- The electronic toll system installed by Kapsch TrafficCom in Belarus went into technical operation on 1 July 2013. Electronic toll collection and, with it, commercial operation followed on 1 August 2013, replacing the previously used manual system – in phase 1 on 815 km and since 1 January 2014 in phase 2a on an additional 118 km.
- In August 2013, Kapsch TrafficCom delivered and installed weigh-in-motion systems at four stations on two highways in Kazakhstan. The weigh-in-motion solution developed by Kapsch allows the weighing of vehicles even while traveling at full speed.
- OOO Kapsch TrafficCom Russia, the Russian subsidiary of Kapsch TrafficCom AG, has worked on four new projects in Russia since September 2013. For example the company delivered the access system for the traffic areas with restricted access at the Winter Olympics in Sochi. Additionally, also in September, two weigh-in-motion stations were installed on the Kasan–Samara trunk road connection. Two other projects encompass the delivery of 30,000 on-board units (OBUs) to the Russian road operator "Glavnaya Doroga" as well as 3,000 on-board units for the operator OOO United Toll Systems (OSSP).
- In October 2013, Kapsch TrafficCom took over the maintenance and development of the toll software for the Golden Gate Bridge in San Francisco, California. The contract with the Golden Gate Bridge, Highway and Transportation District, has a term of two years and covers the maintenance of the entire software for all toll lanes.
- In December 2013, Kapsch TrafficCom signed a framework agreement concerning the first-time delivery of on-board units to Norway for electronic toll collection by AutoPASS.
- On 19 December 2013, Kapsch TrafficCom was awarded an order for two electronic toll systems in Australia. Kapsch TrafficCom will be supplying multi-lane free-flow toll solutions (MLFF) for the Eastern Distributor toll road in Sydney and for the Legacy Way toll road in Brisbane. The MLFF single-gantry solution, which will be used in both projects, integrates the unique, stereoscopic vehicle detection and classification technology, identification of front and rear license plates and 5.8 GHz CEN DSRC communication with the on-board unit. The technology of Kapsch TrafficCom achieves a higher accuracy and makes it possible to improve safety and reduce traffic jams during heavy traffic conditions such as stop-and-go situations.

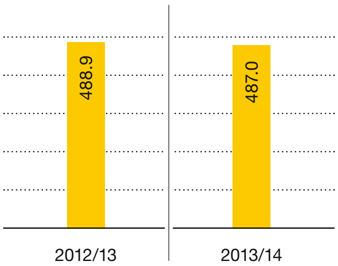
▸ On 18 February 2014, Kapsch TrafficCom received an order from North Tarrant Express (NTE) Mobility Partners Segments 3 LLC in Texas to deliver the toll collection, intelligent transportation and network communication systems for the NTE expansion project. The NTE expansion extends over roughly ten miles (16 kilometers) north of the city of Fort Worth. Kapsch TrafficCom will deliver ten electronic toll zones – including dynamic signage systems and road sensors that provide the data required for dynamic toll collection based on current traffic volumes. The order value amounts to USD 26 million (roughly EUR 19 million), and the first of two sections should go into operation in April 2016.

The following changes and events took place in the 2013/14 fiscal year:

On 16 January 2014, Kapsch TrafficCom acquired Transdyn, Inc., an accredited manufacturer of modern traffic management software and systems on the US market and maker of the impressive advanced traffic management software DYNAC ATMS®. The purchase price was USD 16 million (roughly EUR 12 million). Kapsch TrafficCom is now positioned to offer one of the broadest portfolios of intelligent transportation solutions to complete our product range in delivering electronic solutions to our customers. This contains ITS and advanced traffic management solutions to highway, bridge and tunnel authorities.

2.2 Earnings situation

Stable revenue development
(in million EUR)



The revenues of the Kapsch TrafficCom Group reached EUR 487.0 million in the 2013/14 fiscal year, which is 0.4 % below the previous year's value of EUR 488.9 million. The segment Services, System Extensions, Components Sales (SEC) experienced a decline in revenue, while the segments Road Solution Projects (RSP) and Others (OTH) increased their revenue.

The operating result (EBIT) of the Kapsch TrafficCom Group was EUR 20.3 million, which exceeds the previous year's EBIT by 22.9 % (EUR 16.5 million). The EBIT margin was 4.2 % (previous year: 3.1 %).

Revenues and operating result (EBIT) by segment

The segment reporting of the Kapsch TrafficCom Group is broken down into the three segments Road Solution Projects (RSP), Services, System Extensions, Components Sales (SEC) and Others (OTH).

Road Solution Projects (RSP). This segment consists of system implementation projects. Generally, such systems are awarded in tender processes by public authorities or private sector concessionaires. They may concern individual road sections or nationwide road networks.

The segment RSP encompasses the one-time effects from the realization of projects. The project nature of this segment results in fluctuations in revenues, cost of materials and other production services, staff costs as well as other operating expenses and – in certain projects – also in project financing costs. Revenues and operating results differ significantly from period to period depending on whether individual projects are in the preparation, commencement or subsequent implementation phase.

In fiscal year 2013/14, revenue increased by 2.9 % to EUR 132.0 million (previous year: EUR 128.3 million). The largest single contribution to income in this segment during the period under report came from the implementation project in Belarus. In the past fiscal year, phases 1 and 2a were completed, with toll collection going into operation on 933 km of highways. The completion of construction works for phase 2b with a length of 241 km is planned for August 2014. The GNSS (Global Navigation Satellite System) project in France also exhibited a revenue increase over the previous year, despite the ongoing negotiations between the customer and the general contractor concerning the final start date. In the managed lane system project in Texas, U.S.A., the first (5 toll stations) of five total sections (23 toll stations) was successfully put into operation on 13 December 2013. The implementation of traffic management was also begun in this project, which also contributed an

The installation projects and cost savings enabled improved revenue and EBIT in the segment RSP.

increase in revenue alongside the continued project progress. A higher revenue contribution compared to the previous year was also realized in the M5 South Western Motorway project in Sydney, Australia, which is very close to completion.

The EBIT of the segment RSP was EUR -34.6 million (previous year: EUR -51.7 million). Despite the postponement of phase 2b to the next fiscal year, the installation project in Belarus supplied the largest revenue contribution, while the delayed commissioning of the French GNSS project resulted in cost increases. The contractually agreed expansion of the order volume and the integration of the former supplier Transdyn, Inc. brought about an additional positive contribution in the managed lane system project in the U.S.A. and created new value for the company. Overall, however, the expenditures for development and preparatory work for potential tenders as well as expenditures for ongoing tenders attributed to this segment, especially in the Eastern European and Asian regions, could not be fully covered.

Services, System Extensions, Components Sales (SEC). After the implementation, Kapsch TrafficCom typically takes over the technical operation of a system, including the maintenance. This segment is also responsible for supplying supplemental components, such as on-board units and transponders, transceivers, readers or cameras, for the extension and adaptation of existing systems or for upgrading manual systems to automatic or electronic toll collection. Since 2005, Kapsch TrafficCom also offers the commercial operation of systems. Kapsch TrafficCom reports all business activities aimed at continuous revenue streams in this segment.

The segment SEC encompasses the recurring part of the business. The activities in this segment are characterized by relatively stable revenue streams over a certain period since these services are provided mainly based on medium- or long-term service contracts and framework agreements.

The revenue and EBIT of the segment SEC were weighed down heavily by the project in South Africa during the fiscal year.

In fiscal year 2013/14, revenue decreased by 3.1 % to EUR 331.8 million (previous year: EUR 342.3 million). The operation project in Poland and the ongoing expansions of this toll system by an additional 473 km of highways and expressways supplied a major revenue contribution. Additional revenue was also contributed by the technical and commercial operation project in Belarus, which went into operation as of the second quarter of the fiscal year. The technical and commercial operation of the nationwide system in the Czech Republic, the technical operation including maintenance of the nationwide system in Austria and the expansions and technical maintenance in Switzerland continued to provide stable revenue. In comparison with the previous year, the system in Gauteng province, South Africa, contributed significantly lower revenue, despite going into operation in December.

The number of on-board units sold was nearly at the same level as the previous year at 9.2 million units (previous year: 9.3 million units). The initial deliveries for the nationwide electronic toll system in Belarus took place in the past fiscal year. In addition to the first sales in Russia, the number of units sold increased in the countries of Spain, Portugal and Chile, among others. Lower sales numbers were experienced in North America, Turkey, Australia and Thailand.

The EBIT of the segment SEC was EUR 53.8 million (previous year: EUR 67.3 million), putting the EBIT margin at 16.2 % (previous year: 19.7 %). The earnings were supported by the stable contributions from the nationwide technical and commercial operation project in the Czech Republic, the technical operation including maintenance of the nationwide system in Austria, the technical and commercial operation project and ongoing expansions in Poland as well as, for the first time in this fiscal year, the technical and commercial operation project in Belarus. The commercial operation of the project in the South African province of Gauteng also began on 3 December 2013. However, differences of perspective in connection with the reimbursement of costs for maintaining operational readiness of the system until December 2013 significantly weighed down the result in this fiscal year.

Others (OTH). The segment Others includes the non-core business activities that are conducted by the subsidiary Kapsch Components GmbH & Co KG. These consist of engineering solutions, electronic manufacturing and logistics services rendered to affiliated entities and third parties.

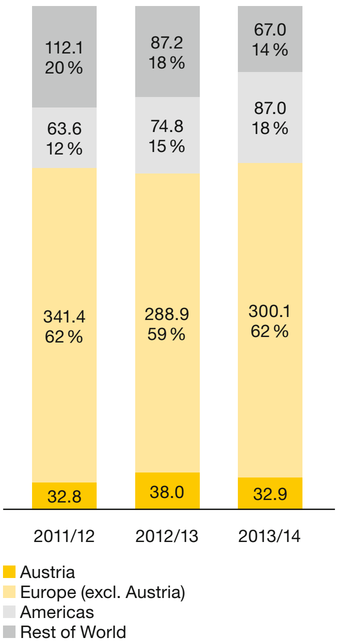
Revenue and EBIT of the segment OTH increased.

In fiscal year 2013/14, revenue increased by EUR 26.2 % to EUR 23.1 million (previous year: EUR 18.3 million). This increase can be attributed largely to the production and deliveries for the GSM-R projects of Kapsch CarrierCom. Furthermore, the revenues of Transdyn, Inc., U.S.A., acquired in January 2014, that are not relevant to the ETC and ITS business are also allocated to this segment. Transdyn, Inc. offers solutions, systems and services for operational monitoring of public transportation and environmental infrastructure. These solutions are utilized in the operation of subway and railway networks as well as water treatment plants. The revenue in the segment OTH amounted to 4.6 % of total revenue in the 2013/14 fiscal year (previous year: 3.7 %).

The EBIT of the segment OTH was EUR 1.1 million (previous year: EUR 0.9 million). This placed the EBIT margin at 4.7 % (previous year: 5.1 %).

Revenues by segment		**2011/12**		**2012/13 (adjusted)**		**+/-**	**2013/14**	
Road Solution Projects (RSP)								
Revenues (share of total revenues)	in million EUR	229.9	(42 %)	128.3	(26 %)	3 %	132.0	(27 %)
EBIT	in million EUR	4.1	(1.8 %)	-51.7	(-40.3 %)	33 %	-34.6	(-26.2 %)
Services, System Extensions, Components Sales (SEC)								
Revenues (share of total revenues)	in million EUR	308.1	(56 %)	342.3	(70 %)	-3 %	331.8	(68 %)
EBIT	in million EUR	37.3	(12.1 %)	67.3	(19.7 %)	-20 %	53.8	(16.2 %)
Others (OTH)								
Revenues (share of total revenues)	in million EUR	12.0	(2 %)	18.3	(4 %)	27 %	23.1	(5 %)
EBIT	in million EUR	0.8	(6.5 %)	0.9	(5.1 %)	16 %	1.1	(4.7 %)

Revenues by region
(in million EUR)



Revenues by region

The region of Europe once again had the largest share in total revenue in fiscal year 2013/14 at 61.6 %. The increase by EUR 11.2 million (3.9 %) can be attributed primarily to the increased revenues in France and Belarus. Sales in the Americas increased by EUR 12.2 million (16.2 %). This is due largely to the project progress in the implementation of the managed lane system in Texas as well as the higher revenues in the operations project and increased on-board unit sales in Chile. Sales in the rest of the world fell by EUR 20.1 million (-23.1 %). Factors influencing this decline include the lower revenue in South Africa, decreased revenue in the implementation projects in Australia and the weaker on-board unit sales in Thailand, Australia and Turkey. In Austria, revenue declined by EUR 5.2 million (-13.6 %) compared with the previous year, due primarily to fewer expansions and component sales as well as the granting of a rebate in kind.

Main positions of the consolidated statement of comprehensive income

The cost of material and other production services declined by EUR 29.6 million to EUR 228.0 million (previous year: EUR 257.6 million). Compared with the previous year, the share of costs for materials and other production services with respect to sales revenue fell from from 52.7 % to 46.8 %.

The effects of the standardization of standards, processes and interfaces were felt in the area of staff costs as well.

Staff costs increased by EUR 8.9 million to EUR 139.2 million (previous year: EUR 130.3 million). At the same time, the average number of employees grew by 375 persons, changing from 2,796 to 3,171 in the reporting period. Compared with the previous year, the staff cost ratio (staff costs in relation to total revenue) increased from 26.7 % to 28.6 %. The change in the organizational structure implemented in the previous year with the goal of establishing globally uniform standards, processes and interfaces also impacted the area of human resources; cost savings or at worst moderate cost increases were achieved as a result in the parent companies. The increases in comparison with the previous year are primarily attributable to the creation of the operation company in Belarus, the further expansion of the North American companies and the takeover of the US company Transdyn, Inc.

Depreciation and amortization expenses decreased by EUR 1.1 million to EUR 16.6 million (previous year: EUR 17.7 million); this resulted primarily from the reduction in the depreciation of intangible assets.

Other operating expenses rose by EUR 4.4 million to EUR 92.2 million (previous year: EUR 87.8 million). Higher expenses were incurred under the remaining operating expense items as well as under legal and consulting expenses and leasing expenses.

The financial result decreased from EUR 0.2 million to EUR -14.9 million. The main reasons for the decrease in financial income were the sale of the minority shares in the Joint Venture LLC “United Toll Systems”, Russia, and the sale of securities in the comparison period of the previous year. The finance costs experienced an increase in the as yet unrealized foreign exchange losses. In the case of both the foreign currency gains and the foreign currency losses, the changes can be attributed to exchange rate fluctuations that negatively impacted primarily the conversion by the parent company of the group-internal financing measures of the subsidiaries in North America and South Africa as at the key date; however, these can be viewed as unrealized gains/losses.

The profit from joint ventures and associated companies was EUR 0.2 million (previous year: EUR 0.3 million) and resulted from the stake in Simex, Integración de Sistemas, S.A.P.I. de C.V., Mexico.

The profit before taxes decreased by EUR 11.5 million to EUR 5.5 million (previous year: EUR 17.0 million). The increased operating result (EBIT) was not sufficient to compensate for the reduced financial revenue and increased financial expenses compared with the previous year.

The profit before taxes decreased by EUR 14.0 million to EUR 2.9 million (previous year: EUR 16.8 million), making the profit per share EUR -0.33 (previous year: EUR 0.75).

2.3 Assets and liabilities

The balance sheet total decreased slightly by EUR 0.4 million to EUR 566.8 million at the close of the period on 31 March 2014 (31 March 2013: EUR 567.2 million).

The equity fell by EUR 23.6 million to EUR 213.1 million (previous year: EUR 236.7 million). As a result, the equity ratio of the Kapsch TrafficCom Group decreased from 41.7 % on 31 March 2013 to 37.6 % on 31 March 2014.

The largest change in assets concerns the current assets, which declined from EUR 403.1 million in the previous year to EUR 330.5 million at the close of the reporting period. Both the decline in trade receivables and other current assets as well as the decline in inventories can be attributed to the project in Belarus. Non-current assets increased by EUR 72.2 million, largely due to the non-current share of the receivables from the Belarus installation project. In addition, the intangible assets from company mergers and the posting of the previous advance payments for external development of another central system under assets further increased this balance sheet item. On the other hand, the non-current assets were negatively impacted by the decline in other non-current financial assets and investments due primarily to the change in the fair value of the investment in Q-Free ASA, Norway.

The largest changes in the liabilities occurred in the area of current liabilities. These increased by EUR 17.7 million to EUR 206.3 million at the close of the reporting period on 31 March 2014 (31 March 2013: EUR 188.7 million). The most significant change under this item occurred in the current financial liabilities, which rose largely as a result of the financing for the installation of the nationwide electronic toll collection system in Belarus as well as the acquisition of the US company Transdyn, Inc.

2.4 Financial position

The net cash flow from operating activities amounted to EUR -10.9 million (previous year: EUR 67.2 million). This development can be attributed primarily to the increase in other non-current assets and the decrease in trade payables and other current liabilities. The higher operating result (EBIT) and the increases in trade receivables, other assets and inventories were not able to compensate for this.

The net cash flow from investment activities amounted to EUR -27.3 million (previous year: EUR -10.0 million) and was characterized during fiscal year 2013/14 primarily by payments for the purchase of Transdyn, Inc., U.S.A., the intangible assets in connection with this acquisition, the creation of the Belorussian company and the ongoing replacement investments in North America and Austria.

The net cash flow from financing activities was EUR 20.5 million (previous year: EUR -22.5 million). In contrast to the previous year, this figure was positive due to the increase in current and non-current financial liabilities in particular from project financing, which compensated for the dividends paid out.

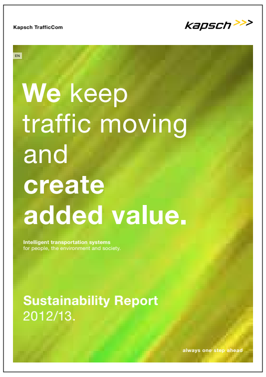
Cash and cash equivalents decreased as a result to EUR 57.7 million on 31 March 2014 (31 March 2013: EUR 79.0 million).

2.5 Non-financial performance indicators

Sustainability management

Kapsch TrafficCom sees itself as particularly committed to the central aspects of sustainability not least due to the business model of the company. The focus lies on achieving the efficient and sparing use of resources of all kinds, securing our profitability and innovative strength and ensuring equal opportunities and fairness with respect to all relevant interest groups. Securing the long-term stability of the company in consideration of all economic, environmental and social perspectives is our overarching goal.

Consistent sustainability orientation. Kapsch TrafficCom understands sustainability as a continuous process. In recent years, we have begun systematizing all the related agendas. One important milestone was reached with the publishing of the second sustainability report in late autumn of 2013, which is available at www.kapsch.net/ktc/investor_relations.



iKapsch capture

Experience the multi-media world of Kapsch.

The sustainability report satisfies the requirements of the Global Reporting Initiative, GRI Guideline G3.1 (Application Level C). It also serves as a progress report for the United Nations Global Compact, which defines ten principles for protecting human rights and labor standards as well as environmental protection and fighting corruption.

The report provides comprehensive information about the central fields of action, which are summarized below. Due to the broad nature of the topics, some are addressed in other sections of this annual report. Figures for success measurement as well as goals for the following period have been defined for each field of action. All such agendas are coordinated by a sustainability officer and reported to the executive board.

- ▸ Sustainably safeguarding the business success
- ▸ Innovative products with added value for the environment and society
- ▸ Transportation systems fit for the future
- ▸ Protecting the environment and resources
- ▸ Ensuring the necessary team competence
- ▸ Social responsibility

Innovative products with added value for the environment and society

An impressive 11 % of the total revenue is invested in research and development.

The innovative products and solutions for intelligent transportation systems from Kapsch TrafficCom make valuable contributions to climate protection. They allow road users to reach their destinations quickly, efficiently and with low environmental impact. In order that these ambitions can be realized as well as possible in the future, Kapsch TrafficCom invests heavily in research and development – in fiscal year 2013/14, the company spent roughly 11 % (previous year: approximately 12 %) of the total revenue in this area.

Comprehensive guidelines were created to ensure that environmental, economic, social, health and safety aspects are ideally taken into account in a structured fashion in the design of products. The contents of these guidelines must be integrated into the specifications and project invitations to tender. In fiscal year 2012/13, already 91.31 % of all products fulfilled these requirements.

Quality. Safeguarding the high standard of quality, safety and robust processes is a high priority in all units of the company. Kapsch TrafficCom AG defines its processes in an integrated HSSEQ management system (Health, Safety, Security, Environment, Quality). This system is based on certifications according to ISO 9001 Quality Management (since 2002) as well as OHSAS 18001 Occupational Health and Safety Management and ISO 14001 Environmental Management (since 2005). Kapsch TrafficCom has anchored the necessary measures for ensuring the associated standards into its internal processes and continuously monitors compliance. The certificate according to ISO 27001 defines the required information security management. A high service quality is ensured in the area of technical operation with ISO 20000 for IT service management. The HSSEQ Circle meets once per quarter to discuss the status of the goals and measures from the areas of health and safety, quality, the environment and information security and to optimize work processes and information sharing. These aspects are documented in a quarterly report to the executive board and the first management level.

Transportation systems fit for the future

The reliability of the systems is measured based on the toll transaction rate.

Reliability and accuracy of installed systems. The toll transaction rate is a figure for assessing the accuracy and reliability of a toll collection system. It indicates the number of successful transactions in relation to all potential toll transactions of vehicles equipped with a functioning on-board unit. A high toll transaction rate translates to high toll income.

The average toll transaction rate of the existing truck toll collection system in Austria was at approximately 99.83 % in 2013 (2012: (99.80 %), the average transaction rate of the nationwide electronic toll collection system in the Czech Republic was approximately 99.6 % (2012: (99.6 %). Thus, both were reaching the high level of the previous year. The calculation of the average transaction rate is based on methods agreed upon with the respective customer, meaning that comparisons between the average transaction rates achieved in different projects are only possible on a limited basis.

Protecting the environment and resources

Environmental impact should be reduced through energy efficiency and waste reduction.

Our business activities are associated with the consumption of raw materials and the emission of climate-relevant emissions. Kapsch TrafficCom works intensively on minimizing these impacts. The majority of the climate-relevant effects result from the business activities of the subsidiary Kapsch Components, which is responsible for production as well as the fleet of the entire Group. Through measures to increase energy efficiency, but also influenced by a lower production volume, Kapsch Components was able to reduce its energy consumption by more than 5 % in fiscal year 2012/13. While a reduction of CO2 emissions was not possible due to the expansion-related increase in the fleet size, the nitrogen consumption per ton of product was reduced by 17.3 % and the waste volume by 20.3 %. Paper consumption was also lowered by over one-third.

Ensuring the necessary team competence

More than half of all employees work outside of Europe for Kapsch TrafficCom.

Staff. The average number of employees in the Kapsch TrafficCom Group in fiscal year 2013/14 was 3,171, which is 13 % higher than the average of 2,796 in fiscal year 2012/13. As of 31 March 2014, the group had a workforce of 3,308 (3,120 salaried and 188 non-salaried employees), of which more than half were located outside of Europe – roughly 1,200 employees in South Africa only.

Training and education. Kapsch TrafficCom places great importance on the continued training and education of its employees. This involves not only promoting professional education but also providing seminars and workshops for developing personal and teamwork skills. In addition, training sessions tailored to the particular needs of employees are offered within the framework of the Kapsch Academy. A job rotation program promotes the international exchange of staff between the various locations, and select employees are prepared for their future tasks in a management trainee program.

Pension fund. Kapsch TrafficCom makes contributions to an external pension fund for employees of group companies in Austria under a defined contribution scheme. The amounts of the payments are based on the individual employee's income and the operating profit margin of the company.

Profit participation. Kapsch TrafficCom is aware of the employees' contribution to its success and acknowledges this through a profit participation plan. The Kapsch TrafficCom Group rewards the commitment of its employees by distributing to them up to 5 % of the group profit before income taxes. Country-specific upper limits have been established to ensure that the distribution reflects local purchasing power. Every employee receives a share, which is independent of the person's salary or wage and limited to EUR 1,500 per employee.

Promoting opportunities for women is an active goal both in the company and within the scope of special programs.

Advancement of women. Kapsch TrafficCom is committed to promoting the advancement of women in the workplace. Women are supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, Kapsch TrafficCom cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. The company also promotes women in the workforce through participation in specific programs such as *"FIT Frauen in die Technik"* or "FemTech". A committee for non-discrimination has been established within the Kapsch TrafficCom Group.

Social responsibility

The framework. Alongside statutory requirements and internal guidelines, the code of conduct of the Kapsch Group defines binding principles for ethically, morally and legally correct behavior that apply to all corporate units – and therefore all employees of Kapsch TrafficCom. The code of conduct can be found on the website www.kapsch.net.

Additionally, within the scope of internal risk management, all business units over which Kapsch TrafficCom AG has primary influence are audited with regard to their corruption risks, and the employees of the first and second management levels are trained in anti-corruption policy and anti-corruption processes.

Social responsibility begins with ethically, morally and legally correct actions.

In accordance with the company values, the Kapsch TrafficCom Group accepts social responsibility that extends even beyond its scope of operation.

Educational institutions. Technical educational institutions are very important to Kapsch as a technology- and innovation-oriented group. The company is therefore interested in establishing contact as early as possible with students as well as graduates of technical education programs. Alongside the Vienna University of Technology and the UAS Technikum Wien, the Kapsch Group has also subsidized the *“Universitäre Gründerservice Wien GmbH”* since 2005. This organization aids young entrepreneurs in transforming ideas into sound business concepts.

Development support. One example of the many social projects supported in Austria and abroad is the institute *“Cooperation bei Entwicklungs-Projekten”* (ICEP, English: Cooperation in Development Projects). The goal of this organization is to fight poverty around the world through projects with dependable local partners in many countries. In addition, Kapsch TrafficCom provides funding to projects that promote the integration of marginalized groups through targeted measures, thereby contributing to social justice, positive social development and long-term safety and security.

Support of art and cultural institutions. The entire Kapsch Group – headed by Kapsch AG – supports many contemporary art and cultural institutions and projects and even initiates its own projects in this sector.

The Kapsch Group has participated in a general partnership with the Vienna Concert Hall *(Wiener Konzerthaus)* since 1992 under the motto of “It is an art to make money. It is an obligation to spend money on art.” The Vienna Concert Hall offers plenty of space for all culture of high quality. Unusual programs regularly interest new segments of the public without alienating long-term friends of the Concert Hall. The festival *“Wien modern”* – one of the most famous contemporary music festivals in the world has been supported since 1989.

In the area of visual arts, Kapsch is particularly interested in supporting artists who are still in need of wider recognition. Consideration is therefore given to young artists from Austria and abroad with sponsorship campaigns. The showcase project in this area is the art calendar that the Kapsch Group has published since 1994 and presents annually in late autumn to great fanfare.

2.6 Risk management

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG, focusing on project risk management and enterprise risk management (ERM).

