

Annual Financial Statement.

Fiscal year 2007/2008

Content

Consolidated Financial Statements as of 31 March 2008
(extract from the Annual Report for fiscal year 2007/08)

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

Management Report.

Kapsch TrafficCom AG on the Consolidated Financial Statements as of 31 March 2008.

1 Economic climate.

1.1 General economic situation

After the global economy had been growing by an average of 5 % p.a. in real terms within the past five years, economic growth began to slow down in 2007 with +4.7 %. This slowdown was caused by the economic crisis in the U.S. The real estate bubble burst, and stock market prices fell sharply. The financial system of the U.S. and other countries are in deep crisis, which as a result of the close interdependency of international capital markets has repercussions also on other economic regions. Nevertheless, a global economic crisis is currently not likely.

In 2007, the U.S. economic data with a GDP growth of 2.2 % remained well below the prior year figure. For 2008, a further slowdown of U.S. growth to around 1 % is expected. In the past months, U.S. key interest rates were lowered significantly from 5.25 % to 2.00 %. The U.S. unemployment rate rose to around 5 % by the end of 2007. In 2007, the U.S. dollar continued to be under strong pressure from the Euro. The EUR/USD ratio had already reached 1.60, and was around 1.54 at the balance sheet date as of 31 March 2008.

The economic growth in the emerging countries will also slow down due to the direct and indirect close interdependency with demand in the U.S., however, domestic demand in these countries and trade relations between them have grown significantly stronger in the recent past. This rising consumer demand and investments in infrastructure mitigate the decrease in foreign demand. In China, after another record growth of +11.4 % in 2007, growth for 2008 is still expected to be high at +9.5 %.

In 2007, the economy in the Euro zone (EU-15) grew by 2.6 % in terms of real GDP – a positive development, yet still below the prior year level. Despite a relatively positive start into the year, a slowdown of economic growth to around 1.6 % is expected for 2008. Consumer demand in 2007 lagged well behind expectations due to the fact that the increase in income remained far below the rise in prices. Despite decreasing unemployment and after the effects from the increase in German VAT have eased, consumer demand is not expected to recover in 2008, since, on the one hand, individual countries might be affected by the slump in the real estate market and consumer confidence in general fell sharply. In 2007, the unemployment rate in the Euro zone could again be reduced significantly from 7.5 % to 7.1 %. In the current year 2008, a further reduction is expected. Beginning in 2009, however, unemployment is again expected to increase.

In 2007, the inflation rate rose primarily as a result of rising prices for food and energy to around 3.2 % – however it is expected to ease in the second half of 2008. The new EU member states are less affected by crisis in the international financial markets and the slowdown of the global economy and reported growth of 6 % also in 2007, which was supported primarily by strong consumer and investment demand. Even though considerable risks arise with regard to the high indebtedness of private households and sharp price increases, GDP is expected to grow by more than 5 % in 2008 and 2009. Key interest rates of the ECB have been raised gradually until June 2007 to 4.0 %, where they remained until the balance sheet date as of 31 March 2008 despite the ongoing reductions in the U.S. prime interest rate.

In Austria the economic growth rate of 3.4% was again well above the level of Euro zone countries in 2007. In addition to the mainstay for many years – the growth in exports –, industrial investments also increased significantly in 2007. Only the growth of private consumption slowed down once again over the prior year – primarily as a result of the significantly higher inflation. In Austria, a slowdown of economic growth of 2.1% in real terms is expected for 2008. This has to be regarded as a consequence of the financial market crisis originating from the U.S. real estate markets. The duration and scope of the crisis can currently not be estimated in full, which makes forecasting more difficult.

The growth in exports, which is additionally affected by the weak U.S. dollar as well as industrial production and investments, is slowing down considerably. Consumer demand, primarily as a result of significantly higher prices, could not increase, either. In 2007, the labour market again improved significantly. Thus, in 2007 the unemployment rate in Austria decreased from 4.7% to 4.4% (Eurostat) or from 6.8% to 6.2% (national), respectively. This trend is expected to continue in 2008. Inflation rose to 2.2% in 2007 and will continue to rise in 2008 (forecast 2.9%).