Risk management entails the analysis of risks and opportunities.

Project risk management analyzes, beginning in the bid phase of customer projects in institutionalized processes, all relevant opportunities and risks pertaining to the group's projects, thereby providing the basis for the timely planning and implementation of risk-mitigating activities.

The enterprise risk management (ERM) analyzes not only the risks of key customer projects but also strategic, technological, organizational, financial, legal and IT risks, and reports them to the executive board, the audit committee of the supervisory board and the first management level on a semi-annual basis. The goal of the ERM approach is early identification, analysis and control of all risks which might influence strategic and operational objectives of the company. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the management of the company.

The material risks faced by the Kapsch TrafficCom 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 is generated in the segment Road Solution Projects (RSP). In this segment, the group regularly participates in tenders for the implementation and operation of large electronic toll collection systems as well as for the collection of tolls on specific road sections. On the one hand, there is a risk that tenders in which the group participates or plans to participate could be delayed or withdrawn, for instance as a result of political changes, appeals or legal actions by unsuccessful bidders. On the other hand, a risk exists that Kapsch TrafficCom may not win its bids for new projects due to technological, financial, formal or other reasons. Recurring revenues from the technical and commercial operation of systems also depend on the successful participation in tenders for systems.

High volatility in project orders creates risks and opportunities.

In the past, the revenues of the Kapsch TrafficCom Group have been heavily influenced by the realization of implementation projects in the given fiscal year. In particular, significantly higher revenues were recorded in 2003 (implementation of a nationwide electronic truck toll collection system in Austria), 2006/07 (implementation of a nationwide electronic truck toll collection system in the Czech Republic), 2010/11 (implementation of an electronic toll collection system in the South African province of Gauteng) and 2011/12 (implementation of a nationwide electronic truck toll collection system in Poland). In fiscal year 2012/13 as well as 2013/14 sizeable revenues were generated from the implementation of a nationwide electronic truck toll collection system in Belarus.

The strategy of the Kapsch TrafficCom Group is aimed, among other things, at reducing this volatility of revenues through increased geographic diversification and increased diversification of the customer base and product portfolio as well as sustained growth in the share of technical and commercial system operation in total revenues in the interest of strengthening the segment Services, System Extensions, Components Sales (SEC).

Technical challenges and tight schedules produce typical project risks.

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom Group is usually contractually obligated to provide performance guarantees. Since electronic toll collection systems and other intelligent transportation systems are frequently sophisticated and technologically complex systems that must be implemented within a short timeframe, system and product defects or missed deadlines may occur due to the limited time available. Unexpected project modifications, lack of qualified personnel, quality defects, unexpected technical problems as well as performance problems of suppliers or consortium members may also have a negative impact on project schedules. The failure to meet guaranteed performance levels or deadlines in some cases results in penalties and/or compensation for damages, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses that enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve guaranteed performance levels or failure to implement a project in time would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom Group cannot execute projects in line within the set cost budgets.

Kapsch TrafficCom Group employs risk management methods and project risk management procedures based on IPMA (International Project Management Association) standards 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 toll collection projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to the Kapsch TrafficCom Group. Some long-term contracts include challenging requirements with regard to the performance of the implemented systems, components and processes. These requirements can, if they are not achieved, result in significant penalties, damages or even contract termination. On the other hand, some contracts include substantial bonus payments for over-fulfillment of performance requirements. In the case of long-term contracts, the margins earned can also differ from the original estimates due to changes in costs.

Liabilities arising from contracts concluded by the Kapsch TrafficCom Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While the 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

Continuous innovation is essential for maintaining and improving the global market position.

Capacity for innovation. The strong 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. Kapsch TrafficCom is committed to a permanent and integrated innovation process. In order to maintain its already strong position in technology, the Kapsch TrafficCom Group invests a considerable portion of its revenues in research and development activities. However, if the group does not succeed in developing new systems, components and products, this can be detrimental to its competitive position.

Since its capacity for innovation is based largely on technology, internal know-how and intellectual property, the global increase in product piracy and reverse engineering may have negative effects on the group. In addition, any failures in protecting these technologies may have a negative impact on the group's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties. The Kapsch TrafficCom Group places great importance on the protection of technologies and the company's internal know-how, e.g. through patents and non-disclosure agreements with other parties.

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 select acquisitions and joint ventures. In the implementation of this strategy, the group has acquired and integrated companies around the world. However, a number of challenges remain in connection with this growth strategy in order to realize the desired synergies and objectives.

Political risks must be monitored in global activities.

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

Financial risks

Financial risks arise from exchange rate fluctuations, interest and credit risks as well as maintaining liquidity.

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

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

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

In financing agreements, the Kapsch TrafficCom Group is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of the Kapsch TrafficCom Group and the results of operations. A lack of liquid assets (even if the group is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of the Kapsch TrafficCom Group and the results of operations.

Liquidity risk is managed by ongoing, company-wide financial and cash planning. Potential liquidity shortages can thus be identified and mitigated.

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

Personnel risks

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

Kapsch TrafficCom Group has implemented a number of measures to counteract personnel risks, such as incentive schemes and employee development opportunities.

Legal risks

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

With the expansion into new regions and new ITS business areas, the risk of patent infringement or the violation of property rights increases. Kapsch TrafficCom has implemented active intellectual property (IP) management as a separate function. In order to avoid legal actions and court proceedings, the Kapsch TrafficCom Group monitors potential intellectual property rights infringements continuously as well as prior to entry into new markets or regions.

IT risks

IT risks are monitored and minimized by means of standards and certifications.

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 collection systems.

Opportunities

The enterprise risk management approach of Kapsch TrafficCom AG not only addresses risks but also encompasses the regular identification, evaluation and management of opportunities. The goal of these efforts is to manage the strategic orientation of the product portfolio and market activities through the early identification of opportunities and to develop corresponding potential.

Market opportunities arise from the increasing need for infrastructure project financing and growth in the demand for traffic control.

Market opportunities exist in geographic diversification as well as increasing expansion of the customer and product portfolio, driven in part by the following factors:

Due to the increasing financing requirements of infrastructure projects and the growing need to relieve state budgets, there exists an opportunity to develop new markets, especially in emerging and developing countries, as well as an opportunity to expand our activities into already developed markets.

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of traffic management because measures such as toll collection, road pricing and the establishment of environmental zones or access restrictions are increasingly being employed as controlling instruments of environmental and traffic policy. In both the ETC and ITS segments, this is creating opportunities to further develop and market the portfolio according to the new requirements.

The drive to increase the productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up new opportunities for expanding the functionality of existing systems. Opportunities also exist to obtain new customers outside of the public sector, such as in the area of fleet management.

Other opportunities. Constant innovation and technical advancements create opportunities for the Kapsch TrafficCom Group to improve the efficiency and performance of customer systems as well as to gain a technological edge over competitors with regard to the performance and functionality of the offered systems.

Summary assessment of the risk situation

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

2.7 Internal Control System (ICS) in regard to the finance process

Kapsch TrafficCom AG began analyzing and documenting its existing internal processes for financial reporting on an ongoing basis in fiscal year 2009/10. The results obtained so far have been presented at the quarterly meetings of the audit committee for assessment and discussion. The internal audit department ensures by audits of the subsidiaries of Kapsch TrafficCom AG that a reliable and functioning control system is implemented.

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

Internal control systems ensure reliable and functional processes in the most important business activities.

The central elements of the ICS process include regular verification of compliance with the principle of dual control and the segregation of duties as well as 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 Framework of the Committee of Sponsoring Organizations of the Treadway Commission).

The accounting for all group transactions is handled by a variety of software solutions. In a number of countries, the accounting has been outsourced to locally-based tax accountants due to the size of the subsidiaries. Companies submit reporting packages to the head office on a quarterly basis which contain all accounting data pertaining to the statement of comprehensive income, balance sheet and cash flow statement. The data is then transferred into the central consolidation system (Hyperion Financial Management). This financial information is verified on a 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 executive board during regular meetings by way of consolidated presentations consisting of segment reporting, earnings development analyses with comparisons of current figures to figures from the budget and the previous period, forecasts, group financial statements and developments in the number of employees and order inflow as well as select financial figures.

Internal control systems are locally implemented and centrally monitored.

In keeping with the decentralized structure of the Kapsch TrafficCom Group, local management is responsible for the implementation and monitoring of the internal control system. The managing directors of the individual subsidiaries are responsible for establishing and designing internal control and risk management processes that meet the needs of the given company in view of accounting procedures, as well as for ensuring compliance with the groupwide rules and guidelines in this respect. In order to assist the local management of the subsidiaries, the function of an ICS manager was established within the finance department of Kapsch TrafficCom AG. The duty of this function is to standardize and continously improve the ICS within the Kapsch TafficCom Group, to monitor the compliance and effectiveness of the controls and the improvement of found weaknesses and to report periodically to the audit committee of the supervisory board.

The control systems were standardized at the group level in fiscal year 2013/14.

A group-wide initiative for uniform documentation of all controlling measures for achieving key controlling goals was undertaken in fiscal year 2013/14. The standardized tracking enables improved control of measures to increase the efficiency of the internal control system and serves as the basis for future audits of the performance of local internal control systems.

2.8 Research and development

The Kapsch TrafficCom Group has an international network of research and development centers in Vienna and Klagenfurt (Austria), Jonkoping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Mississauga (Canada), Kingston (U.S.), Cape Town (South Africa) and as new company acquisition Transdyn, Inc., in Duluth (U.S.). As of 31 March 2013, the Kapsch TrafficCom Group employed 517 engineers in its research and development activities.

Research and development (R&D) has a high priority for the Kapsch TrafficCom Group in pursuing its strategic goals. The knowledge of new technologies based on national and international standards and the ability to implement it efficiently is essential for successful business.

During the last fiscal year one cost-intensive program of R&D was the implementation of a scalable, standardized and high-performance Back-Office-Solution that integrates all major back office tolling concepts from registration and enforcement until issuing on-board units within one common software platform. Also the new European Electronic Toll Service (EETS) standard and related business process are part of the new platform which enables interoperability of electronic toll systems. The aim is to apply this platform concept in all global customer projects generating a high reusability of basic components and ensuring lower maintenance effort during operation.

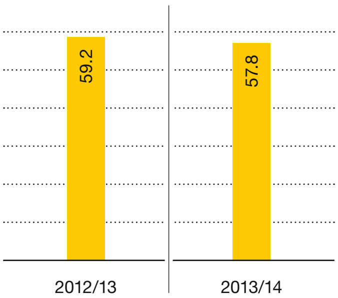
More than 470 employees work on the solutions of tomorrow at nine research and development centers.

Further major R&D activities were continuing prototyping of future Intelligent Transport Systems (ITS) solutions and participation in standardization activities for the European ITS-G5 and the U.S. WAVE technology regarding V2X communication (vehicle-to-vehicle, vehicle-to-infrastructure). Pilot and demonstration projects like "Testfeld Telematik" in Austria and I-94 Truck Parking in US were successfully finalized. Participation in the first pre-deployment project European Corridor for co-operative ITS started recently. The project prepares first pre-commercial end-to-end system deployment in the European Corridor connecting Netherlands, Germany and Austria providing C-ITS services based on V2X technology. The new developed scalable V2X in-vehicle platform enabled cooperation projects with OEMs and Tier-1s providing them customized ITS G5 and WAVE solutions. The research in the field of vehicle registration and vehicle classification led to the development of new video and sensor technologies with outstanding performance. The product portfolio has also been extended by 915 MHz RFID solutions.

One important initiative includes development of a new vehicle detection and classification sensor based on stereoscopic camera technology. This was an enabler in going from double to single gantry installations for the electronic toll collection (ETC) market. Additional improvements are more flexibility and highly reduced installation and maintenance cost. The first instance of this single gantry technology was installed on the M5 Motorway, Sydney, Australia which was opened for traffic during 2013.

In the GNSS (Global Navigation Satellite Systems) area focus has been on development of a GNSS solution for truck tolling in France. This development of a GNSS transponder based solution including adaptions for the French market enables Kapsch TrafficCom to deliver the first GNSS based ETC system with ITS functionality. North American R&D activities included a number of component and system development projects. The largest product development was for the Road Side Equipment (RSE), specifically the launch of a single protocol reader, the factory acceptance test and ongoing enhancement of the Multiprotocol Reader 2 (MPR2). In addition there was project funded work on the ruggedized MPR reader specifically for the project in Texas. In terms of on-board devices, OBUs, the most significant product development effort was on the TDMA V6 OBU replacement, TRP-8100, which when qualified will result in guaranteed sales over a period of four years. Other OBU development was related to 5.9 GHz. Development work at the system level was primarily devoted to the North American Roadside and Maintenance On Line Management System enhancements for both general and Mexico applications.

Investment in research and development (in million EUR)



Research costs are basically recognized as expenses. The same applies to development costs, unless the IFRS criteria for classification as intangible assets are met. Since the statement of comprehensive income is structured by expense type, the research and development costs are reported under various income statement items, in particular under the cost of materials and other production services, staff costs and other operating expenses. With the external development of another central system, the advance payments made to date have been allocated to intangible assets.

In fiscal year 2013/14, the Kapsch TrafficCom Group invested approximately EUR 57.8 million in research and development (previous year: EUR 59.2 million), representing approximately 11 % (previous year: approximately 12 %) of total revenues.

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 13.0 million and is fully paid in. It is divided into 13 million no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. As of 31 March 2014, approximately 38.1 % of the shares of Kapsch TrafficCom AG were in free float (including approximately 4,0 % of Schroders plc and its fellow subsidiaries and affiliates). As of 31 March 2014, KAPSCH-Group Beteiligungs GmbH held approximately 61.9 % of the shares. KAPSCH-Group Beteiligungs

GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, whose shares are equally held by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act *(Privatstiftungsgesetz).* As of 31 March 2014, no other shareholder held more than 10 % 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 executive board and the supervisory board.
7. No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
8. There are no agreements between Kapsch TrafficCom AG and members of the executive 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

Kapsch TrafficCom has invested in the future during recent years and prepared its internal structures for the expected market growth. The company is also ready for the changes to arise from increasing ITS convergence. With the adapted strategy, the executive board considers the company's position for the future to be stronger than ever.

Concerted work will continue on existing projects in the 2014/15 fiscal year. The major project in Belarus will be expanded further, and Kapsch TrafficCom also expects expansions to the operation project in Poland. Now that the toll system in South Africa has been in operation since December 2013, the company plans to work with its customer to further improve the revenue from the project. The result of the invitation to tender for the nationwide toll system in Russia is expected soon.

Kapsch TrafficCom also expects that some of the postponed projects as well as others will materialize in the current fiscal year. In parallel to this, the company continues to actively contact potentially interested parties for toll systems, an approach that has already proved successful in Belarus.

2.11 Material events after the balance sheet date

No major events occurred after the balance sheet date.

Vienna, 27 May 2014

Georg Kapsch
Chief Executive Officer

André Laux
Executive Board member

Statement
of all Members of the Executive Board.

Statement of all Members of the Executive 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 faced by the group.

Vienna, 27 May 2014

Georg Kapsch
Chief Executive 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 & Administration, Mergers & Acquisitions, Investor Relations, Compliance, Strategy, Legal Services , International Subsidiaries & Management Systems, Human Resources, Marketing & Communications, Production & Logistics and Sales Region North America
Erwin Toplak (COO) [1)]	Sales Region 1, Business Development Electronic Toll Collection and Research & Development
André Laux (Executive Board Member)	Sales Region 2, Business Development Intelligent Transportation Systems and Delivery & Operations

1 Erwin Toplak left the board as of 31 March 2014

Consolidated Financial Statements
as of 31 March 2014.

Consolidated statement of comprehensive income.

All amounts in EUR	Note	2013/14	2012/13 (adjusted)
Revenues	(1)	**486,966,886**	**488,937,192**
Other operating income	(2)	15,227,104	15,944,925
Changes in finished and unfinished goods and work in progress	(3)	-5,975,736	4,715,407
Other own work capitalized		141,383	280,792
Cost of materials and other production services	(4)	-228,043,730	-257,567,332
Staff costs	(5)	-139,192,569	-130,319,468
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-16,590,897	-17,671,090
Other operating expenses	(7)	-92,255,847	-87,823,624
Operating result		**20,276,594**	**16,496,801**
Finance income	(8)	5,541,619	14,115,415
Finance costs	(8)	-20,488,627	-13,916,175
Financial result	(8)	**-14,947,009**	**199,240**
Results from associates and joint ventures	(14)	158,443	327,203
Result before income taxes		**5,488,028**	**17,023,244**
Income taxes	(9)	-2,631,956	-212,038
Result for the period		**2,856,072**	**16,811,206**
Result attributable to:			
Equity holders of the company		-4,299,498	9,787,032
Minority interests		7,155,570	7,024,174
		2,856,072	**16,811,206**
Earnings per share from the result for the period attributable to the equity holders of the company (in EUR)	(30)	**-0.33**	**0.75**
Other comprehensive income for the period:			
Items that may be reclassified to the result for the period:			
Currency translation differences		-3,947,156	-2,900,791
Currency translation differences from net investments in foreign operations		-643,594	0
Available-for-sale financial assets		-7,814,018	-10,693,827
Income tax relating to items that may be reclassified to the result for the period		52,059	429,995
Total items that may be reclassified to the result for the period		**-12,352,709**	**-13,164,623**
Items that will not be reclassified to the result for the period:			
Actuarial gains/losses according to IAS 19		-464,660	-2,034,252
Income tax relating to items that will not be reclassified to the result for the period		36,794	512,787
Total items that will not be reclassified to the result for the period		**-427,866**	**-1,521,465**
Other comprehensive income for the period net of tax	(10)	**-12,780,575**	**-14,686,089**
Total comprehensive income for the period		**-9,924,503**	**2,125,117**
Total comprehensive income attributable to:			
Equity holders of the company		-15,902,406	-3,757,023
Minority interests		5,977,903	5,882,139
		-9,924,503	**2,125,117**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 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 2014	31 March 2013 (adjusted)
ASSETS			
Non-current assets			
Property, plant and equipment	(12)	23,447,039	24,675,617
Intangible assets	(13)	89,567,390	79,170,076
Interests in associates and joint ventures	(14)	1,596,106	1,694,269
Other non-current financial assets and investments	(15)	28,506,061	38,085,392
Other non-current assets	(16)	71,112,851	941,573
Deferred tax assets	(22)	22,109,558	19,527,167
		236,339,005	**164,094,095**
Current assets			
Inventories	(17)	58,107,757	66,428,176
Trade receivables and other current assets	(18)	209,720,873	253,176,701
Other current financial assets	(15)	4,924,111	4,505,087
Cash and cash equivalents	(19)	57,731,290	79,022,460
		330,484,031	**403,132,425**
Total assets		**566,823,037**	**567,226,520**
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	(20)	13,000,000	13,000,000
Capital reserve		117,508,771	117,508,771
Retained earnings and other reserves		72,291,120	94,079,623
		202,799,891	**224,588,395**
Minority interests		**10,310,208**	**12,114,574**
Total equity		**213,110,099**	**236,702,968**
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	109,494,268	104,371,856
Liabilities from post-employment benefits to employees	(23)	22,152,563	22,601,739
Non-current provisions	(26)	1,302,519	1,370,050
Other non-current liabilities	(24)	3,659,711	1,765,834
Deferred income tax liabilities	(22)	10,777,965	11,751,531
		147,387,027	**141,861,011**
Current liabilities			
Trade payables		67,388,050	80,220,031
Other liabilities and deferred income	(25)	62,809,928	52,520,345
Current tax payables		1,190,660	8,030,529
Current financial liabilities	(21)	46,559,523	19,658,281
Current provisions	(26)	28,377,749	28,233,354
		206,325,911	**188,662,540**
Total liabilities		**353,712,938**	**330,523,551**
Total equity and liabilities		**566,823,037**	**567,226,520**

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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	Other reserves	Consolidated retained earnings		
Carrying amount as of 01 April 2012 (as previously reported)	**13,000,000**	**117,508,771**	**14,681,954**	**97,416,280**	**13,639,537**	**256,246,542**
IAS 19 Adjustment			-2,561,587			-2,561,587
Carrying amount as of 01 April 2012 (adjusted)	**13,000,000**	**117,508,771**	**12,120,367**	**97,416,280**	**13,639,537**	**253,684,955**
Dividend for 2011/12				-11,700,000	-7,407,103	-19,107,103
Result for the period				9,787,032	7,024,174	16,811,206
Other comprehensive income for the period:						
Currency translation differences			-1,758,756		-1,142,035	-2,900,791
Fair value gains/losses on available-for-sale financial assets			-10,263,832			-10,263,832
Actuarial gains/losses according to IAS 19			-1,521,465			-1,521,465
Carrying amount as of 31 March 2013 (adjusted)	**13,000,000**	**117,508,771**	**-1,423,687**	**95,503,311**	**12,114,574**	**236,702,969**
Effects from increase in shares of subsidiaries			-878,482		-692,359	-1,570,840
Effects from deconsolidation of subsidiaries					718	718
Dividend for 2012/13				-5,200,000	-6,898,246	-12,098,246
Result for the period				-4,299,498	7,155,570	2,856,072
Other comprehensive income for the period:						
Currency translation differences			-3,059,801		-1,370,050	-4,429,851
Fair value gains/losses on available-for-sale financial assets			-7,922,858			-7,922,858
Actuarial gains/losses according to IAS 19			-427,866			-427,866
Carrying amount as of 31 March 2014	**13,000,000**	**117,508,771**	**-13,712,693**	**86,003,813**	**10,310,208**	**213,110,099**

Share capital. The total number of shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

Capital reserve. Capital reserve includes those reserves that have not been established from results of prior periods.

Other reserves. Other reserves contain effects of changes in the investment interest held in subsidiaries as well as reserves from other comprehensive income, for example currency translation differences and fair value gains/losses on available-for-sale financial assets after deduction of deferred taxes and actuarial gains/losses according to IAS 19.

Consolidated retained earnings. Retained earnings include the net result for the fiscal year as well as past earnings of the entities included in consolidation, to the extent that these results have not been distributed as dividends.

Minority interests. Minority interests represent the third party shares in the equity of consolidated subsidiaries.

The effects from the increase in shares result from the acquisition of further shares in TMT Services and Supplies (Pty) Ltd., Capetown, South Africa.

Consolidated cash flow statement.

All amounts in EUR	Note	2013/14	2012/13 (adjusted)
Cash flow from operating activities			
Operating result		20,276,594	16,496,801
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	16,590,897	17,671,090
Increase/decrease in obligations for post-employment benefits	(23)	-1,778,223	-137,794
Increase/decrease in other non-current liabilities and provisions	(24, 26)	1,397,031	407,522
Increase/decrease in other non-current receivables and assets		-1,254,172	4,235,033
Increase/decrease in trade receivables (non-current)	(16)	-64,919,991	3,126,137
Increase/decrease in trade payables (non-current)	(24)	-384,989	-2,060,803
Other (net)		-10,451,455	-4,055,119
		-40,524,306	**35,682,867**
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(18)	54,331,561	34,773,487
Increase/decrease in inventories	(17)	8,333,735	-17,529,301
Increase/decrease in trade payables and other current payables		-22,548,447	20,634,294
Increase/decrease in current provisions	(26)	144,395	9,702,578
		40,261,244	**47,581,057**
Cash flow from operations		**-263,062**	**83,263,924**
Interest received	(8)	1,450,169	1,418,235
Interest payments	(8)	-5,504,166	-7,166,594
Net payments of income taxes		-6,582,573	-10,337,741
Net cash flow from operating activities		**-10,899,634**	**67,177,824**
Cash flow from investing activities			
Purchase of property, plant and equipment	(12)	-10,571,546	-12,686,263
Purchase of non-current intangible assets	(13)	-5,111,623	-7,547,597
Purchase of securities, investments and other non-current financial assets	(15)	-575,700	-71,017
Payments for the acquisition of entities (less cash and cash equivalents of these entities)	(28)	-11,957,526	0
Payments for the acquisition of minority shares		-1,570,840	0
Payments for the acquisition of shares in companies consolidated at equity	(14)	0	-1,702,325
Proceeds from the disposal of property, plant and equipment and intangible assets		1,923,980	1,357,267
Proceeds from the disposal of securities and other financial assets		557,154	10,657,490
Net cash flow from investing activities		**-27,306,102**	**-9,992,444**
Cash flow from financing activities			
Dividends paid to company shareholders		-5,200,000	-11,700,000
Dividends paid to minority shareholders of group companies		-6,898,246	-7,407,103
Increase in other non-current financial liabilities	(21)	26,175,745	36,968,117
Decrease in other non-current financial liabilities	(21)	-720,000	-19,781
Increase in current financial liabilities	(21)	19,398,093	5,321,641
Decrease in current financial liabilities	(21)	-12,239,851	-45,636,936
Net cash flow from financing activities		**20,515,741**	**-22,474,063**
Net decrease/increase in cash and cash equivalents		**-17,689,995**	**34,711,317**
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(19)	79,022,460	44,929,361
Net increase/decrease in cash and cash equivalents		-17,689,995	34,711,317
Exchange gains/losses on cash and cash equivalents		-3,601,176	-618,218
Cash and cash equivalents at end of year	(19)	**57,731,290**	**79,022,460**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 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 (RSP)
- ▶ Services, System Extensions, Components Sales (SEC)
- ▶ Others (OTH)

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

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

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

Group structure.

The parent company (reporting entity) of this group is Kapsch TrafficCom AG, Vienna. Until June 2007 KAPSCH-Group Beteiligungs GmbH, Vienna, (immediate parent company of the reporting entity), a wholly-owned subsidiary of DATAX HandelsgmbH, had been the sole shareholder of Kapsch TrafficCom AG. DATAX HandelsgmbH, Vienna, is the controlling entity of the reporting entity and the ultimate parent of Kapsch Group.

Under an initial public offering in June 2007 KAPSCH-Group Beteiligungs GmbH reduced its share in Kapsch TrafficCom AG to 69.67 %. As a result of a shift in share structure in the fiscal year ending 31 March 2009 as well as by issuing further shares and other transactions (mainly sale of shares in the fiscal year ending 31 March 2012), KAPSCH-Group Beteiligungs GmbH has a current share of 61.92 %. The shares of Kapsch TrafficCom AG in free float are listed in the Prime Market segment of the Vienna Stock Exchange since 26 June 2007.

Consolidated group.

The parent company, Kapsch TrafficCom AG, is a joint stock corporation incorporated and domiciled in Vienna, Austria. The address of its registered office is 1120 Vienna, Am Europlatz 2.