1.2 Development of the market for traffic telematics solutions

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

For the TEN-V (Trans-European road Network), which in 2005 at a total length of 84,700 km accounted for approximately a quarter of the total primary road network, yet carried 40% of the road freight traffic, an average extension of 4,800 km p.a. is expected until 2020, 3,500 km of which are made up by existing roads. High investment requirements have been determined in particular for the new member states and the transport corridors to these countries. In its “White Paper: European transport policy for 2010” the European Commission estimated that investment costs until 2020 will amount to EUR 600 billion. The rising number of vehicles requires additional funds in order to maintain the existing infrastructure and expand it accordingly to meet the growing needs. Analysts, such as Frost & Sullivan, June 2004, assume that in the foreseeable future each country in Western Europe will have tolling systems in place. In Eastern European countries, in addition to electronic toll collection, paper vignette solutions will also be used. In addition to DSRC-(dedicated short-range communication) based systems, which operates on the CEN 5.8 GHz standard, satellite-based systems based on GNSS/GSM are expected. Considerable growth potential is also expected from the video-based automatic number plate recognition (ANPR) technology for the enforcement and road user charging/tolling of urban environments.

In urban environments, efforts are being made to reduce environmental pollution and traffic through city charging/tolling systems. In 2003, London introduced a toll for the London City area and, by own accounts, traffic could as a result be reduced by 15%. A tender for the upgrade of the system is currently underway. Other major cities in the U.K. also consider introducing city charging/tolling systems. In particular, Italy is trying to counter the environmental pollution in the cities with automated access restrictions to the historic city centers.

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

The high funding requirements for the maintenance of the road infrastructure in the U.S. (Standard & Poor's research estimates that until 2020 USD 92 billion would have to be spent each year for the maintenance of highways and bridges and an additional USD 125.6 billion for their improvement) will lead to changed business models and the emergence of private concession models in the near future. Whereas in Europe DSRC technology prevails, which operates in the 5.8 GHz range, ETC systems in North America currently operate at a frequency of 915 MHz based on proprietary protocols. It is expected that the U.S. will gradually switch to a frequency of 5.9 GHz. The communication standard 5.9 GHz WAVE (Wireless Access in the Vehicular Environment), apart from the tolling application, is designed to be used in car-to-car communication to improve traffic safety, expand traffic telematics solutions and for infotainment as well as entertainment. These developments will probably allow European manufacturers to increasingly penetrate the North American market.

2 Economic situation of the Group.

2.1 Business development

In the fiscal year 2007/08, Kapsch TrafficCom Group, with revenues slightly down, was able to increase the operating result (EBIT) from EUR 26.9 million by 30 % to EUR 34.9 million.

In the Road Solution Projects (RSP) segment, revenues at EUR 47.0 million were significantly below the prior year figure of EUR 105.0 million. Kapsch TrafficCom Group sees the reasons for this mainly being due to the volatility affecting the project business in general and the Road Solution Projects (RSP) business segment in particular, as well as due to major projects not being awarded or delayed, as a consequence of which in the past fiscal year no major project comparable to the nationwide electronic truck tolling system in the Czech Republic could be acquired or realized.

In the Services, System Extensions, Components Sales (SEC) segment, revenue could be increased from EUR 80.6 million by 60 % to EUR 128.80 million. This increase is particularly due to recurring revenues from the technical and commercial operation of the nationwide electronic truck tolling system in the Czech Republic, as well as a high volume of components sales, most notably on-board units (OBUs). At approximately 2.5 million, sales of OBUs more than doubled from the 1.2 million in the previous fiscal year.

The fiscal year 2007/08 was characterized by the successful initial public offering in June 2007. Considerable interest in the company and the 3.7 million shares offered (including greenshoe shares) resulted in the offering being 14-times oversubscribed. At an offer price of EUR 32 per share, the shares could be sold at the upper end of the price range.

In the past fiscal year, Kapsch TrafficCom Group could continue its international expansion with first-time orders in New Zealand and South Africa, as well as major projects in Chile and Australia and the completion of the first project in India:

- In New Zealand, Kapsch TrafficCom Limited, Parnell, New Zealand, was awarded the contract to implement a multi-lane free-flow (MLFF) ETC system with a contract volume of around EUR 10.7 million.
- Kapsch TrafficCom South Africa (Pty) Ltd., Germiston, South Africa, was awarded the contract for a tolling system with a contract volume of around EUR 1 million and will also be responsible for the subsequent maintenance of the system.
- In Chile, Kapsch TrafficCom Group was awarded the contract for the development, installation and turnkey delivery of the ETC system with a contract volume of around EUR 1.4 million. Upon delivery, Kapsch TrafficCom Group will also be responsible for the maintenance of the system.
- In Australia, Kapsch TrafficCom Group was awarded a contract to supply the roadside infrastructure equipment and the central system for the North-South Bypass Tunnel in Brisbane, which, following its completion in 2010, will be the longest tunnel in Australia. By winning this contract with a volume of around EUR 6.4 million, Kapsch TrafficCom Group managed to further strengthen its leading market position in Australia.
- In India, the first tolling system by Kapsch TrafficCom commenced operation in the past fiscal year. National Highway No. 8, which connects the cities of Delhi and Gurgaon and is one of the most heavily used roads of the entire region, has been equipped with a mixed manual and electronic tolling system by Kapsch TrafficCom Group since January 2008.