The following entities are part of the consolidated group:

Austria
- ▶ Kapsch TrafficCom AG, Vienna
- ▶ Kapsch Components GmbH & Co KG, Vienna
- ▶ Kapsch Components GmbH, Vienna
- ▶ ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- ▶ Jibesoev GmbH, Vienna
- ▶ Kapsch Telematic Services GmbH, Vienna

Europe (excl. Austria)
- ▶ Kapsch Telematik Technologies Bulgaria EAD, Sofia, Bulgaria
- ▶ Kapsch Telematic Services Solutions A/S, Copenhagen, Denmark
- ▶ Kapsch Telematic Services GmbH Deutschland, Berlin, Germany

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 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 TrafficCom France SAS, Paris, France
- Kapsch TrafficCom Ltd., Manchester, United Kingdom
- Kapsch TrafficCom S.r.l. a socio unico, Milan, Italy
- Kapsch TrafficCom B.V., Amsterdam, Netherlands
- Kapsch Telematic Services sp. z o.o., Warsaw, Poland
- Kapsch Road Services sp. z o.o., Warsaw, Poland **)
- OOO Kapsch TrafficCom Russia, Moscow, Russia
- Kapsch TrafficCom AB, Jönköping, Sweden
- Kapsch TrafficCom d.o.o., Ljubljana, Slovenia
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services spol. s r.o., Prague, Czech Republic
- Kapsch Telematic Services Kft., Budapest, Hungary
- Kapsch Telematic Services IOOO, Minsk, Republic of Belarus

America

- Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina
- Kapsch TrafficCom do Brasil, Sao Paulo, Brazil
- Kapsch TrafficCom Chile S.A., Santiago de Chile, Chile
- Kapsch TrafficCom Canada Inc., Mississauga, Canada
- Kapsch TrafficCom IVHS, S.A. de C.V., Mexico City, Mexico
- Kapsch TrafficCom Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom Holding II US Corp., McLean, U.S.A.
- Kapsch TrafficCom U.S. Corp., McLean, U.S.A.
- Kapsch TrafficCom Inc., Carlsbad, U.S.A.
- Kapsch TrafficCom IVHS Technologies Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom IVHS Holding Corp., McLean, U.S.A.
- Kapsch TrafficCom IVHS Inc., McLean, U.S.A.
- Transdyn Inc., Duluth, U.S.A. *)

Rest of the World

- Kapsch TrafficCom Australia Pty Ltd, Melbourne, Australia
- Kapsch TrafficCom Kazakhstan LLC, Almaty, Kazakhstan
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur, Malaysia
- Kapsch TrafficCom Limited, Auckland, New Zealand
- Kapsch TrafficCom PTE.LTD., Tripleone Somerset, Singapore
- Kapsch TrafficCom South Africa (Pty) Ltd., Johannesburg, South Africa
- Electronic Toll Collection (PTY) Ltd., Centurion, South Africa
- Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (Pty) Ltd., Cape Town, South Africa
- TMT Services and Supplies (Gauteng) (Pty) Ltd., Cape Town, South Africa
- Berrydust 51 (Pty) Ltd., Cape Town, South Africa
- VTI Industrial Electronics (Proprietary Limited) (South Africa), Germiston, South Africa
- Transport Telematic Systems – LLC, Abu Dhabi, United Arab Emirates

*) Acquisition in the fiscal year 2013/14
**) in foundation

In the fiscal year 2013/14, TMT Services and Supplies (North) (Pty) Ltd., Cape Town, South Africa, and Kapsch Telematic Services Danmark ApS, Copenhagen, Denmark were liquidated.

Kapsch-Busi S.p.A. con socio unico, Bologna, Italy was merged into Kapsch TrafficCom S.r.l a socio unico, Milan, Italy, as the receiving company.

The following entities are accounted for using the equity method:

Associates

- SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico

Accounting policies.

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

1 Basis of preparation.

Pursuant to Section 245a Austrian Commercial Code (UGB), the consolidated financial statements as of 31 March 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements as of 31 March 2014 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. Pertinent explanations can be found within the scope of the corresponding accounting policies.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date and income and expenses recorded during the reporting period. Although these estimates are made by the management board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgment or complexity as well as areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 25.

For ease of presentation, amounts have been rounded and, unless indicated otherwise, are presented in thousands of euros (TEUR). However, calculations are done using exact amounts, including the digits not shown, which may lead to rounding differences.

a) New and amended standards and interpretations that have been adopted by the EU and applied for the first time in the fiscal year 2013/14

IAS 19, ‘Employee Benefits’, was amended in June 2011. The amendment of IAS 19 means that the previously permissible accrual and deferral of actuarial gains and losses according to the corridor approach – recognition of actuarial gains and losses through profit or loss will only be permissible if they exceed 10 % of the higher amount of the obligation and the fair value of plan assets – will no longer be possible. Actuarial gains and losses are now recognized immediately in other comprehensive income. In addition, the group has applied the new pertinent reporting provisions.

Within the scope of the revised IAS 19, net interest expense and income will now be recognized as part of the financial result and not, as previously, as part of staff costs. This is the currently applicable reporting method, which increases comparability with other financial statements.

Pursuant to IAS 8, the revised IAS 19 and the new presentation of the interest effect will be applied retrospectively with effect as from 1 April 2012 for the purpose of immediately providing comparative information.

The effects of IAS 19 revised on the consolidated balance sheet as of 1 April 2012, as of 31 March 2013 and as of 31 March 2014 are represented as follows:

All amounts in TEUR	1 April 2012		
	Primary version	Adjustment	Amended version
	IAS 19		IAS 19
Consolidated retained earnings	97,416	0	97,416
Other reserves	14,682	-2,562	12,120
Total equity	**256,247**	**-2,562**	**253,685**
Liabilities from post-employment benefits to employees	16,704	3,418	20,122
Deferred income tax liabilities	18,316	-857	17,459
Total equity and liabilities	**557,695**	**0**	**557,695**

All amounts in TEUR	31 March 2013		
	Primary version	Adjustment	Amended version
	IAS 19		IAS 19
Consolidated retained earnings	95,399	104	95,503
Other reserves	2,659	-4,083	-1,424
Total equity	**240,682**	**-3,979**	**236,703**
Liabilities from post-employment benefits to employees	17,289	5,313	22,602
Deferred income tax liabilities	13,086	-1,335	11,752
Total equity and liabilities	**567,227**	**0**	**567,227**

All amounts in TEUR	31 March 2014		
	Primary version	Adjustment	Amended version
	IAS 19		IAS 19
Consolidated retained earnings	85,687	317	86,004
Other reserves	-9,202	-4,511	-13,713
Total equity	**217,304**	**-4,194**	**213,110**
Liabilities from post-employment benefits to employees	16,658	5,494	22,153
Deferred income tax liabilities	12,078	-1,300	10,778
Total equity and liabilities	**566,823**	**0**	**566,823**

The effects of IAS 19 revised on the consolidated statement of comprehensive income for the reporting period and the previous period are as follows:

All amounts in TEUR	2012/13		
	Primary version	Adjustment	Amended version
	IAS 19		IAS 19
Expenses for termination benefits and pensions	-1,461	1,235	-225
Staff costs	**-131,555**	**1,235**	**-130,319**
Operating result	**15,261**	**1,235**	**16,497**
Interest expense from liabilities from post-employment benefits to employees	0	-1,096	-1,096
Financial result	**1,296**	**-1,096**	**199**
Result before income taxes	**16,884**	**139**	**17,023**
Income taxes	-177	-35	-212
Result for the period	**16,707**	**104**	**16,811**
Actuarial gains/losses of liabilities from post-employment benefits to employees	0	-2,034	-2,034
Taxes on gains/losses recognized directly in equity	0	513	513
Other comprehensive income for the period	**-13,165**	**-1,521**	**-14,686**
Total comprehensive income for the period	**3,542**	**-1,417**	**2,125**

All amounts in TEUR	2013/14		
	Primary version IAS 19	Adjustment	Amended version IAS 19
Expenses for termination benefits and pensions	-1,428	1,185	-243
Staff costs	**-140,377**	**1,185**	**-139,193**
Operating result	**19,092**	**1,185**	**20,277**
Interest expense from liabilities from post-employment benefits to employees	0	-901	-901
Financial result	**-14,046**	**-901**	**-14,947**
Result before income taxes	**5,205**	**283**	**5,488**
Income taxes	-2,561	-71	-2,632
Result for the period	**2,643**	**213**	**2,856**
Actuarial gains/losses of liabilities from post-employment benefits to employees	0	-465	-465
Taxes on gains/losses recognized directly in equity	0	37	37
Other comprehensive income for the period	**-12,353**	**-428**	**-12,781**
Total comprehensive income for the period	**-9,709**	**-215**	**-9,925**

IFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a definition of fair value and information on the disclosures to be made. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting; instead, they provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is adopted prospectively. The group made the additional related disclosures. This change did not have any significant effects on the measurement of the assets and liabilities of the group.

IFRS 7, 'Financial Instruments: Disclosures', will provide for additional disclosures in the notes with regard to the offsetting of financial assets and financial liabilities. The amendment is applied retrospectively. The group has not entered into any corresponding agreements, which means that the application of additional disclosures in the notes does not have any effect on the disclosures made on the amounts recognized in the consolidated financial statements.

IAS 1, 'Presentation of Financial Statements', includes changes which aim at clarifying the presentation of the increasing number of items under other operating income. In the future, a differentiation will only be made between items of other operating income which may be reclassified to profit or loss and items which will never be reclassified. The income taxes incurred with respect to these items of other operating income are to be allocated to them. The group applied the revised standard retrospectively, and the items of other comprehensive income have been adjusted accordingly.

In addition, IAS 1 includes a clarification with respect to minimum comparative information and additional comparative information which may be recorded. The criteria regarding the requirement of a third balance sheet are clarified such that the presentation of a third balance sheet is mandatory if accounting policies are applied retrospectively or if balance sheet items are adjusted or reclassified retrospectively. Furthermore, such retrospective amendment, adjustment or reclassification must have a material impact on the third balance sheet. It is also clarified that disclosures in the notes do not have to be made with respect to the third balance sheet.

In the current fiscal year, the group applied one revised standard (IAS 19R). For reasons of materiality, the balance sheet at beginning of the previous reporting period (1 April 2012) according to IAS 1.40A was not reported.

IFRS 1, ‘First-time Adoption of International Financial Reporting Standards’ (revised), contains exemptions in the event of severe hyperinflation and eliminates fixed dates for first-time adopters. EU entities have to apply the new requirements for the first time in the fiscal year beginning on or after 1 January 2013. This change does not affect the group, since the group already prepares the consolidated financial statements in accordance with IFRS.

IAS 36, ‘Impairment of Assets’, includes corrections of disclosure requirements. It applies to impaired assets with respect to which the recoverable amount was used as a basis for the fair value less costs to sell. Previously, the recoverable amount was to be stated irrespective of any impairment. The correction restricts the disclosure requirements to cases of actual impairment, with the required disclosures being extended however. The standard is applicable for fiscal years beginning on or after 1 January 2014. There are no significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group’s presentation.

IFRIC 20, ‘Stripping Costs in the Production Phase of a Surface Mine’, treats the question relating to the recognition and measurement of waste removal costs incurred in surface mining activities. In accordance with the interpretation, entities have to derecognize capitalized stripping assets through revenue reserves in the opening balance, if applicable, provided that these assets cannot be associated to an identifiable part of mining asset. IFRIC 20 applies to fiscal years beginning on or after 1 January 2013 and does not affect the group.

b) Standards, interpretations and amendments to published standards that are not yet effective and that have not been early adopted by the group

IFRS 9, ‘Financial Instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, October 2010 and December 2011. It replaces the parts of IAS 39, ‘Financial Instruments: Recognition and Measurement’, that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the group’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity´s own credit risk is recorded in other comprehensive income rather than in the statement of comprehensive income, unless this creates an accounting mismatch. The group will adopt IFRS 9 no later than the accounting period starting on 1 April 2018. Furthermore, the group will analyze the additional phase of IFRS 9 as soon as it is adopted by the IASB.

IFRS 10, ‘Consolidated Financial Statements’, builds on existing principles and introduces a single consolidation model for all entities; this model focuses on the subsidiary’s control by the parent company. Furthermore, the standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group will apply IFRS 10 no later than the accounting period beginning on 1 April 2014. At present, the group does not expect IFRS 10 to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group’s presentation.

IFRS 11, ‘Joint Arrangements’, changes the definition of joint ventures. In accordance with IFRS 11, a joint arrangement is defined as an agreement which gives two or more parties joint control of this arrangement. Joint control means the contractually agreed sharing of control of an arrangement and exists only when decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. Each party to the joint arrangement has to account for its rights and obligations from a joint arrangement. The standard focuses on the sharing of the rights and obligations of the joint arrangement rather than on its legal form. According to IFRS 11 there are only two types of joint agreements: (i) joint operations and (ii) joint ventures. The previously applicable proportionate consolidation method will no longer be permitted for joint ventures. The parties to a joint venture have to account for the joint venture by using the equity method. IFRS 11 has to be applied for the first time retrospectively for annual periods beginning on or after 1 January 2014. The group will apply IFRS 11 in the fiscal year beginning on 1 April 2014. There are no significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group´s presentation as the group currently has no shares in "joint operations" or in "joint ventures".

IFRS 12, 'Disclosure of Interests in other Entities', summarizes the revised disclosures with regard to IAS 27 and IFRS 10, IAS 31 and IFRS 11 as well as IAS 28 in one standard. The group will apply IFRS 12 in the accounting period beginning on 1 April 2014. Due to IFRS 12 the group will extend its disclosures related to shares in subsidiaries and in investments accounted for using the equity method.

IAS 32, 'Financial Instruments: Presentation', complements the principles for setting off financial assets and financial liabilities. Setting off financial assets and financial liabilities will still only be possible if an entity currently has a legally enforceable right to set off the recognized amounts; it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Changes of this standard complement and clarify the application guidance with regard to the terms 'present times' and 'simultaneousness'. The group will apply IAS 32R in the fiscal year beginning on 1 April 2014. At present, the group does not expect IAS 32R to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group's presentation.

IAS 27, 'Separate Financial Statements', will in the future only include requirements for separate financial statements in accordance with IFRS and will be applied by the group in the fiscal year beginning on 1 April 2014. At present, the group does not expect IAS 27 to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group's presentation.

IAS 28, 'Investments in Associates and Joint Ventures', extends the compulsory application of the equity method to joint ventures. The change will be applied in the fiscal year beginning on 1 April 2014. At present, the group does not expect IAS 28 to have material impacts on the assets and liabilities, the financial position and operating results of the group as well as the group's presentation.

IAS 39, 'Financial Instruments', was supplemented by a relief provision. The amendment aims at preventing that a hedging relation is triggered as a result of a hedging instrument being novated (novation meaning the contractual replacement of an existing obligation by creating a new one) with a central counterparty. The change is to be applied to reporting periods of a fiscal year beginning on or after 1 January 2014 and will not have any impact on the group.

Amendments to IFRS 10, IFRS 12 and IAS 27, 'Investment Entities', introduce an exception to the consolidation obligation for subsidiaries pursuant to IFRS 10 'Consolidated Financial Statements', applicable to entities which meet the definition of an investment entity. The change has to be applied in fiscal years beginning on or after 1 January 2014. At present, the group does not expect these amendments to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

IFRS 14, 'Regulatory Deferral Accounts' is to be applied only by entities which apply IFRS for the first time.

IFRIC 21, 'Levies', defines the triggering point of provisions for taxes levied by government agencies in accordance with IAS 37 whose payment time or amount are still uncertain. It also defines how to account for corresponding liabilities, i.e. in instances in which both payment time and amount are already known. Income taxes within the meaning of IAS 12, however, are excluded from the scope of application. The application of this interpretation may result in a levy payment obligation being recognized at a different time than previously – specifically in instances in which the payment obligation arises only if certain conditions apply at a certain point in time. The group will apply this amendment in the fiscal year beginning on 1 April 2014. At present, the group does not expect IFRIC 21 to have significant impacts on the assets and liabilities, the financial position and operating results of the group as well as on the group's presentation.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the group.

The consolidated financial statements were prepared by the management board on the undersigned date and released for publication. The entity financial statements of the parent company, which have been included in the consolidated financial statements after transition to the applicable accounting standards, have not yet been approved by the supervisory board on the undersigned date.

2 Consolidation.

a) Subsidiaries

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

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

b) Transactions with non-controlling interests

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

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

c) Joint ventures

Joint ventures are entities where two or more ventures are bound by a contractual arrangement and this contractual arrangement establishes joint control. The group accounts for joint ventures using the equity method.

d) Associates

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

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

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

3 Business combinations.

The group uses the acquisition method of accounting to account for business combinations as at the acquisition date. The acquisition date relates to the date of transfer of control to the group.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred for the acquisition is the fair values of the assets transferred, the equity interests issued by the group and the liabilities incurred or assumed as at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in full as incurred.

In accordance with IFRS 3, any assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured at their full fair values, irrespective of the extent of any non-controlling interests. Intangible assets are recognized separately from goodwill if they are separable from the entity or result from statutory, contractual or other legal rights. No new restructuring provisions may be recognized within the scope of the purchase price allocation. Any remaining positive differences, which compensate the seller with market opportunities that cannot be identified more closely and with development potential, are capitalized as goodwill in the respective cash generating unit (CGU).

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is measured in accordance with IAS 39 and a resulting profit or loss recognized in the statement of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity. Any contingent consideration included in the financial statements resulting from business combinations prior to the application of IFRS 3 (2008) is still treated in accordance with the requirements under IFRS 3 (2004).

Any hidden reserves and liabilities uncovered are carried forward in line with the corresponding assets and liabilities.

The determination of the fair values requires certain estimates and assumptions, in particular of the acquired intangible assets and property, plant and equipment, of the liabilities assumed as well as of the useful lives of the acquired intangible assets and property, plant and equipment.

The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's net assets.

The group measures the goodwill at the acquisition date as:

- The fair value of the consideration transferred – if necessary plus
- The value recognized of all recognized non-controlling interests in the acquiree – plus
- The fair value of the acquirer's previously held equity interest in the acquiree if the combination is achieved in stages – less
- The net amount (in general of the fair values) of the identifiable assets acquired and liabilities assumed.

If the excess is negative, a gain on a bargain purchase is recognized directly in the result for the period.

4 Foreign currency translation.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euro, which is Kapsch TrafficCom Group's presentation currency.

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:

The statement of comprehensive income of foreign entities (except for foreign entities from hyperinflationary countries) that have a functional currency different from the euro are translated into the group's presentation currency at average exchange rates of the fiscal year, balance sheets at the prevailing mean exchange rate at the balance sheet date. The reference rates of the European Central Bank (ECB) and Deutsche Bundesbank, which are accessible via Österreichische Nationalbank's website, serve as the basis for the translation. Exchange differences arising from the translation of the net investment subsidiaries are recognized in shareholders' equity under 'Currency translation differences'. When a foreign entity is sold, such exchange differences are recognized in the statement of comprehensive income as part of the gain or loss on disposal of shares in subsidiaries.

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

The main exchange rates used during the fiscal year are shown below:

	Average exchange rate		Exchange rate at the closing date	
Exchange rates to the Euro	**2013/14**	**2012/13**	**2013/14**	**2012/13**
AUD	1.440	1.251	1.494	1.231
CAD	1.414	1.296	1.523	1.302
CZK	26.421	25.277	27.442	25.740
PLN	4.216	4.168	4.172	4.180
SEK	8.739	8.612	8.948	8.355
USD	1.338	1.292	1.379	1.281
ZAR	13.617	10.946	14.588	11.820

In the fiscal year 2011/12, Kapsch Telematic Services IOOO, Minsk, the Republic of Belarus, was founded. As of the balance sheet date of 31 March 2014, the Republic of Belarus is still classified as a hyperinflationary economy. The group analyzed if IAS 29 (Financial Reporting in Hyperinflationary Economies) had to be applied to the subsidiary. Since the euro, and not the Belorussian ruble (BYR), is the functional currency, the classification of the Republic of Belarus as a hyperinflationary economy has no impact on the accounting of the Belorussian subsidiary and thus also does not affect the present consolidated financial statements. IAS 29 is therefore not applied.

b) Foreign currency transactions

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

Foreign exchange gains and losses which relate to cash and cash equivalents and borrowings are presented in the statement of comprehensive income within finance income or cost. All other foreign exchange gains and losses are presented in the statement of comprehensive income in other operating income or other operating expenses.

This excludes foreign exchange gains and losses from monetary items to be received from/to be paid to foreign operations as part of a net investment in a foreign operation. Such foreign exchange gains and losses are initially recognized in other comprehensive income and are then reclassified from equity to profit or loss if the net investment is sold. In the fiscal year 2013/14, two USD loans granted by Kapsch TrafficCom AG to US subsidiaries were classified as net investments in a foreign operation pursuant to IAS 21 since the management board does not plan for a redemption of these loans in the foreseeable future and since such redemption is not likely to occur. As from beginning of the third quarter of fiscal year 2013/14, any exchange rate differences from these loans were thus directly recognized in other comprehensive income and amounted to TEUR 483 (2012/13: TEUR 0) after taxes.

5 Financial instruments and risk management.

Primary 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 policies applicable to 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 currency of financial instruments. 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 group’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, Polish zloty, South African rand and the US dollar. Due to the terms of agreement in euro, no foreign exchange risk arises with regard to the Belorussian ruble. Customer orders are mainly invoiced in the local currencies of the group companies. Only in cases in which 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 (resulting from current and non-current receivables and payables) as of 31 March 2014 (31 March 2013) had changed by the percentage rate (‘volatility’) stated below, the result before tax, provided all other variables had remained unchanged, would have been higher or lower, respectively, by the following amounts.

Currency	**Volatility**	**Impact on the result for the period and on equity in TEUR**	
		2013/14	**2012/13**
AUD	10 %	274	364
CAD	10 %	1,680	1,987
CZK	10 %	71	337
EUR	10 %	-2,629	-3,436
PLN	10 %	207	933
SEK	10 %	567	533
USD	10 %	3,181	3,192
ZAR	10 %	1,334	2,506

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 interest 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 interest rates. Such changes would entail changes in interest payments. Variable-interest (both short-term and long-term) financial liabilities account for approximately one half of interest-bearing financial liabilities. If the market interest rate had been 100 basis points higher (lower) as of 31 March 2014, 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 engages in business relationships with third parties deemed to be creditworthy 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 group policies limit the amount of its credit exposure to individual financial institutions, depending on the rating of the institution. There is usually a credit risk in the implementation phase of large toll collection projects. With the exception of the toll collection projects in the Czech Republic, South Africa, Poland and the Republic of Belarus (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.

The maximum credit risk is similar to book values:

All amounts in TEUR	**2013/14**	**2012/13**
Other non-current financial assets and investments	28,506	38,085
Other non-current assets	71,113	942
Current securities	4,924	4,505
Trade receivables and other current assets	209,721	253,177
Cash and cash equivalents	57,731	79,022
	371,995	**375,731**

d) Liquidity risk

Cash flow forecasting is performed in the operating entities of the group and aggregated on group level. The management monitors the rolling forecasts of the group liquidity reserves to ensure that it has sufficient cash to meet operational needs and also to secure an adequate scope of unutilized credit lines at any time.

e) Equity price risk

The group is exposed to equity securities price risk resulting from a material investment, since a Norwegian investment (Q-Free ASA), the net equity of which is subject to changes in exchange rates, is classified as available for sale in the consolidated balance sheet. The Q-Free ASA investment is dealt on the Oslo Stock Exchange.

The table below summarizes the impact of increases/decreases in the stock price of Q-Free ASA on the equity. The analysis is based on the assumption that the stock price increases/decreases by 10% with all other variables held constant.

Index	Volatility	Impact on equity in TEUR	
		2013/14	2012/13
NO0003103103	+10 %	2,375	3,200
NO0003103103	-10 %	-2,375	-3,200

f) Commodity price risk

The group is not exposed to any material commodity price risk.

6 Capital management.

Capital management is carried out in line with value-driven and sustainable corporate governance on the basis of the profit and loss accounts of the individual business segments. Accounting ratios and other economic criteria as well as the long-term development of the group are also monitored and taken into account with regard to corporate governance. A crucial ratio for the capital structure is the gearing ratio calculated as the ratio of net debt to equity. Net debt (net assets) comprises current and non-current borrowings less cash on hand, bank balances and current securities. The Kapsch TrafficCom Group's capital management strategy aims amongst others to ensure that the group companies' capital resources comply with local requirements. Furthermore, the group focuses on maintaining the gearing ratio on an annual average within a range from 25 % to 35 % in order to be still able to borrow at reasonable cost. The group also continuously monitors if all covenants comply with credit agreements. The highly volatile project business may, nonetheless, be responsible for the gearing ratio strategy and/or the required covenants not being complied with under certain circumstances. Due to these circumstances and especially due to the pre-financing agreements from the Belorussian project the gearing ratio at 31 March 2014 was outside the target range.

In the medium-term the management expects to be able to decrease the gearing ratio accordingly.

In the reporting year, all external capital requirements resulting from the project financing of the nationwide truck toll collection system in the Republic of Belarus were fulfilled.

The objective of this measure is to safeguard the ability to continue as a long-term going concern in order to show to shareholders and other stakeholders that their requirements can be fulfilled in a qualitative and sustainable way and that returns for shareholders and benefits for other stakeholders can be provided. Other essential objectives of the group's capital management include the financing of the envisaged growth path and the maintenance of an optimal capital structure.

All amounts in TEUR	2013/14	2012/13 (adjusted)
Non-current financial liabilities	109,494	104,372
Current financial liabilities	46,560	19,658
Total financial liabilities	**156,054**	**124,030**
Cash on hand and at banks	57,731	79,022
Current securities	4,924	4,505
Net assets /Net debt	**-93,398**	**-40,503**
Equity	213,110	236,703
Net gearing	**44 %**	**17 %**

7 Fair value measurement.

Historical cost is based on the fair value as at the acquisition date. The fair value has been defined as the price that would be received to sell an asset or paid to transfer a liability in an regular transaction between market participants at the measurement date (IFRS 13.9). When it comes to the fair value measurement of an asset or a liability, the group takes into account the assumptions that a market participant would use when pricing the asset or liability at the measurement date (IFRS 13.11).

To the greatest extent possible, the group uses observable market data for the fair value measurement of assets or liabilities. Depending on the availability of observable input factors and their impact on the fair value measurement as a whole, the fair value is assigned to one of three levels in the following fair value hierarchy:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs at this level are unobservable inputs for the asset or liability (IFRS 13.72ff).

8 Borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. A qualifying asset is an asset (inventories, manufacturing plants, toll collection projects, power generation facilities, intangible assets and investment in properties) that requires a substantial period of time (with regard to the group at least 12 months) to get ready for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

In the fiscal year 2013/14, none of the assets recognized by the group met the requirements of a qualifying asset; therefore, no borrowing costs were capitalized.

All other borrowing costs are expensed in the period in which they are incurred.

9 Property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected useful lives of the assets in accordance with the group policies:

The useful lives generally 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. The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The difference between the proceeds from the disposal of property, plant and equipment and carrying amount is recognized as profit or loss in the result from operating activities.

10 Intangible assets.

a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred for the acquisition beyond the group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the acquisition date. If the acquisition costs are less than the net assets of the acquired subsidiary measured at fair value, the difference is recognized directly in the statement of comprehensive income.

Goodwill impairment reviews are undertaken at least annually or more frequently if events or changes in circumstances indicate a potential impairment. As a rule, the group carries out the annual goodwill impairment review in the fourth quarter. In addition, the group carries out impairment tests during the year if a triggering event occurs that may cause the asset to be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the cash generating units or groups of cash generating units which are expected to benefit from the synergies of the business combination and have reported the goodwill. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. If an impairment requirement is identified, goodwill will be reduced immediately by the amount of the impairment.

The value in use of a cash generating unit corresponds to the present value, calculated using the discount cash flow method, of the future cash flows which the entity will receive from the cash generating unit. In order to determine the value in use, the expected future cash flows plus taxes based on the post-tax discount rate that reflects the current market expectations with regard to the interest effect and the specific risks of the cash generating units, are written down to their present values. In doing so, the current planning covering a period of four years (detailed forecast period) and approved by management is used as the basis with subsequent transition to perpetuity. The growth rates according to the detailed forecast period are based on historical growth rates and on external studies on the future medium-term market development.

The fair value less costs to sell is determined using an appropriate valuation model which is based on the medium-term planning of the respective cash generating unit. The valuation is made in line with the discounted cash flow calculations and verified through suitable multiples, if available.

Write-ups on goodwill are not made.

b) Concessions and rights

Computer software, trademarks and similar rights are capitalized on the basis of the costs incurred for acquisition and amortized over their estimated useful lives of 4 to 30 years. Acquired customer agreements (toll contracts, maintenance agreements) are amortized over the estimated useful lives that generally range between 2 and 10 years.

c) Research and development costs

Research expenditures are recognized as an expense. Costs incurred for 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 opportunity 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 are available to complete the development and to use or sell the intangible asset; 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 subsequent periods. Capitalized development costs are recorded as intangible assets and amortized as 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.

11 Impairment of non-financial assets.

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the asset should be impaired.

An impairment loss is recognized for the amount by which the asset’s carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset’s net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each subsequent reporting date.

The difference between the net disposal proceeds of assets and the carrying amount are recognized as income or expense in the result from operating activities. Gains are not classified as revenue.

The residual carrying values and useful lives are reviewed at each balance sheet date and adjusted as necessary.

12 Financial assets.

Financial assets are subdivided into the following categories:
- ▸Financial assets at fair value through profit or loss
- ▸Held-to-maturity investments
- ▸Available-for-sale financial assets
- ▸Loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined on initial recognition.

a) Securities

Financial assets recognized under non-current assets and other short-term financial assets include available-for-sale securities and financial assets at fair value through profit or loss.

Available-for-sale securities and financial assets at fair value through profit or loss are carried at fair value. Unrealized gains and losses arising from the changes in fair value of available-for-sale securities are recognized in equity under a separate item; unrealized gains and losses arising from the changes in fair value of financial assets at fair value through profit or loss are recognized immediately in the statement of comprehensive income.

The difference arising on the sale of financial assets between the proceeds and the carrying amounts is taken through profit or loss in the statement of comprehensive income. Additionally, the amount recognized in equity is taken through profit or loss in the statement of comprehensive income. All acquisitions and sales are recognized at the respective date of the transaction, transaction costs are included in acquisition costs (except for financial assets at fair value through profit or loss).

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 such impairment, and the amounts of the available-for-sale financial assets previously recognized in equity are removed from equity and recognized through profit or loss in the statement of comprehensive income. The amount of the impairment is recognized 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 instrument increases and that increase is directly related to an event occurring after the impairment was recognized through profit or loss in the statement of comprehensive income, the group reverses the impairment loss. In the case of debt instruments (for available-for-sale financial instruments), the reversal is recognized in the profit for the period in the statement of comprehensive income; in the 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. If, in a subsequent period, the reason for the impairment is no longer valid, no reversal of the impairment is recognized.

c) Derivative financial instruments

For accounting purposes, derivative financial instruments are treated as stand-alone derivatives (i.e. as independent transactions and not as hedging transactions). Therefore they qualify as held-for-trading financial instruments and are valued at fair value through profit or loss. The fair value corresponds to the value which the relevant entity would receive or have to pay upon liquidation of the deal on the balance sheet date. Positive market values at the balance sheet date are recognized under financial assets and negative market values under other liabilities.

Changes in the fair value of these derivative financial instruments are recognized immediately in the statement of comprehensive income within other income or expense or the financial result, depending on the derivative financial instrument's purpose.

The group does not employ hedge accounting as envisaged by IAS 39.

d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (e.g. trade receivables, other receivables, cash on hand and at banks) are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for bad debts.

13 Leases.

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

Leasing agreements in which the group as the lessee bears all the 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 net present value of minimum lease payments or the fair value of the leased asset, whichever is lower, and are depreciated over their expected useful lives. A liability with regard to finance leases is recognized in the same amount. 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 agreed term of the lease using the effective interest rate method.

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

Leases in which all 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 as rental expense to the statement of comprehensive income on a straight-line basis over the period of the lease.

14 Government grants.

Government grants with regard to purchased non-current assets (technical equipment) are deferred and taken through profit or loss over the estimated useful life of the respective asset. Government grants are recognized at their fair value where there is reasonable assurance that the group will comply with all attached conditions and the grant will be received.

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

15 Inventories.

Inventories are stated at cost or, if lower, the net realizable value. Cost is determined using the moving average price method. Production cost includes all directly attributable expenses and fixed and variable overheads (based on normal operating capacity) incurred in connection with the production. It excludes, however, borrowing costs as they cannot be allocated to a qualifying asset. The net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

16 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. Depending on maturity the balance is recognized either under non-current assets, current assets (amounts due from customers for contract work) or under current liabilities (amounts due to customers for contract work).

17 Trade receivables.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for bad debts. An allowance for bad debts is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related to an event occurring after the impairment was initially recognized, the reversal of the previously recognized impairment loss is recognized through profit or loss.

18 Cash and cash equivalents.

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

19 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. If such a reliable estimate is not possible, no provisions are set up. Provisions are measured based on the estimated settlement amount. The settlement amount is the best possible estimate of an expense on the basis of which a current obligation might be settled at the balance sheet date or transferred to a third party. This estimate takes into account future cost increases that are foreseeable and likely to occur on the balance sheet date.

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

Provisions for onerous contracts are recognized if the expected benefit to be derived from the contract is less than the unavoidable costs of meeting the obligations under the contract. The provision is measured at the present value of the amount from the fulfillment of the contract or any compensation payments in case of nonperformance, whichever is lower. The recognition of impairment losses on assets dedicated to such “onerous” contracts is, however, established prior to the recognition of the provisions for onerous contracts.

20 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.

The projected unit credit method is used for the calculation of liabilities arising from pension obligations and termination benefits in accordance with IAS 19. According to this method, post-employment costs for employee benefits are recognized in the statement of comprehensive income 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 re-measures the schemes annually. The obligations for pension payments are calculated as the present value of future benefits using interest rates of government bonds whose term roughly equals the term of the liability. Actuarial gains and losses are charged to other comprehensive income in the period in which they arise.

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

For the calculation of liabilities arising from obligations for anniversary bonuses in accordance with IAS 19, the projected unit credit method is used. Anniversary bonuses are special lump-sum payments stipulated in the Collective Agreement and dependent on compensation and years of service. Eligibility is determined by a certain number of service years. The calculation of liabilities arising from obligations for anniversary bonuses is performed in a similar way as the calculation for liabilities arising from termination benefits.

21 Current and deferred income tax.

The tax expense for the period comprises current and deferred tax. Tax is generally recognized in the statement of comprehensive income. Only taxes that relate to items recognized in other comprehensive income are recognized in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws applicable at the balance sheet date in the countries where the subsidiaries and associates operate and generate taxable income.

Deferred income tax assets / liabilities are 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 assets/liabilities arise 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 IFRS profit or loss nor taxable profit or loss, it is not accounted for. Deferred income tax assets/liabilities are 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. In addition, it is to be assumed that such temporary differences will be reversed in the foreseeable future.

The carrying value of deferred income tax assets is reviewed annually at the balance sheet date and impaired if it is no longer likely that sufficient taxable income will be available to realize such assets partially or in full.

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 assets/liabilities are 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.

Taking into account the corresponding terms, deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

22 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 initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

23 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 an obligation cannot be measured with sufficient reliability or an outflow of resources to settle the obligations is not deemed probable).

The group discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote and a liability does not have to be recognized pursuant to IFRS.

24 Revenue recognition.

In accordance with IAS 18, revenue is recognized at fair value in the statement of comprehensive income upon delivery and once 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 reporting period in which the services are rendered, by reference to the rate of 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 (mainly toll collection projects) 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.
- ▸ Dividend income is recognized when the right to receive payment is established.

25 Material accounting estimates and assumptions with regard to accounting policies.

The group makes estimates and assumptions concerning the future development. 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. At the balance sheet date 31 March 2014 the amounts due from customers for contract work amounted to TEUR 92,102 (2012/13: TEUR 96,709) and the amounts due to customers for contract work amounted to TEUR 14,756 (2012/13: TEUR 12,333). The 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 the executive board indicate that the operating result would fluctuate by EUR 8.9 million and the total comprehensive income for the period would fluctuate by EUR 6.7 million if the actual margin of the significant projects deviated 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 income tax assets/liabilities, liabilities from post-employment benefits to employees and provisions for warranties, project risks and losses. Sensitivity analyses of the assumptions made by management in connection with inventories, deferred income tax assets/liabilities and provisions indicate that no material effect will arise if the actual final outcomes were to differ from the estimates made by 10 %.

Sensitivities for the acquired goodwill (break-even interest rate) are detailed in Note 13. The sensitivities for obligations for post-employment benefits to employees are detailed in Note 23.

26 Segment information.

The reporting on operating segments is 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 executive 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 operating segments (see section "General Information"):

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

The segment information follows the same principles and same accounting policies as applied in these consolidated financial statements.

The segment results for the fiscal year ended 31 March 2014 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenues	132.0	331.8	23.1	487.0
Operating result	-34.6	53.8	1.1	20.3

The segment results for the fiscal year ended 31 March 2013 (adjusted) are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenues	128.3	342.3	18.3	488.9
Operating result	-51.7	67.3	0.9	16.5

The segment assets and liabilities as of 31 March 2014 as well as capital expenditure, depreciation and amortization and other non-cash-effective positions for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	209.4	226.0	16.5	452.0
Investments in associates and joint ventures	0.1	1.5	0.0	1.6
Liabilities	60.6	116.8	9.4	186.9
Capital expenditure	3.9	11.8	0.0	15.7
Depreciation and amortization	2.4	13.8	0.4	16.6
Other non-cash-effective positions	0.2	0.2	0.0	0.4

The segment assets include property, plant and equipment, intangible assets, other non-current assets, inventories as well as trade receivables and other current assets.

The segment liabilities include liabilities from post-employment benefits to employees, non-current provisions, other non-current liabilities, trade payables, other liabilities and deferred income, current tax payables as well as current provisions.

The segment assets and liabilities as of 31 March 2013 (adjusted) as well as capital expenditure, depreciation and amortization and other non-cash-effective positions for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	153.9	259.9	10.5	424.4
Investments in associates and joint ventures	0.1	1.6	0.0	1.7
Liabilities	73.0	117.5	4.2	194.7
Capital expenditure	7.2	10.5	2.5	20.2
Depreciation and amortization	1.4	16.0	0.3	17.7
Other non-cash-effective positions	0.8	0.2	0.0	1.0

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):

	2013/14			2012/13		
	Revenues	Road Solution Projects	Services, System Extensions, Components Sales	Revenues	Road Solution Projects	Services, System Extensions, Components Sales
Customer 1	86.1		x	82.5		x
Customer 2	76.1	x	x	67.0	x	
Customer 3	69.8		x	85.3	x	x
Customer 4	55.9	x	x	57.9	x	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 2014 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	America	Rest of World	Consolidated Group
Revenues	32.9	300.1	87.0	67.0	487.0
Non-current non-financial assets	18.9	29.4	61.7	3.1	113.0

The figures for the fiscal year ended 31 March 2013 are as follows (in EUR million):

	Austria	Europe (excl. Austria)	America	Rest of World	Consolidated Group
Revenues	38.0	288.9	74.8	87.2	488.9
Non-current non-financial assets	18.4	35.4	46.6	3.5	103.8

Revenues per category

Revenues are classified into the following categories:

	2013/14	2012/13
Sales of goods	160,312	148,225
Sales of services	310,125	236,967
Sales of maintenance	35,486	34,064
Accrued/deferred sales, license sales and discounts on invoiced sales	-18,956	69,681
	486,967	**488,937**

2 Other operating income.

	2013/14	2012/13
Income from the sale of non-current assets	24	89
Income from costs recharged	199	156
Exchange rate gains from operating activities	5,410	5,146
Sundry operating income	9,594	10,554
	15,227	**15,945**

Sundry operating income mainly relates to research tax credits received and to the assumption of costs of transactions billed for the nationwide electronic truck toll collection system in the Czech Republic as well as in the fiscal year 2012/13 a bonus of Kapsch TrafficCom AG, Vienna, for waiving the right to terminate the rental agreement of the property Am Europlatz 2.

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

	2013/14	2012/13
Change in unfinished goods and work in progress	5,261	194
Change in finished goods	-11,237	4,522
	-5,976	**4,715**

4 Costs of materials and other production services.

	2013/14	2012/13
Cost of materials	87,359	94,063
Cost of purchased services	140,685	163,505
	228,044	**257,567**

5 Staff costs.

	2013/14	2012/13 (adjusted)
Wages, salaries and other remunerations	113,162	106,373
Expenses for social security and payroll-related taxes and contributions	21,984	22,052
Expenses for termination benefits (see Note 23)	230	216
Expenses for pensions (see Note 23)	14	9
Contributions to pension funds and other external funds (see Note 23)	772	424
Fringe benefits	3,032	1,246
	139,193	**130,319**

As of 31 March 2014, the number of staff amounted to 3,308 persons (31 March 2013: 3,013 persons) and averaged 3,172 persons in the fiscal year 2013/14 (2012/13: 2,796).

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

	2013/14	2012/13
Depreciation of property, plant and equipment	8,715	8,440
Amortization of intangible assets	7,876	9,231
	16,591	**17,671**

7 Other operating expenses.

	2013/14	2012/13
Rental expenses	12,228	11,479
Legal and consulting fees	11,733	9,561
Marketing and advertising expenses	9,505	9,140
Communication and IT expenses	9,323	9,269
Exchange rate losses from operating activities	8,572	9,485
Travel expenses	8,030	9,425
License and patent expenses	6,244	5,528
Automobile expenses	5,088	5,099
Insurance costs	3,658	3,696
Maintenance	3,152	2,867
Office expenses	2,724	2,706
Training costs	2,282	2,244
Taxes and charges	1,984	1,627
Transport costs	1,241	915
Commissions and other fees	361	1,462
Allowance and write-off of receivables	322	930
Adjustment of provision for warranties	-97	765
Losses on disposal of non-current assets	81	37
Other	5,823	1,587
	92,256	**87,824**

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

8 Financial result.

	2013/14	2012/13 (adjusted)
Interest and similar income:		
Interest income	1,355	1,286
Income from securities	95	132
Income from interest accretion of non-current receivables	2,696	647
Gains from the disposal of financial assets	8	8,337
Income from other investments	0	7
Exchange rate gains from financing activities	1,388	3,706
	5,542	**14,115**
Interest and similar expenses:		
Interest expense	-5,504	-7,167
Expense from interest accretion of non-current payables	-814	-252
Exchange rate losses from financing activities	-13,269	-5,401
Interest expense from liabilities from post-employment benefits to employees	-901	-1,096
	-20,489	**-13,916**
	-14,947	**199**

In fiscal year 2013/14 the translation of intercompany financing of subsidiaries in North America and South Africa led to exchange rate fluctuations which are included in exchange rate losses from financing activities and are not yet realized. Gains from the disposal of financial assets in fiscal year 2012/13 resulted mainly from the sale of the joint-venture LLC United Toll Systems, Moscow, which had been founded with 2 partners, to the majority shareholder Mostotrest for EUR 6 million.

9 Income taxes.

	2013/14	2012/13 (adjusted)
Current taxes	-10,421	-13,490
Deferred taxes (see Note 22)	7,789	13,278
Total	**-2,632**	**-212**
Thereof income/expense from group taxation	-4,976	-680

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:

	2013/14	2012/13 (adjusted)
Result before income taxes	5,488	17,023
Arithmetic tax expense based on a tax rate of 25 % (2012/13: 25 %)	-1,372	-4,256
Unrecognized deferred tax assets on current losses	-3,176	-1,961
De-recognition of deferred tax assets recognized on prior year losses	-1,471	0
Utilization of previously unrecognized tax losses	0	323
Different foreign tax rates	2,615	709
Tax allowances claimed and other permanent tax differences	-407	810
Income and expenses not subject to tax and other differences	1,576	1,836
Adjustment in respect to prior year	-396	2,326
Recognized tax expense	**-2,632**	**-212**

The adjustment compared to prior year in fiscal year 2012/13 results from an amended profit allocation for tax purposes in the Polish subsidiary in connection with the toll collection project completed in the fiscal year 2011/12 and affects both current and deferred taxes.

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

10 Other comprehensive income.

2013/14	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-7,814	-109	-7,923
Actuarial gains/losses according to IAS 19	-465	37	-428
Currency translation differences	-3,947		-3,947
Currency translation differences from net investments in foreign business	-644	161	-483
Fair value changes recognized in equity	**-12,869**	**89**	**-12,781**

2012/13 (adjusted)	Before taxes	Tax expense/ income	After taxes
Fair value gains/losses on available-for-sale financial assets:			
Unrealized gains/losses in the current period	-8,254	-180	-8,434
Gains/losses recognized in the result for the period	-2,440	610	-1,830
Actuarial gains/losses according to IAS 19	-2,034	513	-1,521
Currency translation differences	-2,901		-2,901
Fair value changes recognized in equity	**-15,629**	**943**	**-14,686**

11 Additional disclosures on financial instruments by category.

	2013/14	2012/13
Available-for-sale financial assets:		
Other non-current financial assets and investments	27,413	35,692
Other current financial assets	4,924	4,505
	32,338	**40,197**
Loans and receivables:		
Other non-current assets	72,205	3,335
Trade receivables	137,885	72,048
Cash and cash equivalents	57,731	79,022
	267,821	**154,406**
Financial liabilities at (amortized) cost:		
Non-current financial liabilities	109,494	104,372
Other non-current liabilities	3,660	1,766
Trade payables	67,388	80,220
Current financial liabilities	46,560	19,658
	227,102	**206,016**

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

	2013/14	2012/13 (adjusted)
Available-for-sale financial assets	103	8,477
Loans and receivables	-7,830	238
Financial liabilities at (amortized) cost	-7,220	-8,515
	-14,947	**199**

12 Property, plant and equipment.

	Land and buildings	Technical equipment and machinery	Construction in progress	Other equipment, factory and office equipment	Prepayments	Total
Carrying amount as of 31 March 2012	**4,301**	**7,410**	**1,261**	**8,875**	**0**	**21,847**
Currency translation differences	-3	54	6	-168	0	-112
Reclassification	4	496	-698	198	0	0
Additions	326	5,872	2,763	3,724	0	12,686
Disposals	0	-9	-1,241	-56	0	-1,306
Scheduled depreciation	-807	-4,404	0	-3,229	0	-8,440
Carrying amount as of 31 March 2013	**3,821**	**9,419**	**2,091**	**9,344**	**0**	**24,676**
Acquisition/production cost	8,006	46,897	2,091	23,378	0	80,372
Accumulated depreciation	-4,185	-37,478	0	-14,034	0	-55,697
Carrying amount as of 31 March 2013	**3,821**	**9,419**	**2,091**	**9,344**	**0**	**24,676**
Currency translation differences	-35	-754	-154	-694	0	-1,637
Reclassification	0	1,000	-1,071	71	0	0
Additions from the acquisition of companies	16	1	0	93	0	110
Additions	984	3,821	1,410	4,285	71	10,572
Disposals	-3	-308	-869	-378	0	-1,558
Scheduled depreciation	-823	-4,030	0	-3,862	0	-8,715
Carrying amount as of 31 March 2014	**3,961**	**9,150**	**1,407**	**8,859**	**71**	**23,447**
Acquisition/production cost	8,831	47,411	1,407	25,297	71	83,017
Accumulated depreciation	-4,870	-38,262	0	-16,439	0	-59,570
Carrying amount as of 31 March 2014	**3,961**	**9,150**	**1,407**	**8,859**	**71**	**23,447**

13 Intangible assets.

	Capitalized development costs	Concessions and rights	Goodwill	Intangible assets on completion	Prepayment	Total
Carrying amount as of 31 March 2012	**63**	**30,338**	**49,979**	**0**	**0**	**80,379**
Currency translation differences	0	-25	499	0	0	475
Additions	0	3,503	780	0	3,264	7,548
Disposals	0	0	0	0	0	0
Scheduled amortization	-60	-9,171	0	0	0	-9,231
Carrying amount as of 31 March 2013	**3**	**24,646**	**51,258**	**0**	**3,264**	**79,170**
Acquisition/production cost	9,199	59,178	51,258	0	3,264	122,899
Accumulated amortization	-9,196	-34,533	0	0	0	-43,729
Carrying amount as of 31 March 2013	**3**	**24,646**	**51,258**	**0**	**3,264**	**79,170**
Currency translation differences	0	-71	-863	-1	0	-934
Additions from the acquisition of companies	0	8,967	5,553	0	0	14,520
Additions	0	725	715	1,158	2,514	5,112
Disposals	0	0	0	-424	0	-424
Scheduled amortization	-3	-7,874	0	0	0	-7,876
Carrying amount as of 31 March 2014	**0**	**26,393**	**56,663**	**734**	**5,778**	**89,567**
Acquisition/production cost	8,586	61,775	56,663	734	5,778	133,536
Accumulated amortization	-8,586	-35,383	0	0	0	-43,969
Carrying amount as of 31 March 2014	**0**	**26,393**	**56,663**	**734**	**5,778**	**89,567**

The addition to the goodwill in the fiscal year 2013/14, amounting to TEUR 715, results from the final subsequent earn-out payments for the acquisition of Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina, which is still accounted for under the rules of IFRS 3 (2004).

For the purpose of impairment testing, goodwill was allocated to four cash-generating units (CGU) **("Road Solution Projects, Electronic Toll Collection", "Road Solution Projects, Intelligent Transportation Systems", "Services, System Extensions, Components Sales, Electronic Toll Collection"** as well as **"Services, System Extensions, Components Sales, Intelligent Transportation Systems").** The following assumptions were made:

	Road Solutions Projects, Electronic Toll Collection	Road Solutions Projects, Intelligent Transportation Systems	Services, System Extensions, Components Sales, Electronic Toll Collection	Services, System Extensions, Components Sales, Intelligent Transportation Systems
31 March 2014				
The carrying amount of goodwill allocated to the CGU	38,416	5,553	11,961	733
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	0	0	0	0
31 March 2013				
The carrying amount of goodwill allocated to the CGU	39,278	0	11,247	733
The carrying amount of intangible assets with indefinite useful lives allocated to the CGU	0	0	0	0
Determination of recoverable amount of CGU	Value in use	Value in use	Value in use	Value in use

Cash-generating unit "Road Solution Projects, Electronic Toll Collection":

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that after the successful implementation of road toll collection systems, in particular in Austria, the Czech Republic, Switzerland, Australia, South America, South Africa, Poland and the Republic of Belarus, demand for toll collection systems will increase, in particular as a result of tight public budgets.
- The planning for the CGU "Road Solution Projects, Electronic Toll Collection" is based on projects in the Republic of Belarus, America, France and Australia as well as the fact that tenders in several countries are already in the pipeline or in progress.
- 4 years of detailed planning
- 11.5 % (2012/13: 11.6 %) 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 2.0 % (2012/13: 2.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate at which the value in use corresponds to the carrying amount is 11.5 % (2012/13: 18.1 %).

Cash-generating unit "Road Solution Projects, Intelligent Transportation Systems":

Key assumptions for determining expected cash flows of the CGU:

- Management has based its determination on the assumption that after the successful implementation of intelligent transportation systems, in particular in South Africa, in the Czech Republic, North America and Australia, demand for intelligent transportation systems will continue to rise.
- The planning for the CGU "Road Solution Projects, Intelligent Transportation Systems" is based especially on road safety and traffic monitoring systems in South Africa, the Czech Republic, Poland, North America and Australia.
- 4 years of detailed planning
- 11.3 % (2012/13: not applicable) 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 2.0 % (2012/13: not applicable) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate at which the value in use corresponds to the carrying amount is 213.0 % (2012/13: not applicable).

Cash-generating unit "Services, System Extensions, Components Sales, Electronic Toll Collection":

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 toll collection projects installed in previous years.

- The planning for the CGU "Services, System Extensions, Components Sales, Electronic Toll Collection" is based on ongoing maintenance for existing toll collection systems in Austria, Switzerland, the Czech Republic, Australia, South America, South Africa, Poland and the Republic of Belarus, on the commercial operation in the Czech Republic, South Africa, Poland and the Republic of Belarus. Furthermore expansions of completed nationwide electronic toll collection systems of Kapsch TrafficCom and long-term customer contracts for supply of components, especially to North America, Australia, Spain, Portugal, Denmark, France, Greece, Chile, Thailand, South Africa and Poland are included.
- 4 years of detailed planning
- 11.6 % (2012/13: 11.6 %) 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 2.0 % (2012/13: 2.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- The Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based, will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate where the value in use corresponds to the carrying amount is 58.0 % (2012/13: 59.2 %).

Cash-generating unit "Services, System Extensions, Components Sales, Intelligent Transportation Systems":

Key assumptions for determining expected cash flows of the CGU:

- The Management has based its determination on the assumption that Kapsch TrafficCom will perform the technical maintenance and commercial operation after implementation of nationwide Intelligent Transportation Systems. Expansions of these systems and the supply with specific components are included here.
- The planning for the CGU "Services, System Extensions, Components Sales, Intelligent Transportation Systems" is based especially on road safety and traffic monitoring systems in South Africa, the Czech Republic, Poland and North America.
- 4 years of detailed planning
- 11.6 % (2012/13: 11.6 %) 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 2.0 % (2012/13: 2.0 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount:

- The Management has based its determination on the assumption that realistically possible changes in key assumptions on which the recoverable amount is based, will not result in the carrying amount of goodwill of the CGU exceeding the recoverable amount of the CGU. The interest rate where the value in use corresponds to the carrying amount is 233.5 % (2012/13: 79.9 %).