One of the largest contracts for Kapsch TrafficCom Group is for the expansion of the nationwide electronic truck tolling system in the Czech Republic. The negotiations between the Czech Ministry of Transport (CZ MoT) and the consortium led by Kapsch TrafficCom AG were concluded on 28 December 2007. According to an amendment to the contract, it is intended to expand the system in phase II to around 1,000 km of highways and expressways, the expansion of which will be started by the end of 2017 at the latest. As of 1 January 2008, the Kapsch consortium has already put into operation 37 toll gantries on approximately 180 km of first-class roads. According to the current planning of the CZ MoT, distance-related tolling is planned to be extended to vehicles with more than 3.5 tons as early as 1 January 2009. Kapsch TrafficCom will adjust the existing tolling system. The number of on-board units (OBUs) necessary for this implementation has already been supplied in the past fiscal year. In connection with the expanded use of the existing tolling system, the Kapsch consortium was assigned to implement the technological interface for a future satellite-based toll collection on first-, second- and third-class roads as well as to supply the interface for telematics applications and to implement the application of lane traffic control on highway D1. Furthermore, the contract for the provision of services was extended to 10 years.

2.2 Results of operations

In the fiscal year 2007/08, the operating result (EBIT) rose by 30 % from EUR 26.9 million to EUR 34.9 million. With revenues slightly down (EUR 185.7 million compared to EUR 198.6 million), the EBIT margin increased from 14 % to 19 %.

The marked decline in cost of material and other production services (EUR 78.7 million compared to EUR 93.8 million in the prior year) mainly reflects the decrease in revenues in the material-intensive RSP segment. The increase in staff costs primarily results from the higher number of staff due to the maintenance and operation of the Czech truck tolling system as well as the provision of capacities for major projects that were still at the proposal stage as of the balance sheet date.

The financial result increased from EUR 0.2 million to EUR 7.9 million and reflects the financial situation changed by the successful initial public offering. In addition, it also includes income from currency translation differences amounting to EUR 7.4 million.

The result before taxes amounted to EUR 42.8 million (2006/07: EUR 27 million), the result after taxes amounted to EUR 32 million (2006/07: EUR 20.3 million).

From a segment perspective, the past fiscal year showed markedly different developments. Upcoming major projects in Central and Eastern Europe, which due to delays were still in the tender process or subject to preparation of a new tender, resulted in a decline in revenues and EBIT in the Segment Road Solution Projects (RSP) segment.

At the same time, revenues and the result in the Services, System Extensions, Components Sales (SEC) segment could be increased significantly. The technical and commercial operation of the nationwide electronic truck tolling system in the Czech Republic and significantly higher sales of components, most notably of on-board units (OBUs), contributed heavily to this development.

Revenue by segment (share in revenues)		2007/08		2006/07		+/- %	2005/06	
Road Solution Projects (RSP)								
Revenues	in million EUR	47.0	25 %	105.0	53 %	-55 %	18.7	16 %
EBIT	in million EUR	6.3		11.6		-46 %	2.7	
Services, System Extensions, Component Sales (SEC)								
Revenues	in million EUR	128.8	69 %	80.6	41 %	60 %	76.2	66 %
EBIT	in million EUR	29.1		15.8		84 %	13.5	
Others (OTH)								
Revenues	in million EUR	10.0	5 %	13.0	7 %	-23 %	21.3	18 %
EBIT	in million EUR	-0.4		-0.5		-12 %	1.1	

Whereas the RSP segment at a share of 53 % in total revenues was the mainstay of revenues in the past fiscal year, this distribution markedly shifted towards the SEC segment (69 % share in revenue) in the fiscal year 2007/08.

Revenue by region (share in revenues)		2007/08		2006/07		+/- %	2005/06	
Central and Eastern Europe (incl. Austria)	in million EUR	124.2	67 %	157.3	79 %	-21 %	68.4	59 %
Western Europe	in million EUR	17.6	9 %	12.9	6 %	36 %	18.9	16 %
Americas	in million EUR	18.8	10 %	15.4	8 %	22 %	9.4	8 %
Rest of World	in million EUR	25.2	14 %	13.0	7 %	94 %	19.5	17 %

The analysis of revenues by region illustrates the international expansion of Kapsch TrafficCom Group. In the fiscal year 2007/08 the share in revenues of the regions Americas and Rest of World could be raised significantly.