Capitalized development costs

Development costs relate to expenses which in accordance with IAS 38 are capitalized and amortized over 3 years once the assets are available for commercial use.

Additional research and development costs of the group in the fiscal year 2013/14 amounted to EUR 57.8 million (2012/13: EUR 59.2 million). In the fiscal year 2013/14, EUR 26.3 million thereof (2012/13: EUR 27.4 million) related to project-specific development costs charged to the customer. The remaining amount of EUR 31.5 million (2012/13: EUR 31.8 million) was recognized as an expense.

14 Interests in associates and joint ventures.

Interests in associates and joint ventures developed as follows:

	2013/14	2012/13
Carrying amount as of 31 March of prior year	**1,694**	**0**
Currency translation differences	-257	-8
Addition from foundation and acquisition	0	1,547
Disposal	0	-172
Share in result	158	327
Carrying amount as of 31 March of fiscal year	**1,596**	**1,694**

On 31 July 2012 the group acquired 33 % of the shares in SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico. Taking potential voting rights into account (options for purchase of the remaining shares) the group has the majority of the shares. As the potential voting rights are not assessed to be substantial the presumption of control was rebutted. As significant influence over the financial and business policies exists, the investment is accounted for using the equity method. At the last balance sheet date as of 31 December 2013, total assets of SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico amounted TEUR 16,430 (31 December 2012: TEUR 9,987), liabilities amounted to TEUR 12,207 (31 December 2012: TEUR 5,895), revenue amounted to TEUR 15,366 (31 December 2012: TEUR 10,878) and the profit for the year amounted to TEUR 477 (31 December 2012: TEUR 738).

15 Current and non-current financial assets.

	2013/14	2012/13
Other non-current financial assets and investments	28,506	38,085
Other current financial assets	4,924	4,505
	33,430	**42,590**

Other non-current financial assets and investments	**Available-for-sale securities**	**Available-for-sale investments**	**Other non-current financial assets**	**Total**
Carrying amount as of 31 March 2012	**3,619**	**40,981**	**6,629**	**51,229**
Currency translation differences	0	0	202	202
Additions	71	0	48	118
Disposals	-20	0	-4,485	-4,505
Change in fair value	15	-8,974	0	-8,959
Carrying amount as of 31 March 2013	**3,684**	**32,008**	**2,394**	**38,085**
Currency translation differences	0	0	-138	-138
Additions	576	0	1,126	1,701
Disposals	-621	0	-2,289	-2,910
Change in fair value	16	-8,249	0	-8,233
Carrying amount as of 31 March 2014	**3,655**	**23,758**	**1,093**	**28,506**

Other current financial assets	Available-for-sale securities	Other	Total
Carrying amount as of 31 March 2012	**8,213**	**0**	**8,213**
Additions	0	0	0
Disposals	-4,413	0	-4,413
Change in fair value	705	0	705
Carrying amount as of 31 March 2013	**4,505**	**0**	**4,505**
Additions	0	0	0
Disposals	0	0	0
Change in fair value	419	0	419
Carrying amount as of 31 March 2014	**4,924**	**0**	**4,924**

As of 31 March 2014, available-for-sale securities relate to government and bank bonds as well as shares in investment funds. As of 31 March 2014, investments classified as available-for-sale mainly relate to a 19.76 % investment in the listed company Q-Free ASA, Trondheim, Norway.

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

Other non-current financial assets relate to a loan from SIMEX, Integración de Sistemas, S.A.P.I. de C.V., Mexico to the group in the fiscal year 2013/14 (2012/13: TEUR 0). In fiscal year 2012/13 the other non-current financial assets related to a fixed-term investment amounting to TEUR 2,394.

Fair value-hierarchies and determination of fair value:

Financial assets and liabilities have to be classified in one of the three following fair value-hierarchies:

Level 1: There are quoted prices in active markets for identical assets and liabilities. In the group, the investment in Q-Free ASA, Trondheim, Norway, as well as listed equity instruments are attributed to Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on observable direct or indirect market data. This category comprises available-for-sale securities, such as government and other bonds, which are quoted, however not regularly traded on a stock market.

Level 3: Financial instruments are included in level 3 if the valuation information is not based on observable market data.

The classification of current and non-current financial assets are as follows:

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2013/14
Non-current financial assets				
Available-for-sale securities	2,906	749	0	3,655
Available-for-sale investments	23,753	0	0	23,753
	26,659	**749**	**0**	**27,409**
Current financial assets				
Available-for-sale securities	4,924	0	0	4,924
	4,924	**0**	**0**	**4,924**
Total	**31,583**	**749**	**0**	**32,333**

In the fiscal year 2013/14, other non-current financial assets amounting to TEUR 1,097 are recognized at amortized cost.

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2012/13
Non-current financial assets				
Available-for-sale securities	2,931	753	0	3,684
Available-for-sale investments	32,003	0	0	32,003
	34,934	**753**	**0**	**35,687**
Current financial assets				
Available-for-sale securities	4,505	0	0	4,505
	4,505	**0**	**0**	**4,505**
Total	**39,439**	**753**	**0**	**40,192**

In the fiscal year 2012/13, other non-current financial assets amounting to TEUR 2,399 are recognized at amortized cost.

16 Other non-current assets.

	2013/14	2012/13
Project in the Republic of Belarus	68,937	0
Truck toll collection system Czech Republic	2,171	940
Other	5	1
	71,113	**942**

Other non-current assets include amounts due from customers for contract work for the installation of the truck toll collection system in the Republic of Belarus (2012/13: TEUR 68,717 were shown under position "current receivables") as well as trade receivables (non-current) that are due from the Czech Ministry of Transport for the installation of the Czech truck toll collection system. As in the prior year, they fall due between 1 and 5 years as of the balance sheet date.

Non-current receivables were discounted on the basis of cash flows using an interest rate of 3.00 – 5.66 % (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:

	2013/14	2012/13
Up to 2 years	52,847	847
Between 2 and 3 years	23,259	139
More than 3 years	2,236	1
	78,342	**986**

Amounts due from customers for contract work (non-current) are as follows:

	2013/14	2012/13
Construction costs incurred plus recognized gains	66,386	0
Accumulation of non-current receivables	2,552	0
Less total amounts invoiced and advance payments received	0	0
	68,937	**0**

17 Inventories.

	2013/14	2012/13
Purchased parts and merchandise, at acquisition cost	30,997	33,393
Unfinished goods and work in progress, at production cost	15,439	10,177
Finished goods, at production cost	11,550	22,787
Prepayments on inventories	122	71
	58,108	**66,428**

Individual inventory items were written down, where necessary, to their net realizable values. The write-downs of inventories amount to TEUR 16,632 (2012/13: TEUR 14,048).

18 Trade receivables and other current assets.

	2013/14	2012/13
Trade receivables	138,305	72,426
Allowance for bad debts	-421	-378
Trade receivables – net	137,885	72,048
Amounts due from customers for contract work	23,165	96,709
Amounts due from customers for service and maintenance contracts	7,781	31,296
Receivables from tax authorities (other than income tax)	13,217	17,374
Other receivables and prepaid expenses	27,673	35,749
	209,721	**253,177**

Allowance for bad debt developed as follows:

	2013/14	2012/13
Balance as of 31 March of the prior year	**-378**	**-410**
Addition	-239	-184
Utilization	106	5
Disposal	87	204
Currency translation differences	4	8
Balance as of 31 March of the reporting year	**-421**	**-378**

Maturity structure of trade receivables and other current assets:

	2013/14	2012/13
Not yet due	193,301	237,490
Overdue, but not impaired:		
Less than 60 days	6,923	8,053
More than 60 days	9,917	8,012
	210,142	**253,554**

Given the short maturities of these financial instruments, it is assumed that the fair values correspond to the carrying amounts. There is no concentration of credit risk with respect to trade receivables (except for the toll collection projects in the Czech Republic, South Africa, Poland and the Republic of Belarus), as the group generally has a large number of customers worldwide. Trade receivables (current) relating to the installation of the truck toll collection system of the Czech Republic amounting to TEUR 2,169 (2012/13: TEUR 983) and to the operation and maintenance of the system amounting to TEUR 24,748 (2012/13: TEUR 22,312) are due from Ředitelstvím silnic a dálnic ČR (RSD), a company of the Czech Republic. Trade receivables from the toll collection project in Poland due from GDDKiA (Generalna Dyrekcja Dróg Krajowych i Autostrad) amount to TEUR 19,347 (2012/13: TEUR 9,042). Trade receivables (current) relating to the installation of the truck toll collection system of the Republic of Belarus amounting to TEUR 39,921 (2012/13: TEUR 0) and to the operation of the system amounting to TEUR 1,985 (2012/13: TEUR 0) are due from BelTol.

Trade receivables amounting to TEUR 4,472 (2012/13: TEUR 15,387) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work are as follows:

	2013/14	2012/13
Construction costs incurred plus recognized gains	324,075	166,706
Less amounts billed and prepayments received	-300,910	-69,997
	23,165	**96,709**

As of 31 March 2014, amounts due from customers for contract work primarily relate to toll collection projects in North America amounting to TEUR 8,189 (2012/13: TEUR 6,585), in France amounting to TEUR 8,996 (2012/13: TEUR 4,656) as well as extensions to the toll collection system in Poland amounting to TEUR 0 (2012/13: TEUR 11,136).

Revenues from construction contracts amount to TEUR 136,949 (2012/13: TEUR 92,702).

19 Cash and cash equivalents.

	2013/14	2012/13
Cash on hand	34	67
Deposits held with banks	57,697	78,955
	57,731	**79,022**

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.

	2013/14	2012/13
Carrying amount as of 31 March of fiscal year	**13,000**	**13,000**

The total number of shares issued is 13,000,000. The shares are ordinary bearer shares and have no par value.

21 Current and non-current financial liabilities.

	2013/14	2012/13
Current		
Loans for project financing	20,333	5,833
Other current loans	26,226	13,825
	46,560	**19,658**
Non-current		
Corporate bond	74,301	74,125
Loans for project financing	34,833	29,167
Other non-current loans	360	1,080
	109,494	**104,372**
Total	**156,054**	**124,030**

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

The corporate bond of Kapsch TrafficCom AG was successfully placed in November 2010 with a volume of EUR 75 million, a maturity of 7 years and an interest rate of 4.25 %. The effective interest rate amounts to 4.54 %.

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

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

	2013/14	2012/13
Carrying amount	**156,054**	**124,030**
Fair value	**159,981**	**130,479**
Gross cash flows:		
Up to 1 year	50,964	24,311
Between 1 and 3 years	42,840	27,095
Between 3 and 5 years	75,988	87,851
	169,792	**139,257**

The classification of financial liabilities is as follows:

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2013/14
Corporate bond	78,863	0	0	78,863
Other financial liabilities	0	81,118	0	81,118
Total	**78,863**	**81,118**	**0**	**159,981**

	Level 1 Quoted prices	Level 2 Observable market data	Level 3 Not based on observable market data	2012/13
Corporate bond	80,063	0	0	80,063
Other financial liabilities	0	50,416	0	50,416
Total	**80,063**	**50,416**	**0**	**130,479**

The fair value of the other financial liabilities (level 2) was derived through discounting the gross cash flows over the contracted term at a risk-adjusted interest rate.

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

	2013/14	2012/13
Total financial liabilities:		
Carrying fixed interest rates	78,910	79,046
Carrying variable interest rates	77,144	44,984
	156,054	**124,030**
Average interest rates:		
Current loans	0.97 – 3.31 %	1.10 – 3.21 %
Loans for project financing	5.46 %	5.23 %
Corporate bond	4.54 %	4.54 %
Other	2.90 %	1.59 – 2.90 %

Trade receivables (current) amounting to TEUR 4,472 (2012/13: TEUR 15,387) were pledged as collateral for bank guarantees and loans.

For project financing of the Belorussian toll collection system, with an outstanding amount of TEUR 55,167 as of 31 March 2014 (2012/13: TEUR 35,000), Kapsch TrafficCom AG obtained a guarantee of a bill of exchange of the Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) as well as a participation guarantee G4 of OeKB. The claims of the participation guarantee G4 have been assigned as security to the lending banks.

A bill of exchange amounting to TEUR 1,425 (2011/12: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities.

	2013/14	2012/13 (adjusted)
Deferred tax assets		
Deferred tax assets to be recovered after more than 12 months	12,933	8,134
Deferred tax assets to be recovered within 12 months	9,176	11,393
	22,110	**19,527**
Deferred tax liabilities		
Deferred tax liabilities to be recovered after more than 12 months	5,699	3,377
Deferred tax liabilities to be recovered within 12 months	5,079	8,375
	10,778	**11,752**
Deferred tax assets net (+) / deferred tax liabilities net (-)	**11,332**	**7,776**

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 amounting to TEUR 26,702 (2012/13: TEUR 20,104) have not been recognized because it was uncertain whether there would be sufficient taxable profits available against which to offset them. These tax loss carry-forwards origin from foreign subsidiaries with the predominant part not expiring before 2030. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

Deferred income tax assets and liabilities are offset, taking maturities into account, when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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

	31 March 2012 (adjusted)	Additions from the acquisition of companies	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2013 (adjusted)
Deferred tax assets						
Tax loss carry-forwards	13,524	0	-7,672	0	-177	5,675
Provisions disallowed for tax purposes	9,062	0	-445	513	-65	9,065
Depreciation disallowed for tax purposes	1,112	0	397	0	3	1,512
Other	4,503	0	3,893	430	-25	8,800
	28,200	**0**	**-3,826**	**943**	**-264**	**25,052**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	351	0	98	0	7	456
Construction contracts	23,583	0	-16,538	0	-91	6,955
Gains from recognition at fair value	8,523	0	-2,050	0	0	6,473
Other	2,012	0	1,386	0	-6	3,393
	34,470	**0**	**-17,104**	**0**	**-89**	**17,277**
Total change	**-6,270**	**0**	**13,278**	**943**	**-175**	**7,776**

	31 March 2013 (adjusted)	Additions from the acquisition of companies	Taken through the profit of the period	Taken through equity	Currency translation differences	31 March 2014
Deferred tax assets						
Tax loss carry-forwards	5,675	0	2,586	0	-639	7,623
Provisions disallowed for tax purposes	9,065	0	-2,090	37	-36	6,976
Depreciation disallowed for tax purposes	1,512	0	-333	0	-16	1,163
Construction contracts	0	0	804	0	0	804
Other	8,800	0	-3,487	52	-262	5,103
	25,052	**0**	**-2,520**	**89**	**-953**	**21,669**
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	456	0	209	0	-93	572
Construction contracts	6,955	0	-6,955	0	0	0
Gains from recognition at fair value	6,473	3,497	-2,152	0	0	7,818
Other	3,393	0	-1,412	0	-35	1,946
	17,277	**3,497**	**-10,309**	**0**	**-128**	**10,337**
Total change	**7,776**	**-3,497**	**7,789**	**89**	**-825**	**11,332**

23 Liabilities from post-employment benefits to employees.

Amounts recognized in the balance sheet:

	2013/14	2012/13 (adjusted)
Termination benefits	8,790	9,064
Pension benefits	13,363	13,537
	22,153	**22,602**

Termination benefits
Termination benefits include legal and contractual entitlements to one-off payments to employees of the group which result from events such as dismissal by the employer, amicable termination of the employment, retirement or death of the employee. For termination benefits the group bears the risk of inflation due to compensation increases. The obligations from termination benefits mainly result from the Austrian entities of the group.

Retirement benefits
Liabilities for retirement benefits recognized at the balance sheet date relate to retirees only. All pension agreements are based on the final salary, are granted as fixed monthly pension payments 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 retirement benefits the group bears the risk of longevity and inflation due to pension increases.

Termination benefits obligations were valued based on an interest rate of 3.60 % (2012/13: 3.75 %), pension benefit obligations were valued based on an interest rate of 3.20 % (2012/13: 3.75 %) and compensation increases based on a rate of 2,0 % (2012/13: 2.0 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2012/13: AVÖ 2008-P) by Pagler & Pagler. Pension increases were estimated at 1.7 % (2012/13: 3.1 %).

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

	2013/14	2012/13 (adjusted)
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**9,064**	**8,220**
Remeasurements (actuarial gains/losses)	37	207
Current service cost	230	216
Interest expense	403	501
Payments	-944	-80
Carrying amount as of 31 March of fiscal year	**8,790**	**9,064**
Total, included in the staff costs (Note 5)	230	216
Total, included in the financial result (Note 8)	403	501

Actuarial gains/losses are attributable to the following positions:

	2013/14	2012/13 (adjusted)
Actuarial gain/loss from changes in demographic assumptions	0	83
Actuarial gain/loss from changes in financial assumptions	91	219
Actuarial gain/loss from other changes (experience adjustments)	-54	-95
Total	**37**	**207**

In the following sensitivity analysis for termination benefit obligations, the impacts resulting from changes in significant actuarial assumptions were changed, whereas the other impact quantities were kept constant. However in reality it will be rather likely that several of these impact quantities will change.

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the **discount rate**			
Defined benefit obligation (DBO)	± 0,5 % pt.	370	-346
Expected annual interest expenses (IC)	± 0,5 % pt.	-31	28
Expected annual service costs (CSC)	± 0,5 % pt.	11	-10
Impact of changes in **salary increases**			
Defined benefit obligation (DBO)	± 0,5 % pt.	-334	353
Expected annual interest expenses (IC)	± 0,5 % pt.	-12	13
Expected annual service costs ((CSC)	± 0,5 % pt.	-11	12
Impact of changes in **fluctuation**			
Defined benefit obligation (DBO)	± 5 %	2	-2
Expected annual interest expenses (IC)	± 5 %	0	0
Expected annual service costs (CSC)	± 5 %	0	0

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

	2013/14	2012/13 (adjusted)
Change in liabilities recognized in the balance sheet:		
Carrying amount as of 31 March of prior year	**13,537**	**11,902**
Remeasurements (actuarial gains/losses)	428	1.827
Current service cost	14	9
Interest expense	498	595
Payments	-850	-837
Currency translation differences	-265	41
Carrying amount as of 31 March of fiscal year	**13,363**	**13,537**
Total, included in the staff costs (Note 5)	14	9
Total, included in the financial result (Note 8)	498	595

Actuarial gains/losses are attributable to the following positions:

	2013/14	2012/13 (adjusted)
Actuarial gain/loss from changes in demographic assumptions	-18	0
Actuarial gain/loss from changes in financial assumptions	365	1,624
Actuarial gain/loss from other changes (experience adjustments)	81	203
Total	**428**	**1,827**

In the following sensitivity analysis for pension obligations, the impacts resulting from changes in significant actuarial assumptions were changed, whereas the other impact quantities were kept constant. However in reality it will be rather likely that several of these impact quantities will change.

	Changes in assumption	Decrease in assumption	Increase in assumption
Impact of changes in the **discount rate**			
Defined benefit obligation (DBO)	± 0,5 % pt.	593	-547
Expected annual interest expenses (IC)	± 0,5 % pt.	-41	37
Expected annual service costs (CSC)	± 0,5 % pt.	0	0
Impact of changes in **pension increases**			
Defined benefit obligation (DBO)	± 0,5 % pt.	-555	596
Expected annual interest expenses (IC)	± 0,5 % pt.	-18	19
Expected annual service costs (CSC)	± 0,5 % pt.	0	0

24 Other non-current liabilities.

	2013/14	2012/13
Truck toll collection system Czech Republic	1,207	778
Other	2,453	988
	3,660	**1,766**

Other non-current liabilities relate to trade payables (non-current) amounting to TEUR 1,207 (2012/13: TEUR 778) due to subcontractors for the installation of the Czech truck toll collection 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 toll collection system (see Note 16). Thus, the fair values approximate the carrying amounts.

Other non-current liabilities mainly relate to loans to minority shareholders of TMT Services and Supplies (Pty) Ltd., Capetown, South Africa amounting to TEUR 1,481 (2012/13: TEUR 0) and to the non-current portion of a contingent payment obligation amounting to TEUR 409 (2012/13: TEUR 394) from the acquisition of the “Mobility Solutions” business of TechnoCom Corporation, Encino, U.S.A.

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

	2013/14	2012/13
Less than 2 year	1,078	872
Between 2 and 3 years	1,934	406
More than 3 years	970	667
	3,982	**1,945**

25 Other liabilities and deferred income.

	2013/14	2012/13
Amounts due to customers for contract work	14,756	12,333
Prepayments received	248	113
Non-current employee liabilities	18,503	17,150
Liabilities to tax authorities (other than income tax)	9,910	3,766
Liabilities from tax compensation to the tax group leader	5,058	748
Other liabilities and deferred income	14,335	18,409
	62,810	**52,520**

Amounts due to customers for contract work detail as follows:

	2013/14	2012/13
Construction costs incurred plus recognized gains	-62,777	-139,101
Less amounts billed and prepayments received	77,533	151,434
	14,756	**12,333**

As of 31 March 2014, amounts due to customers for contract work mainly relate to toll collection projects in North America (2012/13: toll collection project in South Africa), particularly coming from projects in Transdyn.

26 Provisions.

	2013/14	2012/13
Non-current provisions	1,303	1,370
Current provisions	28,378	28,233
	29,680	**29,603**

The provisions changed as follows:

	31 March 2012	Additions from the acquisition of companies	Addition	Utilization	Disposal	Reclassification	Currency translation differences	31 March 2013
Obligations from anniversary bonuses	868	0	408	0	-94	0	0	1,182
Other	230	0	18	-58	-6	0	5	188
Non-current provisions, total	**1,098**	**0**	**426**	**-58**	**-100**	**0**	**5**	**1,370**
						0		
Warranties	1,229	0	1,698	-101	-973	0	57	1,910
Losses from pending transactions and rework	12,382	0	6,661	-429	0	0	-100	18,514
Legal fees, costs of litigation and contract risks	1,022	0	2,251	-686	-59	0	-5	2,524
Other	3,897	0	5,652	-2,825	-1,447	0	9	5,286
Current provisions, total	**18,531**	**0**	**16,261**	**-4,041**	**-2,479**	**0**	**-39**	**28,233**
Total	**19,628**	**0**	**16,687**	**-4,099**	**-2,579**	**0**	**-34**	**29,603**

	31 March 2013	Additions from the acquisition of companies	Addition	Utilization	Disposal	Reclassification	Currency translation differences	31 March 2014
Obligations from anniversary bonuses	1,182	0	162	-11	-213	0	0	1,120
Other	188	0	249	0	0	-173	-81	183
Non-current provisions, total	**1,370**	**0**	**411**	**-11**	**-213**	**-173**	**-81**	**1,303**
Warranties	1,910	134	327	-573	-225	173	-109	1,637
Losses from pending transactions and rework	18,514	0	0	-2,326	0	0	13	16,201
Legal fees, costs of litigation and contract risks	2,524	0	2,149	-506	-110	5	10	4,071
Other	5,286	0	13,468	-12,040	-33	-5	-209	6,468
Current provisions, total	**28,233**	**134**	**15,944**	**-15,444**	**-368**	**173**	**-295**	**28,378**
Total	**29,603**	**134**	**16,354**	**-15,455**	**-581**	**0**	**-376**	**29,680**

The provision for anniversary bonuses relates to non-current entitlements of employees based on Collective Agreements. The valuation was based on an interest rate of 3.60 % (2012/13: 3.75 %), the earliest possible statutory retirement age including transition provisions and using the mortality tables AVÖ 2008-P (2012/13: AVÖ 2008-P) by Pagler & Pagler, increases in salary were considered at 2.0 % (2012/13: 2.0 %). In the position "Addition" interest effects amounting to TEUR 38 (2012/13: TEUR 42) are included.

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.

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

The provision for losses from pending transactions and rework was set up for expected losses from not yet completed construction contracts at the balance sheet date.

Other provisions mainly include provisions for commissions and bonuses, outstanding credit notes and project costs, discounts granted to customers and legal and consulting fees.

27 Contingent liabilities, other commitments and operating lease commitments.

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

Details of contingent liabilities and other commitments are as follows:

	2013/14	2012/13
Contract, warranty, performance and bid bonds		
Toll collection system South Africa, Gauteng	79,161	98,202
Toll collection system North America (thereof from acquisition of Transdyn 2013/14: TEUR 33,195)	62,284	21,225
Toll collection system Poland	7,115	9,194
Truck toll collection system Austria	8,500	8,500
City Highway Sydney and Melbourne	6,439	2,775
Truck toll collection system Czech Republic	1,448	2,494
Tender Slovenia	0	2,000
Toll collection system Portugal	573	1,820
Other	2,009	2,842
	167,530	**149,052**
Bank guarantees	**1,774**	**1,780**
Sureties	**62**	**64**
	169,365	**150,896**

For details of securities for above-mentioned contingent liabilities and other commitments, see Note 15 and Note 21. Furthermore, assets of Kapsch TrafficCom AB, Jönköping, Sweden, amounting to TEUR 10,146 (2012/13: TEUR 10,772) were pledged in favor of a Swedish bank in order to secure contingent liabilities.

Financial obligations from lease contracts:

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

	2013/14	2012/13
Up to 1 year	13,216	12,641
Between 1 and 5 years	27,565	28,486
Over 5 years	18,063	20,528
	58,844	**61,655**

Rental and lease payments recognized as expenses in the reporting period:

Payments from operating leases recognized as expenses of the reporting period are as follows:

	2013/14	2012/13
Rent	10,162	7,366
Motor vehicle leases	1,620	1,259
IT leases	3,161	2,809
Other	856	1,043
	15,798	**12,478**

28 Business combination.

Transdyn Inc.

On 15 January 2014, effective 16 January 2014 the Group acquired through its subsidiary Kapsch TrafficCom IVHS Inc., McLean, U.S.A. all shares in Transdyn Inc., Duluth, U.S.A., incorporated under the law of Delaware, from Powell Industries Inc., Houston, U.S.A.

Consideration paid	12,067
Less fair value of net assets acquired	6,514
Goodwill	**5,553**

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

	Fair value	Carrying amount of the seller
Property, plant and equipment	110	110
Intangible assets	8,967	0
Inventories	13	13
Receivables and other assets	16,509	16,509
Cash and cash equivalents	110	110
Deferred tax liabilities	-3,497	0
Amounts due to customers for contract work	-11,591	-11,591
Liabilities, other liabilities and deferred income	-4,106	-4,106
Net assets acquired	**6,514**	**1,045**

The acquired company contributed revenue of TEUR 3,854 and a net income of TEUR 459 to the group's result for the period from 16 January 2014 to 31 March 2014. If the acquisition had occurred on 1 April 2013, the group's revenue would have been higher by TEUR 17,438 and the profit of the group would have been higher by TEUR 2,157.

29 Related parties.

The following transactions were performed with related parties:

KAPSCH-Group Beteiligungs GmbH, Vienna
Since 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 2013/14 amounted to TEUR 511 (2012/13: TEUR 501). Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the group amounting to TEUR 22 (2012/13: TEUR 22).

For the project in South Africa (Gauteng), the company issued parental guarantees in favor of Kapsch TrafficCom AG to Unicredit Bank Austria AG, Vienna, and to Raiffeisen Bank International AG, Vienna, in September 2009. The assumed guarantees have expired in the fiscal year 2013/14 (2012/13: EUR 26.9 million). The annual fee for the assumption of the liabilities was 0.5 % of the guaranteed amounts. Expenses incurred by the group in the fiscal year 2013/14 amounted to TEUR 86 (2012/13: TEUR 257).

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 also members. Accordingly, all tax effects of the group companies that are tax group members are considered to be related party transactions.

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. Expenses incurred by the group in the fiscal year 2013/14 amounted to TEUR 2,330 (2012/13: TEUR 2,327).

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 2013/14 amounted to TEUR 2,018 (2012/13: TEUR 2,224).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the executive 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 2013/14 amounted to TEUR 1,228 (2012/13: TEUR 1,355).

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the group in the fiscal year 2013/14 amounted to TEUR 603 (2012/13: TEUR 492). In addition Kapsch Aktiengesellschaft maintains a softwaretool and invoiced TEUR 70 (2012/13: TEUR 70) to the group for this service.

Kapsch Partner Solutions GmbH, Vienna
The company provides human resources services (payroll services, administration, recruiting, advice on labor law and human resources development) to the group and provides apprentices and trainees. Expenses incurred by the group in the fiscal year 2013/14 amounted to TEUR 2,362 (2012/13: TEUR 2,293).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 8 (2012/13: TEUR 14).

Kapsch Financial Services GmbH, Vienna
The company leases telephone and IT equipment (hardware and software) to the group and provides call center services and IT support. Expenses incurred by the group in the fiscal year 2013/14 amounted to TEUR 1,125 (2012/13: TEUR 1,173).

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 four largest of which by far are the “truck toll collection system Austria”, the “truck toll collection system Czech Republic”, the “truck toll collection system Poland” and the “truck toll collection system of the Republic of Belarus”. The deliveries and services performed amounted to TEUR 4,395 in the fiscal year 2013/14 (2012/13: TEUR 6,499).

The company provides IT, data processing and telephone services to the group amounting to TEUR 5,021 (2012/13: TEUR 4,431), as well as other services amounting to TEUR 354 (2012/13: TEUR 482).

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 2013/14 totaled TEUR 32 (2012/13: TEUR 14).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 74 (2012/13: TEUR 72) and other services amounting to TEUR 27 (2012/13: TEUR 122).

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 2013/14 amounted to TEUR 29 (2012/13: TEUR 28).

Kapsch Components GmbH & Co KG provides logistic services to the company amounting to TEUR 788 (2012/13: TEUR 880), manufacturing services for GSM-R amounting to TEUR 4,659 (2012/13: TEUR 2,753) and provides the company with other deliverables and performances amounting to TEUR 132 (2012/13: TEUR 347).

Kapsch CarrierCom France SAS, Paris
Kapsch Components GmbH & Co KG provides logistic and manufacturing services to the company for GSM-R projects amounting to TEUR 12,380 (2012/13: TEUR 9,542) and provides the company with other deliverables and performances amounting to TEUR 136 (2012/13: TEUR 153).

Kapsch BusinessCom s r.o., Prague
The company provides technical maintenance services for the Czech truck toll collection system and is responsible for the current IT support for the Czech subsidiaries. Expenses incurred for this in the fiscal year 2013/14 totaled TEUR 3,759 (2012/13: TEUR 1,978). Furthermore, the company provided public relations services amounting to TEUR 94 in the fiscal year 2013/14 (2012/13: TEUR 98) and other services amounting to TEUR 138 (2012/13: TEUR 87).

Kapsch Sp. z o.o., Warsaw
Die Company provides hardware (IT equipment) to the group and renders maintenance and other services for the customer project in Poland. These services amounted to TEUR 2,181 in the fiscal year 2013/14 (2012/13: TEUR 2,733).

Kapsch Immobilien GmbH, Vienna

In the fiscal year 2012/13 Kapsch Immobilien GmbH sold the property Am Europlatz 2 on 31 August 2012. Lease expenses incurred in the period from April to August 2012 by the group amounted to TEUR 1,394. Since that time further lease expenses had not to be shown as related parties. For waiving the right to terminate the rental agreement a one-time bonus of TEUR 1,340 was agreed.

The company provides services in the area of motor vehicle management and automotive services amounting to TEUR 140 (2012/13: TEUR 123) in the fiscal year 2013/14.

Other related parties transactions

Lease income of the group resulting from the sub-lease to related parties in the fiscal year 2013/14 totaled TEUR 518 (2012/13: TEUR 438). Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold at arm's length.

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

The following tables provides an overview of revenues and expenses in the respective fiscal years as well as receivables from and payables due to related parties at the respective balance sheet dates:

	2013/14	2012/13
Parent company		
Revenues	0	0
Expenses	619	779
Affiliated companies		
Revenues	18,876	14,396
Expenses	24,738	25,320
Other related parties		
Revenues	148	1,426
Expenses	1,265	2,690

	2013/14	2012/13
Parent company		
Trade receivables and other assets	867	563
Trade payables and other payables	6,135	1,053
Affiliated companies		
Trade receivables and other assets	4,205	2,246
Trade payables and other payables	4,646	11,544
Other related parties		
Trade receivables and other assets	126	102
Trade payables and other payables	290	291

30 Earnings per share.

Earnings per share (basic earnings) are calculated by dividing the result 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 2014, as in the prior year, no treasury shares were held by the company. There were no dilutive effects.

	2013/14	2012/13 (adjusted)
Result for the period attributable to equity holders of the company (in EUR)	-4,299,498	9,787,032
Weighted average number of ordinary shares	13,000,000	13,000,000
Earnings per share (in EUR)	**-0.33**	**0.75**

31 Events after the balance sheet date.

No material events have occurred after balance sheet date.

32 Supplementary disclosures.

The consolidated group companies are listed in the notes to the consolidated financial statements under the item “consolidated group”. The parent company Kapsch TrafficCom AG, Vienna, directly or indirectly holds 100 % of the shares in the fully consolidated subsidiaries, with the exception of Kapsch Telematic Services sp. z o.o., Poland, Electronic Toll Collection (PTY) Ltd., South Africa, Kapsch Telematic Services Solutions S/A, Denmark, Kapsch Telematic Services GmbH, Vienna, Kapsch Telematic Services GmbH Deutschland, Germany, Kapsch Telematic Services Kft., Hungary, Kapsch Telematic Services spol. s r.o., Czech Republic, Kapsch TrafficCom Construction & Realization spol. s r.o., Czech Republic, TMT Services and Supplies (Pty) Ltd., South Africa, TMT Services and Supplies (Gauteng) (Pty) Ltd., South Africa, Berrydust 51 (Pty) Ltd., South Africa and Kapsch Telematic Services IOOO, Minsk, Republic of Belarus. 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 2013/14 was 2,973 salaried employees and 199 waged earners (2012/13: 2,579 salaried employees and 217 waged earners).

Expenses for the auditor

The expenses for the auditor amount to TEUR 147 (2012/13: TEUR 130) and are broken down as follows:

	2013/14	2012/13
Audit of the consolidated financial statements	55	56
Other assurance services	57	54
Tax advisory services	0	0
Other services	34	20
	147	**130**

Compensation and other payments to members of the executive and the supervisory board
In the fiscal year 2013/14, the following persons served on the executive board:

Mag. Georg Kapsch (Chief Executive Officer)
Ing. Erwin Toplak (until 31 March 2014)
André Laux

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

Executive board remuneration in TEUR	Fix 2013/14	Variable 2013/14	Total 2013/14	Total 2012/13
Georg Kapsch	460	59	519	834
Erwin Toplak	413	38	451	491
André Laux	364	63	427	382
Total	**1,237**	**160**	**1,398**	**1,707**

Expenses for termination benefits after use of provision for members of the executive board amount to TEUR 59 (2012/13: TEUR 64). Erwin Toplak left the executive board as of 31 March 2014, for the termination of his contract Erwin Toplak received a termination benefit of TEUR 412.

Individual pension agreements are granted to André Laux and Erwin Toplak. TEUR 24 (2012/13: TEUR 20) were paid by Kapsch TrafficCom AG to an external pension fund.

In the fiscal year 2013/14, the following persons served on the supervisory board:

Dr. Franz Semmernegg (Chairman)
Dr. Kari Kapsch (Deputy-Chairman)
Sabine Kauper
Dr. Harald Sommer (since 12 September 2013)

Delegated by the works council:
Claudia Rudolf-Misch
Ing. Christian Windisch

Remunerations paid to supervisory board members amounted to TEUR 20 (2012/13: TEUR 28) in total.

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

Authorized for issue:
Vienna, 27 May 2014

Georg Kapsch	André Laux
Chief Executive Officer	Executive board member

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2014 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with section 245a (1) of the Austrian Commercial Code (UGB) have been translated into English. In case of different interpretations the German original is valid.

Auditor’s Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of Kapsch TrafficCom AG, Vienna, for the fiscal year from 1 April 2013 to 31 March 2014. These consolidated financial statements comprise the consolidated balance sheet as of 31 March 2014, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 March 2014, and the notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements and for the Accounting System
The Company’s management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the statutory provisions of Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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 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 professional guidelines and that we plan and perform the audit to obtain reasonable assurance of whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group’s preparation and fair presentation of the consolidated 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 group’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 reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the 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 2014 and of its financial performance and its cash flows for the fiscal year from 1 April 2013 to 31 March 2014 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 as to whether the other disclosures are not misleading with respect to the Company’s position. The auditor’s report also has to contain a statement as to whether the management report 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, 27 May 2014

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:
Peter Pessenlehner
Austrian Certified Public Accountant

Kapsch TrafficCom AG, Vienna

always one step ahead

Kapsch TrafficCom AG, Vienna

MANAGEMENT REPORT

on the financial statements as of 31 March 2014

1. General economic situation

Global economy

In the reporting year 2013, the global economy grew by 3% leading to a significant upturn particularly in the second half-year. Taking the whole year into account, this upturn, however, did not suffice to achieve a higher growth rate compared to 2012. Overall, however, it can be noted that the global economy strengthened in 2013. The macroeconomic pattern of growth was heterogeneous as was, in consequence, the overall global situation: some countries and regions – e.g. Canada, Great Britain, Brazil as well as Central and Eastern Europe – were able to further strengthen their positive economic development. Other economies, such as China, the U.S. or Russia, stagnated or even experienced a slowdown in growth compared to 2012. Growth in the emerging economies as a whole was less dynamic, thus providing weaker impulses to the world economy. The eurozone reported another decline in the aggregate gross domestic product (GDP) of 0.4% although the recession – which started at the end of 2011 – could be overcome in the course of the year. In line with the global economic performance, world trade stabilized and even displayed a slight upturn in the reporting period: the volume of internationally traded goods and services rose by 3% after an increase of 2.8% in 2012.

A further expansion of the global economy is expected in 2014 – the International Monetary Fund (IMF) forecasts a global growth of 3.6% - with continuing varied development in the different economic regions: while a stronger growth dynamic is expected for example for the U.S., economists see no sign that the Japanese economy will pick up and expect the eurozone to recover only slowly. The growth rates will approximate the 2013 levels in the emerging markets and developing economies. Overall, however, the vulnerability of the global economy with regard to economic, political and geopolitical crises and shocks will remain high also in 2014. According to the IMF, the low inflation in the eurozone poses specific challenges and thus results in a need for concerted action on national, regional and international level. But also the recurrent abrupt capital outflows experienced in the emerging markets and the related volatile developments of these regional financial markets are, however, considered problematic by the IMF, particularly against the backdrop of political crises such as the crises with regard to Crimea and Ukraine.

In the reporting period 2013, the **U.S.** economic growth decelerated to 1.9%, compared to 2.8% in 2012. Private consumption, in particular — which traditionally is an important pillar of the economy — was dampened due to the tightened fiscal policy of the U.S. government. Furthermore, the continuing budget dispute and the budgetary emergency which peaked in October 2013 caused uncertainty. This emergency situation eventually led to the so-called "government shutdown" and to parts of the U.S. federal government being shut down. Only the decision of the Congress to increase the debt limit, granting the U.S. a deferral until March 2015, eliminated the risk of a new budget crisis. Moreover, a political compromise was achieved with regard to loosening "sequestration" which provides for automatic expenditure cuts since early 2013. This resulted in an improved climate among consumers and companies. This, in turn, had a positive impact on consumer spending and capital expenditure. Against this background, the IMF expects the pace of the U.S. economy to pick up in 2014, with a growth rate of 2.8%. Fiscal policy also remains a stabilizing factor for the economy, even if the Federal Open Market Committee of the Federal Reserve gradually reduces the volume of its monthly security purchases.

Japan's economy expanded by 1.5% in 2013 after growing by 1.4% in 2012, with growth slowing down in the second half of the year. The implementation of Prime Minister Abe's economic policy program ("Abenomics") that promotes the considerable relaxing of the monetary policy and the expansion of fiscal policy had a positive impact overall. In the meantime, however, critical voices concerning this raft of economic measures have become increasingly audible. Although experts forecast a strong stimulus for the Japanese economy in the short term, this stimulus will however weaken already in 2014 and cease completely in 2015 according to a simulation carried out by Deutsche Bundesbank. Economic stimuli alone thus do not suffice to overcome Japan's weak growth, which is why far-reaching structural reforms are called for. Although appropriate initiatives have been announced by the Japanese government (e.g.

flexibility of the labor market), no significant progress has yet been made with their implementation. According to the IMF, a sustainable economic upturn in Japan is, therefore, unlikely in the near future. The IMF rather expects the economy to grow by 1.4% in 2014 and by a mere 1% in 2015. Also the increase of excise duties on 1 April 2014 from 5% to 8% is most notably expected to have a dampening effect. This measure aims at increasing Japan's government revenue and, later, to somewhat ease the very critical fiscal situation of the country: The government debt was 227% of the total economic output in 2013.

Emerging Markets and Developing Economies

While the economic growth in these countries still lay at 5% in 2012, it decreased slightly to 4.7% in 2013. While this slowing of pace is only moderate, if you compare the economic performance of 2013 with that of 2011 (back then economic growth was at an average of 6.3%), we can see that growth was considerably less dynamic. Hence, the impulses from the emerging markets for the global economic development have lost some strength in the last two years. However, the regional development varied considerably: growth in the **Commonwealth of Independent States (CIS)** slowed down to 2.1% in the reporting period (against 3.4% in 2012). The crucial factor for this decrease was the modest situation in **Russia**, whose economic performance expanded only moderately, that is by 1.3%. The increase in investments was sluggish at best, with investments also being slightly in decline. While there was indeed strong progression in private consumption, this only had a limited stimulating effect on the Russian economy as it was primarily covered by imports. The industry showed a weak performance, with a production increase in real terms of 0.3%. The current crisis in Crimea and Ukraine, which in the view of the IMF poses a serious risk from a global perspective, has serious consequences for Russia, too: in the first quarter of 2014 alone, capital outflows amounted to approximately USD 64 billion. The U.S. and the EU have said tougher sanctions could be used if the desired de-escalation of the conflict is not achieved. On top of this, the leading rating agencies have reacted in unison to these political developments by reducing Russia's outlook from "stable" to "negative". Because of this it can be anticipated that investors will continue to withdraw capital, with estimates assuming that this could mean up to USD 150 billion in 2014. In line of this background, the country is likely to slide into a recession. In a negative scenario, the World Bank expects a decrease in Russian economic performance by 1.8% in 2014.

Having grown by 6.7% in 2012, **Asia's** economic growth amounted to 6.5% in 2013 according to the IMF. **China**, whose economy expanded by an average of 9.8% per annum between 2000 and 2013, and which – based on its economic performance – is the world's second largest economy after the U.S., is expected to grow by 7.5% in 2014 and thus nearly reach its 2013 rate of expansion. China's dynamic economic growth in the past has largely been down to the massive economic development program of the Chinese government to promote investment. In the future, China's economy should enjoy wider support while also reaping the benefits of consumer spending levels that are consistently higher than in the past.

In addition to China, some other emerging markets and developing countries failed to accelerate growth in 2013, with growth in some cases being slightly more measured compared with 2012 levels. The economic performance in **India** increased by 4.4% having grown by 4.7% in 2012, the **ASEAN-5** (Indonesia, Malaysia, the Philippines, Thailand and Vietnam) grew by 5.2% (versus 6.2% in 2012), and **Latin America's (including the Caribbean)** growth rate was 2.7% compared to 3.1% in 2012. A closer look at Latin America reveals a mixed picture: while **Brazil** was able to show somewhat more dynamic levels of economic performance, **Mexico** was confronted with a considerable slowing down. The **MENA Region (Middle East and North Africa, Afghanistan and Pakistan)** as well as **South Africa** (this being the most significant market in **Sub-Saharan Africa**) also followed the pattern of performing more poorly on the macroeconomic front in 2013.

In the last few months, the emerging markets have been repeatedly faced with abrupt capital outflows. This first happened in early 2013 when the U.S. Federal Reserve announced that it would be gradually reining in on its security purchases. The retreat of investors was until now restricted to individual markets and above all affected countries with high foreign trade deficit levels such as South Africa and Indonesia. According to the European Central Bank, the global impact of these strains on regional financial markets among the emerging markets should be limited, albeit for the time being. However, due to the structural problems in these countries (for example due to inadequate infrastructures), experts recognize the risk that their growth dynamics will decrease further. Alongside this there is also the increasing susceptibility of these markets to falling victim to sudden capital outflows and the increasing danger that local imbalances can now spread much more easily to other regions or even beyond to the global economy.

Europe

In 2013 Europe managed to come out of the recession which had lasted for almost two years. While economic performance was indeed slightly in decline in the first quarter, it was gradually able to bring itself back on course over the year, even though the growth achieved was more or less flat. This meant the overall year saw a stagnation (+0.1% against 2012) of GDP throughout the **EU-28**. Positive signals were not only seen from the gradually recovering peripheral states but also through export trade with third countries like the U.S. To give further impetus to this development, negotiations were officially assumed in 2013 regarding the establishment of a transatlantic free trade agreement between the EU and the U.S. Moreover, an upswing in several leading indicators has led to cautious optimism among economists at the turn of the year 2013/2014, particularly the pick-up in consumer confidence and the strengthening of industrial activity.

At the same time, the persistently difficult situation on the European labor market has put a damper on burgeoning optimism: throughout 2013 unemployment in the EU-28 remained above the 10% mark, with this in turn resulting in a subdued development of private household income, which thus also kept private consumption down. Companies not being so inclined to invest also weighed on the European economy. This is not just down to subdued levels of demand but also due to reluctant lending, above all to small and medium-sized enterprises. What's more, slimline budgets aimed at sorting out state finances in 2013 meant the public sector hardly contributed towards giving any positive impetus in many parts of Europe. Taking all these factors into consideration, the rating agency Standard & Poor's lowered the EU's long-term credit rating from its top AAA rating to AA+ in December 2013.

Economic recovery in the **eurozone** was even more subdued in the EU as a whole in 2013. The main reason for that was the sluggish business activity in France and Italy, these two countries being the most important economies of the monetary union after Germany. There were, however, positive developments in the troubled peripheral countries, with the implemented reforms in Spain, Portugal and Ireland gradually starting to show their effects. Accordingly, these three countries announced that they would no longer require any further loans from international bailout programs as from 2014. Even Greece, which had been seriously hit by the economic and financial crisis, was able to see a considerable easing of the situation, thus leading to an improved creditworthiness assessment on the part of the international rating agencies. However, one major problem in these peripheral countries that remains to be resolved is the high level of youth unemployment, which in 2013 was over 25% in places. Besides, there are growing concerns that the Southern European countries could slip into deflation. The yearly average level of inflation in Portugal and Cyprus for 2013 was just 0.4%, which thus is far beyond the Maastricht target of 2%. Being drawn into a phase of deflation in such affected countries could unleash a new wave of political and social unrest.

The European Central Bank (ECB) further committed itself to an accommodative monetary policy course in 2013 to act against the lull in economic performance in the eurozone and to calm the ongoing nerves of international investors. The main focus here was on taking steps to improve the situation on the financial markets. First and foremost, these steps include laying the legal groundwork for a central, ECB-led banking supervision body ("Single Supervisory Mechanism"), with this new body set to start operating at the end of 2014. A further milestone was reached when EU Finance Ministers agreed upon a common framework ("Single Resolution Mechanism") to bail out troubled banks, with this also being a considerable step as we inch ever closer towards European Banking Union. In order to provide support beyond the financial market too, the ECB lowered the prime interest rate to a record low of 0.25%. Economists assume that, with cheap money available, both investment and consumption will be stimulated, thus also boosting the economy. Accordingly, it is anticipated that 2014 will see an increase in GDP growth throughout the eurozone to 1.2% (against -0.4% in 2013).

The expansion of business activity in **Central and South-Eastern Europe** was slightly stronger in 2013 than it was in Western Europe. This was in spite of private sector indebtedness and the small influx of foreign capital which put a dampener on growth. Looking at various countries in the region though, the picture was uneven in the reporting period. While, for example, the newest EU Member State Croatia and the Czech Republic (the latter being dogged by political turbulences) faced a recession in 2013 and even the previously comparatively dynamic countries to the East (namely Poland and Russia) recently saw economic growth diminish considerably, Latvia, Lithuania and Romania reported an increase in GDP of more than 3%. Aside from Slovenia, which continues to be struck down by a massive banking crisis, economists predict for 2014 a gradual recovery in the economies of Central and South-Eastern Europe, with stronger public sector investment in infrastructure projects being particularly expected for the future.

The main risk factor for the economic recovery in the region is posed in the form of the conflict between Russia and Ukraine which started at the beginning of 2014. While the Crimea crisis initially only had local repercussions, the sanctions and the economic sanctions being considered could have considerably negative consequences reaching way beyond the two countries directly involved, their impact ranging from energy shortages throughout the whole of Europe right the way through to the collapsing of foreign trade and direct investment.

Austria

Austria's economic performance lost momentum in 2013 against the backdrop of a weak European economy: compared to the prior year, GDP only picked up by 0.4%. Whereas the first few months were still characterized by stagnation, the second half of the year saw a gradual economic recovery. Unlike in the past, the exports of Austrian companies contributed only modestly to growth: given the subdued demand in significant sales markets such as Italy, the Czech Republic and Hungary, the real growth of goods exports stood merely at 2.7% (comparative 2010 value: +13.6%). The slight economic upturn expected for 2014, however, is to boost the Austrian export business: Economists specifically expect a rise in goods exports by 5.5%. For the economy as a whole, however, GDP is forecast to grow by 1.7% in 2014.

The inclination of Austrian companies to invest was rather low in the reporting period, which can be explained by a high degree of uncertainty regarding future sales. Compared to the previous year, gross fixed asset formation declined by 0.9% in 2013. Especially in the field of investment in plant and machinery, there was a tendency to postpone planned projects. Economists assume that at least part of these investments will be made up for in 2014, which is why they predict investment in plant and machinery to rise by 5%. Construction investment, by contrast, is forecast to be less dynamic, not least because of the continued cost-cutting measures in the public sector. Overall, the investment climate is expected to brighten once again over the next few years.

Besides, it is worth mentioning that in 2013 consumption did not have a stimulating effect on the Austrian economy for the first time in years. Despite an easing of inflationary pressures in the reporting period, the amount of money private households spent on consumption declined slightly (-0.2% as compared to the prior year). The main reasons for this include the precarious situation on the labor market and lackluster growth in disposable income. Similar to businesses' investment in plant and machinery, consumers largely tended to postpone their purchase decisions regarding durable goods. With respect to the general level of prices, the inflation rate declined to an average 2% in the reporting period. The price drivers included particularly the food and housing segments, whereas fuel had lately become noticeably cheaper and energy prices only showed moderate increases. According to the latest forecasts, an inflation rate of slightly below 2% is expected for 2014. Price driving effects are to include the federal government's tax measures, which entered into force on 1 March 2014 (car registration tax, vehicle-related insurance tax, tobacco tax and sparkling wine tax).

Economists are increasingly concerned with regard to the situation on the Austrian labor market: in 2013, the unemployment rate climbed from an average of 4.3% in the preceding year to 4.9% (according to the Eurostat). The coming years are likely to witness a further increase to above 5%, owing to an expanding labor supply (e.g. because of the opening of the Austrian labor market to Romania and Bulgaria at the beginning of 2014) and to subdued employment development given the overall economic situation. Experts assume that even the somewhat more pronounced GDP growth in 2014 will not be sufficient to reverse this trend on the labor market.

The Austrian national finances, in contrast, developed positively in 2013: the budget deficit continued to decline and stood at 1.9% of GDP, thus lying markedly below the threshold of 3% set out in the Maastricht Treaty. This is largely due to one-off effects on the income side: Both the auctioning of mobile communication frequencies and the tax agreements with Switzerland and Liechtenstein brought money into the Treasury coffers during the reporting year. In 2014, the development of the budget balance will largely depend on the capital transfer required for the settlement of the crisis-ridden Hypo Alpe Adria bank. Based on current projections, the budget deficit is set to rise to 3% as a result of Hypo aid.

Development of the market for intelligent transportation systems (ITS)

Kapsch TrafficCom AG addresses the market for intelligent transportation systems (ITS), which in German is mostly referred to under its English name or by using the German translation (*Intelligente Verkehrssystemse, IVS*). To allow for easier comparisons, Kapsch TrafficCom AG makes use of the internationally prevailing terms for the intelligent transportation systems (ITS) market according to which ITS are systems employing information and communication technologies to support and optimize road transportation, including infrastructure, vehicles, users and industry.

Market segmentation

The study "Intelligent Transportation Systems - A global strategic business report" from Global Industry Analysts, October 2012, describes the ITS market as a diversifying market with widely differing application and product segments. Thus, the market comprises the following three product segments:

- Electronic toll collection (ETC) enables drivers to pay toll fees without stopping at toll stations.
- Advanced traffic management systems (ATMS) monitor traffic, optimize signal timing and regulate the flow of traffic.
- Other intelligent transportation systems (OTH ITS) comprise in particular:
  - Commercial vehicle operations (CVO) that encompass systems for operating commercial vehicles in order to enhance freight carrier productivity and safety,
  - Public vehicle transportation management systems (PVTMS) that facilitate management of both local and long-distance public transportation, and
  - Advanced vehicle information systems (AVIS) that increase traffic safety.

Market volume and growth

Global Industry Analysts (October 2012) estimated that the global volume of the ITS market amounted to about USD 15.4 billion in 2013 and is expected to continue growing. The largest product segment in 2013 thus was ATMS, accounting for almost 36% (USD 5.5 billion). Based on a worldwide volume of about USD 3.9 billion, ETC had an ITS market share of about 25%. The largest geographic region for ITS in 2013 was the U.S. at 40%, followed by Europe at 29%.