2.3 Assets and liabilities

In the past fiscal year, the balance sheet total of Kapsch TrafficCom Group increased by 31 % from EUR 227.2 million to EUR 298.4 million. Apart from a significant increase in trade receivables (EUR +58.4 million), this was primarily due to the significant increase in cash and cash equivalents (EUR +27.2 million). Due to this increase, the net debt in the amount of EUR -12.5 million as of 31 March 2007 could be transformed into net assets in the amount of EUR 28.4 million as of 31 March 2008.

On the liabilities side, the extension of the balance sheet is primarily reflected in equity. In the past fiscal year equity grew by EUR 87.8 million to EUR 133.4 million (31 March 2007: EUR 45.6 million). Apart from the profit for the year, this was particularly due to the successful initial public offering, in the course of which the share capital was raised by EUR 2.2 million and the capital reserve by EUR 64.8 million. Kapsch TrafficCom Group thus showed an equity ratio of 45 % as of the balance sheet date 31 March 2008 (31 March 2007: 20 %).

2.4 Financial position

In the fiscal year 2007/08, the cash flow from operating activities could be improved to EUR -10.5 million (2006/07: EUR -38.8 million). However, due to the strong increase in trade receivables and the reduction of trade payables, most notably in connection with the project in the Czech Republic, it was still negative.

With investments in property, plant and equipment and intangible assets of EUR 4.0 million (2006/07: EUR 2.3 million), the company had an overall free cash flow of EUR -14.8 million (2006/07: EUR -39.1 million).

Due to purchases of securities, the cash flow from investing activities was also negative. Due to the high cash flow from financing activities as a result of the initial public offering, the total amount of cash and cash equivalents increased by EUR 27.2 million to EUR 47.4 million, which is available to the company for further expansion.

2.5 Non-financial performance indicators

Reliability and accuracy of installed ETC systems

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

In 2007, the average toll transaction rate of the existing truck tolling system in Austria amounted to 99.7 %.¹

During the same period, the average performance rate of the nationwide electronic system in the Czech Republic (phase I) was approximately 97.5 %.¹

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

Staff

In the fiscal year 2007/08, the average number of personnel in the Kapsch TrafficCom Group amounted to 791 persons. As of 31 March 2008, 824 persons were employed.

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

The Group has a job rotation program in place to promote the international exchange of staff between the locations in Austria, Sweden and Argentina.

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

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

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

Environment

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

Corporate social responsibility

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

2.6 Risk management

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

Risk management system

In the fiscal year 2007/08, risk management was positioned as a separate function within finances of Kapsch TrafficCom AG. Under the responsibility of a central risk manager, risk management in institutionalized processes collects and analyses all relevant chances and risks of the Group's projects and provides the basis for the timely planning and implementation of control measures. It is planned to gradually develop risk management into a company-wide chance and risk management. The primary objective in this

context is not to avoid risks, but to deal with risks in a controlled and deliberate manner and to recognize and realize opportunities as they arise in time in order to make a valuable contribution to the management of the company.

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

Industry-specific risks

Volatility of new orders

A major portion of the revenues of Kapsch TrafficCom Group is generated in the Road Solutions Projects (RSP) segment. In this segment, the Group regularly participates in tenders for the implementation and operation of large electronic toll collection (ETC) systems. On the one hand, there is the risk that tenders in which the Group participates or plans to participate are delayed or withdrawn, e.g., as a result of political changes or appeals or legal actions by unsuccessful bidders. On the other hand, there is the risk that Kapsch TrafficCom Group does not succeed for technological, financial, formal or other reasons with offers for new projects. Follow-up revenues from maintenance agreements and from the technical operation also depend on the successful participation in tenders for ETC systems.

The strategy of Kapsch TrafficCom Group is aimed at reducing the volatility of sales/revenues through increased geographic diversification and increased diversification of the product portfolio.

Risks of project execution

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

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

Long-term contracts with public authorities

In numerous ETC systems, the awarding authorities are public authorities. Framework and service contracts in connection with tolling projects may include terms and conditions which are not negotiable in a tender process and which may be disadvantageous for Kapsch TrafficCom Group. Moreover, in the case of long-term contracts, the margins earned can also differ from the original calculations due to changes in costs. Liabilities arising from contracts of the Group may include liabilities regarding customers' loss of profit, product liabilities and other liabilities.