The ITS market is expected to grow at an average annual rate of 8.7% between 2009 and 2018 to reach a global volume of USD 22.8 billion in 2018, of which ETC will account for USD 6.8 billion, equaling a share of 30% and thereby exhibiting the fastest growth of all product segments at an average annual rate of 11.8%.

Customer segments

Kapsch TrafficCom AG has developed its own understanding and its own view of the ITS market in order to define and develop its market positioning. From this perspective, the ITS market was divided into four customer segments and the corresponding primary addressees were identified.

Operator/authority-related ITS		Vehicle-related ITS
Governments, authorities, concessionaires	**Connected vehicles in cooperative systems**	Car manufacturers and suppliers
User-related ITS		**Industry-related ITS**
Information service providers		Industry and insurance companies

Operator/authority-related ITS encompass both ETC and ATMS as well as applications for urban access. The addressees are governments and authorities, road and toll operators as well as concessionaires that develop transport policies using ITS to ensure the availability and quality of the infrastructure in a way that improves safety and security, performance, and environmental protection.

Vehicle-related ITS aim at in-car telematics such as remote diagnostics or driver assistance systems (AVIS). They are intended mainly to enhance vehicle productivity, particularly that of commercial vehicles (CVO), as well as traffic safety and security. Addressees are car manufacturers and their suppliers. This field also includes systems for real-time interaction between vehicles (vehicle-to-vehicle; V2V) as well as between vehicles and infrastructure (vehicle-to-infrastructure; V2I), collectively abbreviated as V2X, which Kapsch TrafficCom AG believes will increasingly be based on 5.9 GHz technology.

User-related ITS focus mainly on convenience and efficiency for travelers. The customer in the car receives information to aid in orientation during the journey, thereby increasing traffic safety. Example applications for advanced vehicle information systems (AVIS) include transmitting traffic-related vehicle information to travelers before or during the trip as well as navigation services. Addressees are information service providers such as mobile communications providers, radio stations or also suppliers of navigation devices.

Industry-related ITS encompass commercial applications primarily designed to reduce the costs or maximize the yield of vehicle fleet operators, including public transportation companies (PVTMS). Example applications include systems for fleet management and for collecting information on the logistics of large-scale vehicle operators. Among the addressees are insurance companies, who see pay-as-you-drive car insurance as a promising way to attract new customers by offering fair insurance rates and ITS-based value-added mobility services.

Market positioning

The current focus of Kapsch TrafficCom AG aims at the operator/authority-related segment of the ITS market. The goal is to become a leading provider of solutions and technologies in the future field of "Vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communication – V2X" with the help of which Kapsch TrafficCom AG intends to offer solutions at the infrastructure and vehicle levels and to design, supply and operate information and communication technologies as well as select applications. The future focus will therefore also aim at vehicle-related and user-related ITS. The ongoing developments in industry-related ITS will be monitored as well.

Market drivers

Kapsch TrafficCom AG believes the following five factors are the main drivers for the market which it currently addresses.

Funding for infrastructure projects. The worldwide increase in the number of cars and the growing road traffic require additional financing to construct new and maintain existing roads. Toll collection offers a reliable source of income and thus helps to provide the necessary funding for infrastructure projects. Efficient toll collection systems, especially electronic ones, offer a significant and constant source of funds for governments, authorities, road and toll operators as well as concessionaires that can be used for the expansion and maintenance of road infrastructure.

Reducing congestion and further environmental pollution caused by road traffic. Efforts to reduce environmental pollution caused by road traffic have become a major market driver for the introduction of toll collection systems. Such systems encourage reduced or modified vehicle usage, thereby lowering emissions and pollution levels. Electronic toll collection systems, in particular for multi-lane free-flow traffic, have proven their ability to decrease environmental pollution and carbon dioxide emissions by reducing congestion at toll plazas without interfering with the traffic flow. Moreover, in large conurbations and capital cities, in particular, there is a growing need for electronic systems to control and reduce traffic. Toll collection is perceived as an effective solution for spreading traffic in terms of time and for reducing high levels of congestion, as it encourages drivers to share cars or use public transportation. In urban environments, efforts are being made to reduce environmental pollution and traffic with the help of city charging and green zones. Traffic safety devices to monitor compliance with traffic regulations are another field of ITS applications in conurbations and cities. Examples include systems to monitor traffic violations at junctions (e.g. running red lights).

Increasing traffic safety and security. Governments, authorities, road and toll operators as well as concessionaires are particularly engaged in improving the availability and quality of traffic infrastructure in a way that increases safety and security. Traffic management systems (ATMS segment) lower accident rates while also helping increase the probability of surviving car accidents.

Enhancing vehicle and fleet productivity. Car manufacturers and their suppliers strive for enhancing the productivity of vehicles, most notably of commercial vehicles. Moreover, cost reduction and productivity increase play an increasingly important role also with regard to operation. Vehicle-related ITS aim at in-car telematics such as remote diagnostics or driver assistance systems (market segment CVO). Their purpose is primarily to enhance vehicle productivity and traffic safety and security. Commercial applications for vehicle operators, including transportation companies (market segment PVTMS), provide support for fleet management and the collection of information on the logistics of large-scale vehicle operators.

Increased comfort expectations of travelers. Greater convenience and efficiency for users generally also means higher traffic safety. Model applications include vehicle information systems that forward traffic-relevant data to the vehicle driver before and during travel as well as navigation services. Information service providers such as mobile communications providers, radio stations or suppliers of navigation devices are all interested in the further development of such systems. As a communication platform, the 5.9GHz technology will enable a variety of future applications involving "connected vehicles".

Technologies

Depending on the requirements of the specific application, systems are introduced for toll collection which are based on microwave technology (dedicated short-range communication; DSRC), satellite navigation (global navigation satellite system; GNSS), or video technology, most notably for a video-based automatic number plate recognition (ANPR). While the DSRC technology that operates in the 5.8 GHz and lives up to the Comité Européen de Normalisation (CEN) standard prevails in Europe, toll systems in North America are based on proprietary protocols in the 915 MHz band. It is expected that a new communication protocol standard in the 5.9 GHz range will gradually replace the existing technology in the U.S. over the coming years. In addition to the toll application, the communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment) is intended for real-time vehicle-to-vehicle and vehicle-to-infrastructure communication.

Convergence on the ITS market

A common thread among all these market drivers and technologies is a convergence on the ITS market. Kapsch TrafficCom AG realizes that product and customer segments will become increasingly interconnected in view of future solutions and is convinced that applications, platforms and technologies will finally converge. In the view of Kapsch TrafficCom AG, the future lies in the interaction between vehicles (vehicle-to-vehicle; V2V) and vehicle to infrastructure (vehicle-to-infrastructure interaction; V2I), collectively abbreviated as V2X. The driving forces of this convergence are governments and the automotive industry.

2. Economic situation of Kapsch TrafficCom AG

2.1 General situation

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

The past fiscal year was primarily characterized by the implementation of the nationwide electronic toll collection system in Belarus. Technical operation commenced on 1 July 2013, the electronic toll collection (and thus commercial operation) started on 1 August 2013. Since this date, the former manual system has been replaced on 815 km (phase 1), and since December 2013 on further 118 km (phase 2a). In August 2013, Kapsch TrafficCom AG delivered and installed a weigh-in-motion-solution which enables to weigh vehicles at full speed.

In Austria, about 2,200 km of highways and expressways are equipped with fully electronic toll systems for trucks above a maximum authorized vehicle weight of 3.5 tons, with Kapsch TrafficCom AG delivering the complete central and roadside infrastructure for almost 490 toll stations and now about 1 million on-board units (GO boxes) since 2004. As in the previous year, the average toll transaction rate generated in Austria remained at the high prior-year percentage of 99.8%. On 27 September 2011, the company reached a basic agreement with ASFINAG Maut Service GmbH to renew the current operation and maintenance agreement for the nationwide electronic truck toll collection system in Austria until the end of 2018.

2.2 Financial performance indicators

a. Earnings situation

Net sales of Kapsch TrafficCom AG reached EUR 177.3 million in fiscal year 2013/14, thus up by 27.8 % on the previous year (EUR 138.7 million). The segment Services, System Extensions, Components Sales (SEC) exhibited a growth in net sales from EUR 91.1 million in the previous year to EUR 94.4 million. The segment Road Solution Projects (RSP) showed a rise in net sales from EUR 47.6 million in the previous year to EUR 82.9 million.

In comparison with the previous year, personnel expenses increased by EUR 2.4 million from EUR 40.8 million to EUR 43.2 million in fiscal year 2013/14, while the average number of staff rose by 31 persons from 515 to 546 in the fiscal year under review.

Other operating expenses increased by EUR 5.0 million from EUR 42.9 million to EUR 47.9 million in fiscal year 2013/14.

The operating result (EBIT) of Kapsch TrafficCom AG rose to EUR 20.6 million in the reporting year compared to EUR -890k in the previous year.

The financial result improved to EUR 8.4 million (prior year: EUR 5.5 million), which is mainly attributable to higher income from investments.

b. Assets and liabilities

The balance sheet total rose to EUR 384.9 million at the balance sheet date 31 March 2014 compared to the end of fiscal year 2012/13 (31 March 2013: EUR 365.1 million).

At EUR 200.3 million, equity was above the amount of EUR 181.7 million as of 31 March 2013. Kapsch TrafficCom AG's equity ratio thus increased from 49.8% as of 31 March 2013 to 52.0% as of 31 March 2014.

On the assets side, inventories could be decreased from EUR 47.9 million to EUR 32.2 million.

The group receivables (incl. borrowings) increased from EUR 179.3 million in the previous year to EUR 233.5 million in the reporting year and thus affected liquid funds as they fell from EUR 23.6 million to EUR 7.4 million.

On the liabilities side of the balance sheet, long-term liabilities in particular increased from EUR 102.5 million in the previous year to EUR 109.8 million at the balance sheet date 31 March 2014, which results from the financing of the implementation of the nationwide truck toll collection system in Belarus.

The short-term liabilities fell from EUR 76.2 million in the previous year to EUR 69.4 million at the balance sheet date 31 March 2014. Group liabilities could be reduced from EUR 26.3 million in the previous year to EUR 19.8 million as of 31 March 2014. Bank loans and overdrafts, however, rose from EUR 8.9 million to EUR 21.8 million in the fiscal year under review.

c. Financial position

Net cash flow from operating activities amounted to EUR -5.9 million after EUR 69.0 million in the previous year. This development was particularly attributable to the increase in trade receivables with regard to subsidiaries.

Net cash flow from investing activities in the amount of EUR -28.7 million (prior year: EUR -36.3 million) mainly results from the financing of subsidiaries.

Net cash flow from financing activities of EUR 18.4 million (prior year: EUR -20.5 million) resulted from the taking out of financial liabilities, primarily to finance projects, and from the payment of the dividend.
In total, cash and cash equivalents decreased from EUR 23.6 million as of 31 March 2013 to EUR 7.4 million as of 31 March 2014.

2.3 Non-financial performance indicators

Sustainability management

Kapsch TrafficCom AG sees itself as particularly committed to the central aspects of sustainability not least due to the business model of the company. The focus lies on achieving the efficient and sparing use of resources of all kinds, securing our profitability and innovative strength and ensuring equal opportunities and fairness with respect to all relevant interest groups. Securing the long-term stability of the company in consideration of all economic, environmental and social perspectives is our overarching goal.

Consistent sustainability orientation

Kapsch TrafficCom AG regards sustainability as a continuous process. In recent years, we have begun to systemize all of the issues related to this. One important milestone was achieved with the publishing of the second sustainability report in late autumn of 2013, which is available at www.kapsch.net/ktc/investor_relations.

The sustainability report fulfills the requirements under the Global Reporting Initiative, GRI Guideline G3.1 (Application Level C). It also serves as a Communication on Progress for the United Nations Global Compact, which defines ten principles for protecting human rights and labor standards, the environment and for fighting corruption.

The report provides extensive information on the main focus areas as shown in the overview below. Owing to the cross-cutting nature of the issues, they are in part described in other sections of this management report. Key performance indicators to measure performance and targets for the following period have been defined for each focus area. The Sustainability Coordinator coordinates and reports to the executive board all relevant issues.

- Ensuring sustainable success
- Innovative products with added value for the environment and society
- Transportation systems fit for the future
- Protecting the environment and resources
- Securing the required skills within the team
- Corporate social responsibility

Innovative products with added value for the environment and society

The innovative products and solutions for intelligent transportation systems of Kapsch TrafficCom AG make a valuable contribution to climate protection. They allow road users to reach their destinations quickly, efficiently and with low environmental impacts. In order to live up to these demands also in the future in the best possible way, Kapsch TrafficCom AG invests heavily in research and development.

A comprehensive guideline has been defined to ensure that environmental, economic, social, health and safety aspects are taken into account in the development and design of the company's products in an optimal and structured manner. The contents of this guideline are to be integrated in specifications and/or calls for projects. In fiscal year 2012/13, already 91.31% of all products complied with these requirements.

Staff.

The average number of employees of Kapsch TrafficCom AG in fiscal year 2013/14 was 546 (prior year: 515). As of 31 March 2014, the company employed 584 (prior year: 502) employees. As of 1 October 2013, all employees (108) of the subsidiary Kapsch Telematic Services GmbH were taken over in accordance with the Austrian law amending labor law (*Arbeitsvertragsrechts-Anpassungsgesetz, AVRAG*).

Kapsch TrafficCom AG places great importance on the continued training and education of its employees. This involves not only promoting professional education but also providing seminars and workshops for developing personal and teamwork skills. In addition, training sessions tailored to the particular needs of the employees are offered within the framework of the Kapsch University. A job rotation program promotes the international exchange of staff between the various locations, and select employees are prepared for their future tasks in a management trainee program.

Kapsch TrafficCom AG makes contributions to an external pension fund for employees of group companies in Austria under a defined contribution scheme. The amounts of these contributions are based on the individual employee's income and the operating profit margin of the company.

Kapsch TrafficCom AG is aware of the employees' contribution to its success and acknowledges this through a profit participation plan by distributing to them up to 5% of the profit before income taxes of the Kapsch TrafficCom Group. Country-specific upper limits have been established to ensure that the distribution reflects local purchasing power. Every employee receives a share, which is independent of the person's salary or wage and limited to EUR 1,500 per employee.

Moreover, Kapsch TrafficCom AG is committed to promoting the advancement of women in the workplace. At Kapsch TrafficCom AG, women are particularly supported through a flexible working hours scheme that is designed to help combine professional and private life. In addition, the company cooperates with schools, universities and colleges in order to increase the proportion of women employed, among other goals. Kapsch TrafficCom AG also promotes women in the workforce through participation in specific programs such as *"FIT Frauen in die Technik"* or "FemTech". In addition, a committee for non-discrimination has been established within the Kapsch TrafficCom Group.

Quality

Safeguarding the high standard of quality, safety and robust processes is a high priority in all units of the company. Kapsch TrafficCom AG defines its processes in an integrated HSSEQ management system (Health, Safety, Security, Environment, Quality). This system is based on certifications according to ISO 9001 Quality Management (since 2002) as well as OHSAS 18001 Occupational Health and Safety Management and ISO 14001 Environmental Management (since 2005). Kapsch TrafficCom AG has anchored the necessary measures for ensuring the associated standards into its internal processes and continuously monitors compliance. The certificate according to ISO 27001 defines the required information security management. A high service quality is ensured in the area of technical operation with ISO 20000 for IT service management. The HSSEQ Circle meets once per quarter to discuss the status of the goals and measures from the areas of health and safety, quality, the environment and information security and to optimize work processes and information sharing. These aspects are documented in a quarterly report to the executive board.

Environment

Our business activities are associated with the consumption of raw materials and the emission of climate-relevant emissions. Kapsch TrafficCom AG works intensively on minimizing these impacts. The majority of the climate-relevant effects result from the business activities of the subsidiary Kapsch Components, which is responsible for production, as well as the fleet of the entire group. Through measures to increase energy efficiency, but also influenced by a lower production volume, Kapsch Components was able to reduce its energy consumption by more than 5 % in fiscal year 2013/14. While a reduction of CO_2 emissions was not possible due to the expansion-related increase in the fleet size, the nitrogen consumption per ton of product was reduced by 17.3 % and the waste volume by 20.3 %. Paper consumption was also lowered by over one-third.

Corporate Social Responsibility

The framework.

Alongside statutory requirements and internal guidelines, the Code of Conduct of the Kapsch Group defines binding principles for ethically, morally and legally correct behavior that apply to all corporate units — and therefore to all employees of Kapsch TrafficCom AG. The Code of Conduct is available on the website www.kapsch.net.

Additionally, within the scope of internal risk management, all business units over which Kapsch TrafficCom AG has primary influence are audited with regard to their corruption risks, and the employees of the first and second management levels are trained in anti-corruption policy and anti-corruption processes.

In accordance with the company values, Kapsch TrafficCom AG accepts social responsibility that extends even beyond its scope of operation.

Educational institutions.

Technical educational institutions are very important to Kapsch as a technology- and innovation-oriented group. The company is therefore interested in establishing contact as early as possible with students as well as graduates of technical education programs. Alongside the Vienna University of Technology and the UAS Technikum Wien, the Kapsch Group has also subsidized the *"Universitäre Gründerservice Wien GmbH"* since 2005. This organization aids young entrepreneurs in transforming their ideas into sound business business concepts.

Development support.

One example of the many social projects supported in Austria and abroad is the institute *"Cooperation bei Entwicklungs-Projekten"* (ICEP, English: Cooperation in Development Projects). The goal of this organization is to fight poverty around the world through projects with dependable local partners in several countries. In addition, Kapsch TrafficCom AG provides funding for projects that promote the integration of marginalized groups through targeted measures, thereby contributing to social justice, positive development of society, and long-term safety and security.

Support of art and cultural institutions.

The entire Kapsch Group – headed by Kapsch AG – supports many contemporary art and cultural institutions and projects and even initiates its own projects in this sector.

The Kapsch Group has participated in a general partnership with the Vienna Concert Hall *(Wiener Konzerthaus)* since 1992 under the motto of "It is an art to make money. It is an obligation to spend money on art." The Vienna Concert Hall offers plenty of space for all culture of high quality. Unusual programs regularly interest new segments of the public without alienating long-term friends of the Concert Hall. The festival *"Wien modern"* — one of the most famous contemporary music festivals in the world — has been supported since 1989.

In the area of visual arts, Kapsch is particularly interested in supporting artists who are still in need of wider recognition. Consideration is therefore given to young artists from Austria and abroad with sponsorship campaigns. The showcase project in this area is the art calendar that the Kapsch Group has published since 1994 and presents annually in late autumn to great fanfare.

2.4 Risk management

Risk management has been positioned as a separate function within the finance department of Kapsch TrafficCom AG, focusing on project risk management and enterprise risk management (ERM).

Project risk management analyzes beginning in the bid or initiation phase of customer and development projects in institutionalized processes all relevant opportunities and risks pertaining to the group's projects, thereby providing the basis for the timely planning and implementation of risk-mitigating activities.

The enterprise risk management (ERM) analyzes not only the risks of the group's key customer projects but also strategic, technological, organizational, financial, legal and IT risks, and reports them to the executive board and the audit committee of the supervisory board on a quarterly basis. The goal of the ERM approach is early identification, analysis and control of all risks which may significantly influence strategic and operational objectives of the company. The primary objective in this context is not to avoid risks but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise over time in order to make a valuable contribution to the management of the company.

The material risks faced by the group and the respective risk management measures are briefly explained below.

Industry-specific risks

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

In the past, the net sales of Kapsch TrafficCom AG have been heavily influenced by the realization of implementation projects in the field of RSP in the given fiscal year. In particular, significant sales peaks were recorded in 2003 (implementation of a nationwide electronic truck toll collection system in Austria), 2006/07 (implementation of a nationwide electronic truck toll collection system in the Czech Republic), 2010/11 (implementation of an electronic toll collection system in the South African province of Gauteng) and 2011/12 (implementation of a nationwide electronic truck toll collection system in Poland). In fiscal years 2012/13 as well as 2013/14 sizeable net sales were generated from the implementation of a nationwide electronic toll collection system in Belarus.

The strategy of Kapsch TrafficCom AG is aimed, among other things, at reducing this volatility of net sales through increased geographic diversification and increased diversification of the customer base and product portfolio as well as sustained growth in the share of technical and commercial system operation in total net sales in the interest of strengthening the segment Services, System Extensions, Components Sales (SEC).

Risks of project execution. In connection with the installation of systems, Kapsch TrafficCom AG is usually contractually obligated to provide performance guarantees. Since electronic toll collection systems and other intelligent transportation systems are frequently sophisticated and technologically complex systems that must be implemented within a short timeframe, system and product defects and/or missed deadlines may occur due to the limited time available. Unexpected project modifications, lack of qualified personnel, quality defects, unexpected technical problems as well as performance problems of suppliers or consortium members may also have a negative impact on project schedules. The failure to meet guaranteed performance levels or deadlines in some cases results in penalties and compensation for damages, sometimes also compensation for lost toll revenues. Significant deadline overruns also frequently trigger contractual clauses that enable clients to terminate contracts prematurely. A significant delay in a project, failure to achieve contractually guaranteed performance levels or even failure to implement a project in time would also reduce the chances of success in future tenders for systems. There is also the risk that Kapsch TrafficCom AG cannot execute projects in line within the set cost budgets.

Kapsch TrafficCom AG employs project management methods and project risk management methods based on IPMA (International Project Management Association) standards 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 toll collection projects may include terms and conditions that are not negotiable in a tender process and that may be disadvantageous to Kapsch TrafficCom AG. Some long-term contracts include challenging requirements with regard to the performance of the implemented systems, components and processes. These requirements can, if they are not achieved, result in significant penalties, damages or contract termination. On the other hand, some contracts include substantial bonus payments for over-fulfillment of performance requirements. In the case of long-term contracts, the margins earned can also differ from the original estimates due to changes in costs.

Liabilities arising from contracts concluded by Kapsch TrafficCom AG may include liabilities regarding customers' loss of profit, product liabilities and other liabilities. While Kapsch TrafficCom AG's aims to include appropriate limitations to its liability in contracts, it is still impossible to guarantee that all contracts contain sufficient limitations to the company's liability or that these limitations can be enforced under applicable law.

Strategic risks

Capacity for innovation. The strong market position of Kapsch TrafficCom AG is, to a large extent, based on its ability to develop state-of-the-art, efficient and reliable systems, components and products. Kapsch TrafficCom AG is committed to a permanent and integrated innovation process. In order to maintain its already strong position in technology, Kapsch TrafficCom AG invests a considerable portion of its net sales in research and development. However, if the company does not succeed in developing new systems, components and products, this can be detrimental to its competitive position.

Since its capacity for innovation 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 Kapsch TrafficCom AG. In addition, any failures in successfully protecting these technologies may have a negative impact on Kapsch TrafficCom AG's competitive position. Moreover, it is possible that systems, components, products or services could infringe on the intellectual property rights of third parties. Kapsch TrafficCom AG places great importance on the protection of technologies and internal know-how, e.g. through patents and non-disclosure agreements with the relevant contractual partners.

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

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

Financial risks

Foreign exchange risk. Kapsch TrafficCom AG maintains branches and subsidiaries in a number of countries outside the eurozone. A considerable portion of sales and costs are denominated in the currencies of the respective foreign companies rather than in euros. Although Kapsch TrafficCom AG aims to hedge the net currency position of the individual contracts as necessary, currency fluctuations may result in exchange rate losses that may influence the financial statements (transaction risk).

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

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

In financing agreements, Kapsch TrafficCom AG is subject to the customary restrictions in terms of its business policy, e.g. when drawing additional loans, using assets as collateral or providing guarantees / sureties for third parties. The availability of financing and bank guarantees depends on market conditions as well as the net assets and financial position of Kapsch TrafficCom AG and the results of operations. A lack of liquid assets (even if it is otherwise solvent), of financing or of bank guarantees can have an extremely adverse impact on the net assets and financial position of Kapsch TrafficCom AG and the results of operations.

Liquidity risk is managed by ongoing, company-wide financial and cash planning. Potential liquidity shortages can thus be identified and mitigated.

No derivative financial instruments were used in fiscal year 2013/14.

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

Personnel risk

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

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

Legal risks

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

With the intensified expansion into new regions and select new ITS business areas, the risk of patent infringement or the violation of property rights increases. Kapsch TrafficCom AG has implemented active intellectual property (IP) management as a separate function. In order to avoid legal actions and court proceedings, Kapsch TrafficCom AG monitors potential intellectual property rights infringements continuously as well as prior to entry into new markets or regions.

IT risks

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

Opportunities

The enterprise risk management approach of Kapsch TrafficCom AG not only addresses risks but also encompasses the regular identification, evaluation and management of opportunities. The goal of these efforts is to manage the strategic orientation of the product portfolio and market activities in a targeted way through the early identification of opportunities and to develop corresponding potential.

Market opportunities

exist in geographic diversification as well as increasing expansion of the customer base and product portfolio, driven in part by the following factors:

Due to the increasing financing requirements of infrastructure projects and the growing need to relieve state budgets, there exists an opportunity to develop new markets, especially in the so-called emerging and developing countries, as well as an opportunity to expand our activities in already developed markets.

The global rise in traffic volumes and the associated impact on the environment and society open up opportunities in the area of traffic management because measures such as toll collection, road pricing and the establishment of environmental zones or access restrictions are increasingly being employed as controlling instruments of environmental and traffic policy. In both the ETC and ITS segments, this is creating opportunities to further develop and market the portfolio according to new requirements.

The drive to increase productivity of vehicles and vehicle operations as well as the rising comfort expectations of travelers also open up opportunities for expanding the functionality of existing systems. Opportunities also exist to obtain new customers outside of the public sector, such as in the area of fleet management.

Other opportunities. Constant innovation and technical advancements create opportunities for Kapsch TrafficCom AG to respect to improve the efficiency and performance of customer systems as well as to gain a technological edge over competitors with regard to performance and functionality of the offered systems.

Summary assessment of the risk situation

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

2.5 Internal Control System (ICS) with regard to accounting processes

Kapsch TrafficCom AG began analyzing and documenting its existing internal control processes on an ongoing basis in fiscal year 2009/10. The results obtained so far have been presented at the quarterly meetings of the audit committee for assessment and discussion. The internal audit department ensures by audits in particular of the subsidiaries of Kapsch TrafficCom AG that a reliable and functioning control system is implemented.

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

The central elements of the ICS process include regular verification of compliance with the principle of dual control and the segregation of duties as well as 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 Framework 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 with comparisons of current figures to figures from the budget and the previous period, forecasts, group financial statements and developments in the number of employees and order inflow as well as select financial figures.

Within the finance department of Kapsch TrafficCom AG the function of an ICS manager was established. The duty of this function is to standardize and continously improve the ICS not only for Kapsch TrafficCom AG but also for the entire Kapsch TafficCom Group, to monitor the compliance and effectiveness of the controls and the improvement of found weaknesses and to report periodically to the audit committee of the supervisory board.

In fiscal year 2013/14 all control processes were documented in order to achieve material control objectives. The collection of data allows an improved control of measures to increase the ICS's efficiency and serves as a basis for future performance assessments of local ICS.

2.6 Research and development

Due to its subsidiaries, Kapsch TrafficCom AG has an international network of research and development centers Vienna and Klagenfurt (Austria), Jönköping (Sweden), Bologna (Italy), Buenos Aires (Argentina), Toronto (Canada), Kingston (U.S.), Duluth (U.S.) and Capetown (South Africa), with Kapsch TrafficCom AG being responsible for the global coordination of the development activities in the field of R&D.

Research and development (R&D) has a high priority for Kapsch TrafficCom AG in pursuing its strategic goals. The knowledge and application of entirely new technologies based on national and international standards form the foundation for successful business developments and also enable the entry into new markets.

During the last fiscal year, one cost-intensive program of R&D was the implementation of a standardized, high-performance Back-Office-Solution that integrates all major back office tolling concepts from registration and enforcement until issuing on-board units within one common software platform. Also the new European Electronic Toll Service (EETS) standard is part of this platform which enables interoperability of electronic toll systems. The aim is to apply this platform concept in all global customer projects generating a high reusability of its basic components and ensuring a low maintenance effort during operation.

Major R&D activities were also the development of prototypes and the participation in standardization activities for the European ITS-G5 and the U.S. WAVE technology regarding V2X communication (vehicle-to-vehicle, vehicle-to-infrastructure). Pilot and demonstration projects like "Testfeld Telematik" in Austria and I-94 Truck Parking in the U.S. were also successfully finalized. Kapsch TrafficCom AG also participates in the European Corridor Project, which aims to achieve ITS cooperation between the Netherlands, Germany and Austria based on V2X technology. The product portfolio has also been extended by a 915 MHz RFID solutions.

Another important development is the vehicle detection and classification sensor based on stereoscopic camera technology. This was an enabler in going from double to the more cost efficient single gantry installations for the electronic toll collection (ETC) market. This system allows for more flexibility, a reduced number of installations and lower maintenance cost, and was first installed on the M5 Motorway, Sydney, Australia, which was opened for traffic during 2013.

In the GNSS (Global Navigation Satellite Systems) area focus has been on development of a GNSS solution for truck tolling in France. This development of a GNSS transponder based solution including adaptions for the French market enables Kapsch TrafficCom AG to deliver the first GNSS based ETC system with ITS functionality.

North American R&D activities included the launch of a single protocol reader and enhancements of the Multiprotocol Reader 2 (MPR2). In addition, the ruggedized MPR reader was specifically worked on for the project in Texas. In terms of on-board devices, OBUs, the most significant product development effort was on the TDMA V6 OBU replacement, TRP-8100. The development of 5.9 GHz OBUs was also advanced.

Research costs are recognized as expenses. Since the income statement has been prepared using the total expenditure format, research and development costs are reported under various items of the income statement, in particular under cost of materials and purchased services, under personnel expenses and under other operating expenses. With the external development of another central system, the advance payments made to date have been allocated to intangible assets.

In the last fiscal year, expenses for research and development amounted to EUR 42.1 million (prior year: EUR 39.5 million).

2.7 Disclosures pursuant to Section 267 UGB in conjunction with Section 243a UGB

The fully paid in share capital of Kapsch TrafficCom AG amounts to EUR 13.0 million. It is divided into 13.0 million no-par value ordinary bearer shares.
There are no restrictions relating to the exercise of voting rights or the transfer of shares.
As of 31 March 2014, approximately 38.1% of the shares of Kapsch TrafficCom AG were in free float (including approximately 4.0% of funds managed by Schroders plc and its fellow subsidiaries and affiliates). As of 31 March 2014, KAPSCH-Group Beteiligungs GmbH held approximately 61.9% of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, whose shares are equally held by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act (*Privatstiftungsgesetz*). As of 31 March 2014, no other shareholder held more than 10% of the voting rights in Kapsch TrafficCom AG.
None of the shares convey special control rights.
There are no restrictions regarding the execution of the voting rights by employees with a stake in the company.
There are no special provisions on the appointment and removal of members of the executive board and the supervisory board.

No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
There are no agreements between Kapsch TrafficCom AG and members of its executive board or its supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.8 Outlook and targets

Kapsch TrafficCom AG has invested in the future during recent years and prepared its internal structures for the expected market growth. The company is also ready for the changes that arise from increasing ITS convergence. With the adapted strategy, the executive board considers the company's position for the future to be strongerthan ever.

Concerted work will continue on existing projects in fiscal year 2014/15. The major project in Belarus will be expanded further, and Kapsch TrafficCom AG also expects expansions to the operation project in Poland. Now that the toll system in South Africa has been in operation since December 2013, the company plans to work with its customer to further improve the income from the project. The result of the invitation to tender for the nationwide toll system in Russia is expected soon.

Kapsch TrafficCom AG also expects that some of the postponed projects as well as others will materialize in the current fiscal year. In parallel to this, the company continues to actively contact potentially interested parties for toll systems, an approach that has already proved successful in Belarus.

2.9 Material events after the balance sheet date

No material events have occurred after the balance sheet date.

Vienna, 27 May 2014

Georg Kapsch m.p.
Chief Executive Officer

André Laux m.p.
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, 27 May 2014

Mag. Georg Kapsch	André Laux
Chief Executive Officer	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 & Administration, Mergers & Acquisitions, Investor Relations, Compliance, Strategy, Legal Services , International Subsidiaries & Management Systems, Human Resources, Marketing & Communications, Production & Logistics and Sales Region North America
Erwin Toplak (COO) [1]	Sales Region 1, Business Development Electronic Toll Collection and Research & Development
André Laux (Executive Board Member)	Sales Region 2, Business Development Intelligent Transportation Systems and Delivery & Operations

1 Erwin Toplak left the board as of 31 March 2014

Balance Sheet as of 31 March 2014

Assets

	31/3/2014 EUR	31/3/2013 EUR '000
A. Fixed assets		
I. Intangible assets		
1. Industrial property and similar rights and assets, and licenses in such rights and assets	2,727,194.64	3,481
2. Prepayments and construction in process	6,386,723.00	3,109
	9,113,917.64	6,590
II. Tangible assets		
1. Investments in leasehold buildings	2,647,260.31	2,286
2. Technical equipment and machinery	610,912.16	679
3. Other equipment, factory and office equipment	2,137,306.51	2,194
4. Prepayments and construction in process	118,700.46	185
	5,514,179.44	5,344
III. Financial assets		
1. Shares in affiliated companies	61,462,223.80	60,743
2. Loans to affiliated companies	38,730,779.60	0
3. Participating interests	17,188,008.58	17,188
4. Securities	4,928,486.35	4,509
	122,309,498.33	82,440
	136,937,595.41	94,374
B. Current asets		
I. Inventories		
1. Merchandise	11,826,261.68	15,556
2. Services not yet invoiced	15,434,405.65	25,245
3. Prepayments	5,019,985.80	7,064
	32,280,653.13	47,865
II. Receivables and other assets		
1. Trade receivables	3,813,619.28	8,891
2. Receivables from affiliated companies	194,771,041.29	179,323
3. Other assets	6,949,722.66	8,199
	205,534,383.23	196,413
III. Cash, bank balances	7,385,803.50	23,563
	245,200,839.86	267,841
C. Prepaid expenses and deferred charges	2,729,308.65	2,845
	384,867,743.92	365,060

Shareholders' Equity and Liabilities

	31/3/2014 EUR	31/3/2013 EUR '000
A. Shareholders' equity		
I. Share capital	13,000,000.00	13,000
II. Capital reserves Appropriated	117,400,000.00	117,400
III. Unappropriated retained earnings, thereof prior period unappropriated retained earnings brought forward EUR 46,097,087.80 (prior year: EUR 47,403k)	69,878,414.51	51,297
	200,278,414.51	181,697
B. Investment grants	364,705.89	441
C. Accruals		
1. Accruals for severance payments	4,369,451.00	3,728
2. Other accruals	19,282,255.49	29,051
	23,651,706.49	32,779
D. Accounts payable		
1. Bonds	75,000,000.00	75,000
2. Bank loans and overdrafts	56,592,129.24	36,425
3. Customer advances	157,989.84	0
4. Trade payables	3,360,645.67	8,075
5. Payables to affiliated companies	19,761,322.42	26,344
6. Other liabilities, of which taxes EUR 1,923,626.10 (prior year: EUR 70k), of which social security payables EUR 887,719.51 (prior year: EUR 755k)	5,700,829.86	4,299
	160,572,917.03	150,143
	384,867,743.92	365,060
Contingent liabilities	120,637,606.68	115,252

Income Statement for the Fiscal Year 2013/14

	2013/14	2012/13
	EUR	EUR '000
1. Net sales	177,255,226.73	138,733
2. Change in services not yet invoiced	-9,810,704.28	17,681
3. Other operating income		
a) Income from the retirement of fixed assets excluding financial assets	17.97	0
b) Income from the reversal of accruals	2,099,931.38	3,800
c) Other	10,915,133.21	13,672
	13,015,082.56	17,472
4. Cost of materials and purchased services		
a) Cost of materials	-20,616,674.19	-25,199
b) Cost of purchased services	-45,944,544.28	-63,805
	-66,561,218.47	-89,004
5. Personnel expenses		
a) Wages	-136,872.72	-176
b) Salaries	-33,318,973.64	-30,653
c) Expenses for severance payments and contributions to staff provision funds	-775,796.15	-1,822
d) Expenses for pensions	-84,441.93	-70
e) Expenses for statutory social security, payroll-relates taxes and mandatory contributions	-8,631,773.77	-7,912
f) Other social benefits	-254,437.03	-223
	-43,202,295.24	-40,856
6. Depreciation and amortization of fixed intangible and tangible assets	-2,189,981.53	-1,994
7. Other operating expenses		
a) Taxes not included in line 17	-1,119,757.70	-805
b) Other	-46,753,677.67	-42,118
	-47,873,435.37	-42,923
8. Subtotal of lines 1 to 7 (Operating result)	20,632,674.40	-891
9. Income from participating interests, of which from affiliated companies EUR 6,980,000.00 (prior year: EUR 6,720k)	6,980,000.00	6,720
10. Income from other long-term securities	4,630.10	29
11. Other interest and similar income, of which from affiliated companies EUR 5,155,173.62 (prior yerar: EUR 3,781k)	5,248,137.02	4,014
12. Income from the retirement and write-up of fixed financial assets	419,024.05	1,233
13. Expenses on fixed financial assets, of which	0.00	-2,936
a) Amounts written off EUR 0.00 (prior year: EUR 2,936k)		
b) Relating to affiliated companies EUR 0.00 (prior year: EUR 2,936k)		
14. Interest and similar expenses, of which relating to affiliated companies EUR 46,423.13 (prior year: EUR 79k)	-4,221,141.17	-3,523
15. Subtotal of lines 9 to 14 (Financial result)	8,430,650.00	5,537
16. Net operating income	29,063,324.40	4,646
17. Taxes on income, thereof recharged to group parent EUR 5,279,820.74 (prior year: EUR 748k)	-5,281,997.69	-752
18. Net income for the year	23,781,326.71	3,894
19. Prior period unappropriated retained earnings brought forward	46,097,087.80	47,403
20. Unappropriated retained earnings	69,878,414.51	51,297

Notes to the financial statements for fiscal year 2013/14

A. Accounting and valuation methods

1. General principles

The financial statements as of 31 March 2014 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 individual acquisition costs of less than EUR 400 were fully written off in the year of acquisition or production.

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 - 12
Technical equipment and machinery	2 - 5
Other equipment, factory and office equipment	2 - 15

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 / write-ups are made only in case a diminution / increase 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 the 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), directly attributable finance cost were capitalized.

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. The calculation method of severance payments was changed in fiscal year 2012/13 compared to the prior year. Until fiscal year 2011/12 the corridor method of IAS 19 had been applied which is no longer allowed after amendments of IAS 19 (2011) from fiscal year 2013/14 on. The Company has prematurely changed the method of calculation already as of 31 March 2013 by adjusting the accrual for severance payments to the amount of the defined benefit obligation.

The effect from the change in the valuation method in the amount of EUR 1,046,778.00 was fully expensed in fiscal year 2012/13.

A discount rate of 3.6% (prior year: 3.75%) was used for the calculation of entitlements and a percentage of 2.0% (prior year: 2.0%) 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					Accumulated amortization/ depreciation	Net book value		Amortization/ depreciation current year	Write-ups of current fiscal year
	Balance 1/4/2013	Additions	Disposals	Transfers	Balance 31/3/2014		Balance 31/3/2014	Balance 31/3/2013		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
1. Industrial property and similar rights and assets, and licenses in such rights and assets	10,679,452.64	159,150.67	4,153.10	0.00	10,834,450.21	8,107,255.57	2,727,194.64	3,480,716.11	912,672.14	0.00
2. Prepayments and construction in process	3,108,966.18	3,277,756.82	0.00	0.00	6,386,723.00	0.00	6,386,723.00	3,108,966.18	0.00	0.00
	13,788,418.82	3,436,907.49	4,153.10	0.00	17,221,173.21	8,107,255.57	9,113,917.64	6,589,682.29	912,672.14	0.00
II. Tangible assets										
1. Investments in leasehold buildings	4,152,283.09	514,832.76	0.00	305,803.95	4,972,919.80	2,325,659.49	2,647,260.31	2,286,328.73	459,705.13	0.00
2. Technical equipment and machinery	2,019,428.20	202,851.64	933.62	0.00	2,221,346.22	1,610,434.06	610,912.16	678,820.04	270,759.52	0.00
3. Other equipment, factory and office equipment	5,729,105.14	491,233.88	20,319.14	0.00	6,200,019.88	4,062,713.37	2,137,306.51	2,194,158.69	546,844.74	0.00
4. Prepayments and construction in process	185,137.56	239,366.85	0.00	-305,803.95	118,700.46	0.00	118,700.46	185,137.56	0.00	0.00
	12,085,953.99	1,448,285.13	21,252.76	0.00	13,512,986.36	7,998,806.92	5,514,179.44	5,344,445.02	1,277,309.39	0.00
III. Financial assets										
1. Shares in affiliated companies	67,758,074.89	719,407.40	0.00	0.00	68,477,482.29	7,015,258.49	61,462,223.80	60,742,816.40	0.00	0.00
2. Loans to affiliated companies	0.00	0.00	0.00	38,730,779.60	38,730,779.60	0.00	38,730,779.60	0.00	0.00	0.00
3. Participating interests	17,188,008.58	0.00	0.00	0.00	17,188,008.58	0.00	17,188,008.58	17,188,008.58	0.00	0.00
4. Securities	5,004,419.99	0.00	0.00	0.00	5,004,419.99	75,933.64	4,928,486.35	4,509,462.30	0.00	419,024.05
	89,950,503.46	719,407.40	0.00	38,730,779.60	129,400,690.46	7,091,192.13	122,309,498.33	82,440,287.28	0.00	419,024.05
	115,824,876.27	5,604,600.02	25,405.86	38,730,779.60	160,134,850.03	23,197,254.62	136,937,595.41	94,374,414.59	2,189,981.53	419,024.05

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 EUR '000	EUR	Prior year EUR '000
Obligations from rental and leasing agreements	6,948,811.00	6,482	20,067,137.00	19,897

Shares in affiliated companies and shares in associates

Supplementary disclosures pursuant to Section 238 No. 2 UGB

	Share	Sharehold-ers' equity	Result of fiscal year	FN
	%	EUR '000	EUR '000	
a) Shares in affiliated companies				
Kapsch TrafficCom AB, Jönköping, Sweden	100	10,662	-3,990	1)
Kapsch TrafficCom Argentina S.A., Buenos Aires, Argentina	95	2,008	1,316	1)
Kapsch Components GmbH & Co KG, Vienna	100	6,290	2,410	1)
Kapsch Components GmbH, Vienna	100	97	7	1)
Kapsch TrafficCom B.V., Amsterdam, Netherlands	100	46,980	-48	1)
Kapsch Telematic Services GmbH, Vienna	-	-	-	2)
Kapsch TrafficCom Construction & Realization spol. s r.o., Prague, Czech Republic	99	1,501	446	1)
Kapsch TrafficCom S.r.l., Milan, Italy	100	-83	-194	5)
Kapsch Telematic Technologies Bulgaria EAD, Sofia, Bulgaria	100	92	20	3)
Kapsch TrafficCom Ltd., Manchester, Great Britain	100	523	63	1)
ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna	100	47	-3	1)
Kapsch TrafficCom Russia OOO, Moscow, Russia	100	2,765	-647	3)
Kapsch TrafficCom d.o.o., Ljubljana, Slovenia	100	40	6	1)
Kapsch TrafficCom France SAS, Paris, France	30.19	484	119	1)
Electronic Toll Collection (PTY) Ltd., Centurion, South Africa	25	-12,717	-17,124	5)
Kapsch TrafficCom South Africa Holding (Pty) Ltd., Cape Town, South Africa	100	7,261	481	1)
Kapsch TrafficCom Kazakhstan LLC, Astana, Kazakhstan	100	41	11	3)
Jibeseov GmbH, Vienna	100	643	501	3)
Transport Telematic Systems LLC, Abu Dhabi, United Arab Emirates	-	-	-	2)
Kapsch Telematic Services IOOO, Minsk, Belarus	99	-9,702	-9,498	3)
b) Shares in associates				
Q-Free ASA, Trondheim, Norway	19.76	52,827	-16,305	3)
GLONASS tolling systems OOO, Moscow, Russia	20	-	-	4)

1) Figures as of 31 March 2014
2) The protection-of-interest clause pursuant to Section 241 (2) UGB is used.
3) Figures as of 31 December 2013
4) No financial statements have been prepared since the company was established.
5) Figures as of 31 March 2014 pursuant to IFRS

Current assets

Inventories

Prepayments in the amount of EUR 4,950,000.00 (prior year: EUR 6,850k) relate to prepayments made to affiliated companies.

Maturity of receivables

	31/3/2014		31/3/2013	
	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	3,813,619.28	0.00	8,890,741.39	8,429.23
2. Receivables from affiliated companies	194,771,041.29	82,160,809.18	179,323,222.83	78,297,247.13
3. Other assets	6,949,722.66	0.00	8,199,487.17	0.00
	205,534,383.23	82,160,809.18	196,413,451.39	78,305,676.36

Receivables from affiliated companies include trade receivables in the amount of EUR 100,731,231.91 (prior year: EUR 67,697k), loan receivables in the amount of EUR 87,916,587.90 (prior year: EUR 103,576k) and dividend receivables in the amount of EUR 6,123,221.48 (prior year: EUR 8,050k).

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

Other receivables include income in the amount of EUR 6,794,956.80 (prior year: EUR 3,659k) that will affect cash flow only after the balance sheet date.

Shareholders' equity and liabilities

Investment grants

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

	Balance 1/4/2013	Usage	Balance 31/3/2014
	EUR	EUR	EUR
Leasehold improvements	441,386.56	76,680.67	364,705.89

Accruals

Other accruals include the following items:	31/3/2014 EUR	31/3/2013 EUR '000
Invoices not yet received and outstanding project costs	11,512,904.54	23,562
Personnel accruals (including vacation accruals of EUR 2,866,794.67, prior year: EUR 2,649k)	5,152,949.63	4,163
Warranties and liabilities for construction flaws, as well as production and system defects	473,076.32	369
Sundry accruals	2,143,325.00	957
	19,282,255.49	29,051

Accounts payable

Maturity of payables

	31/3/2014			31/3/2013		
	Total	remaining maturity < 1 year	remaining maturity > 1 year	Total	remaining maturity < 1 year	remaining maturity > 1 year
	EUR	EUR	EUR	EUR	EUR	EUR
1. Bonds	75,000,000.00	0.00	75,000,000.00	75,000,000.00	0.00	75,000,000.00
2. Bank loans and overdrafts	56,592,129.24	21,758,795.92	34,833,333.32	36,425,462.56	8,953,240.34	27,472,222.22
3. Customer advances	157,989.84	157,989.84	0.00	377.69	377.69	0.00
4. Trade payables	3,360,645.67	3,360,645.67	0.00	8,074,575.31	8,059,547.72	15,027.59
5. Payables to affiliated companies	19,761,322.42	19,761,322.42	0.00	26,344,176.52	26,344,176.52	0.00
6. Other payables	5,700,829.86	5,700,829.86	0.00	4,298,807.98	4,298,807.98	0.00
	160,572,917.03	50,739,583.71	109,833,333.32	150,143,400.06	47,656,150.25	102,487,249.81

There are no accounts payable with a remaining maturity of more than 5 years.

In November 2010, Kapsch TrafficCom AG issued a corporate bond with a volume of EUR 75,000,000.00, a maturity of 7 years and a fixed interest rate of 4.25%.

Payables to affiliated companies include trade payables with the exception of intercompany charges in the amount of EUR 5,924,467.30 (prior year: EUR 2,434k) and a loan in the amount of EUR 3,533,613.13 (prior year: EUR 0k).

Other liabilities include expenses in the amount of EUR 3,722,344.15 (prior year: EUR 3,449k) that will affect cash flow only after the balance sheet date.

Collateral securities

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

In connection with the project financing for Belarus with an outstanding loan in the amount of EUR 55.2 million as of 31 March 2014, the Company received a guarantee by aval from Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) as well as a participation guarantee G4 from OeKB. Claims arising from the participation guarantee G4 were assigned as security to the lending banks.

Contingent liabilities

	31/3/2014 EUR	31/3/2013 EUR
Assumption of liabilities on behalf of subsidiaries	49,707,255.16	43,418,183.47
Bank guarantees for the performance of contracts relating to major projects	37,614,753.20	44,803,699.27
Payment guarantees	1,235,962.98	5,256,542.01
Guarantees for project financings	31,533,541.02	21,234,266.81
Other guarantees (security deposits, bid bonds and sureties)	546,094.32	539,118.00
	120,637,606.68	115,251,809.56

In addition, Kapsch TrafficCom AG, Vienna, issued performance bonds for export transactions and projects of Kapsch TrafficCom AB, Jönköping, Sweden, in a contract value of EUR 44.8 million (prior year: EUR 48 million).

A letter of subordination exists vis-à-vis KapschTrafficCom AB, Jönköping, Sweden, relating to loan and trade receivables in the amount of EUR 8,683,894.34.

Derivative financial instruments

At the balance sheet date, the Company has no derivative financial instruments.

C. Comments on income statement items

Breakdown of net sales

By activity:	2013/14 EUR	2012/13 EUR '000
Road Solution Projects	82,879,623.80	47,595
Services, System Extensions, Components Sales	94,375,602.93	91,138
	177,255,226.73	138,733

By region:	2013/14 EUR	2012/13 EUR '000
Domestic	30,114,564.29	31,155
European Union	55,358,681.05	64,863
Foreign	91,781,981.39	42,715
	177,255,226.73	138,733

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

	2013/14 EUR	2012/13 EUR '000
Expenses for severance payments	373,575.86	1,461
Payments to staff provision funds	402,220.29	361
	775,796.15	1,822

Expenses for the auditor

Expenses for the auditor amount to EUR 146,837.00 (prior year: EUR 130k) and are broken down as follows:

	2013/14 EUR	2012/13 EUR '000
Audit of the financial statements	52,850.00	53
Other assurance services	59,650.00	57
Other services	34,337.00	20
	146,837.00	130

Taxes on income

a) 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 1,407,078.35 (prior year: EUR 1,581k), and EUR 277,235.00 (prior year: EUR 244k) thereof is classified as short-term.

b) 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 13,000,000.00. The share capital is fully paid in. The total number of shares issued is 13,000,000. The shares are no-par value bearer shares.

Authorized capital

The authorized capital amounts to EUR 0 as of 31 March 2014 (prior year: EUR 0k).

Group relations

The Company is a 61.90% 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 fiscal year 2013/14 was 546, including 523 salaried employees and 23 waged workers (prior year: 503 salaried employees, 12 waged workers).

In fiscal year 2013/14, total remunerations of the management board amounted to EUR 1,397,557.83 (prior year: EUR 1,707k), expenses for severance payments and pensions for managing directors amounted to EUR 83,694.53 (prior year: EUR 85k).

Remunerations paid to the supervisory board amounted to EUR 20,000.00 (prior year: EUR 28k).

The following persons served on the management and supervisory board:

Management Board

Georg Kapsch (Chief Executive Officer)
Erwin Toplak (until 31 March 2014)
André Laux

Supervisory Board

Franz Semmernegg (Chairman)
Kari Kapsch (Deputy Chairman)
Sabine Kauper
Harald Sommerer (since 12 September 2013)

delegated by the Works Council:

Christian Windisch
Claudia Rudolf-Misch

Vienna, 27 May 2014

The Management Board:

Georg Kapsch

André Laux

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) 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 1 April 2013 to 31 March 2014. These financial statements comprise the balance sheet as of 31 March 2014, the income statement for the fiscal year ended 31 March 2014, 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 the 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; 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 reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 March 2014 and of its financial performance for the fiscal year from 1 April 2013 to 31 March 2014 in accordance with Austrian Generally Accepted Accounting Principles.

Comments on the Management Report

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

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

Vienna, 27 May 2014

PwC Wirtschaftsprüfung GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Peter Pessenlehner
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

Kapsch TrafficCom is a provider of intelligent transportation systems (ITS) in the application fields of road user charging, urban access and parking, road safety enforcement, commercial vehicle operations, electronic vehicle registration, traffic management and V2X cooperative systems. Kapsch TrafficCom covers with end-to-end solutions the entire value creation chain of its customers as a one-stop shop, from components and design to the installation and operation of systems. The solutions of Kapsch TrafficCom help to finance infrastructure, to increase traffic safety, to optimize traffic flow, and to reduce environmental pollution from traffic. The core business is to design, build and operate electronic toll collection systems for multi-lane free flow traffic. References in 44 countries on all continents make Kapsch TrafficCom a recognized supplier of electronic toll collection worldwide. As part of the Kapsch Group, a family-owned Austrian technology group founded in 1892, Kapsch TrafficCom, headquartered in Vienna, Austria, has subsidiaries and representative offices in 33 countries, has been listed on the Vienna Stock Exchange (KTCG) since 2007, and generated with more than 3,300 employees revenues of EUR 487.0 million in fiscal year 2013/14.

Kapsch TrafficCom AG | Am Europlatz 2 | 1120 Vienna | Austria | www.kapschtraffic.com
Investor Relations | Marcus Handl | Phone +43 50 811 1120 | Fax +43 50 811 99 1120 | E-Mail ir.kapschtraffic@kapsch.net
Corporate Marketing | Alf Netek | Phone +43 50 811 1700 | Fax +43 50 811 99 1700 | E-Mail alf.netek@kapsch.net