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

Strategic risks

Innovation leadership

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

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

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

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

Financial risks

Foreign exchange risk

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

Interest rate risk

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

Personnel risks

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

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

Legal risks

The market for ETC systems is influenced by numerous statutory provisions at the EU level as well as of the level of national legislation. There is the risk that certain provisions, such as data protection laws or environmental and safety requirements will have a negative impact on Kapsch TrafficCom Group.

IT risks

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

Summary assessment of the Group's risk situation

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

2.7 Research and development

Kapsch TrafficCom Group has a network of research and development centers in Vienna (Austria), Jönköping (Sweden) and Buenos Aires (Argentina). The research and development activities are coordinated by the headquarters in Vienna. As of 31 March 2008, Kapsch TrafficCom Group, including project management for development projects, quality assurance and tests, documentation and certification, employed more than 170 engineers.

Research and development activities are crucial for the Group with regard to achieving its strategic objectives. Successful research is the basis for the ongoing enhancement of existing products and systems and the continuous reduction of production, installation, operation and maintenance costs – significant factors for maintaining the technological and competitive edge.

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

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

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

1. The registered share capital of the company amounts to EUR 12,200,000 and is fully paid in. It is divided into 12,200,000 no-par value ordinary bearer shares.
2. There are no restrictions relating to the exercise of voting rights or the transfer of shares.
3. Since the initial public offering on 26 June 2007, approximately 30.3 % of the shares in Kapsch TrafficCom AG have been in free float. As of 31 March 2008, KAPSCH-Group Beteiligungs GmbH held approximately 69.7 % of the shares. KAPSCH-Group Beteiligungs GmbH is a wholly-owned subsidiary of DATAX HandelsgmbH, the shares of which are held in equal parts by Traditio-Privatstiftung, ALUK-Privatstiftung and Children of Elisabeth-Privatstiftung, each a private foundation under the Austrian Private Foundation Act ("Privatstiftungsgesetz"). As of 31 March 2008, no other shareholder held more than 5 % of the voting rights in Kapsch TrafficCom AG.
4. None of the shares conveys special control rights.
5. There are no restrictions regarding the execution of the voting rights by employees with a stake in the company.
6. There are no special provisions on the appointment and removal of members of the management board and the supervisory board.
7. The company has an authorized capital ("genehmigtes Kapital") of EUR 800,000. The subscription rights of the shareholders have been excluded in respect of such authorized capital. The management board may, with the approval of the supervisory board, make use of the existing authorized capital.
8. No agreements have been entered into which become effective when a takeover bid for shares in the company is launched.
9. There are no agreements between Kapsch TrafficCom AG and members of the management board or the supervisory board or employees which become effective when a takeover bid for shares in the company is launched.

2.9 Outlook and targets

Assuming that economies worldwide continue to perform satisfactorily, and given the growing interest around the world in road traffic telematics solutions, we take a thoroughly optimistic view of our future prospects. The fiscal year 2008/09 will be shaped by participation in tenders and by project awards in Hungary, Slovenia, Italy, Portugal, France, the U.K., in the Middle East, in the Asian-pacific region, South Africa, Argentina, and in the U.S.A.

2.10 Material events after the balance sheet date

Truck toll Slovakia

In Slovakia, the tender of a nationwide electronic tolling system was continued in February 2008 after two claims had been settled. The tender comprises the installation of a multi-lane free flow (MLFF) ETC system including its operation for a period of 13 years. The planned system extends to include vehicles of more than 3.5 tons and a road network of approximately 2,400 kilometres. Operation is planned to commence on 1 January 2009. The submission of the offers and the opening of the offers took place on 13 March

2008. On 2 May 2008 we were informed that we had been excluded from the tender process. In our view, the alleged deficiencies of our submitted offer are unfounded and without merit. Therefore, we have filed an objection against the exclusion of our offer.

Incorporation of subsidiaries

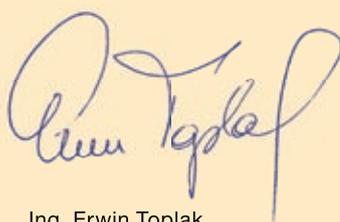
On 2 April 2008, Kapsch TrafficCom Holding Corp., Delaware, and Kapsch TrafficCom U.S., Delaware, were incorporated in the U.S.

On 15 May 2008, Kapsch TrafficCom AG and the Italian Busi Impianti Group announced their cooperation. These two companies, as part of a joint venture, establish the company Kapsch-Busi S.p.A., domiciled in Bologna. The new company will focus on the market for urban traffic solutions in Italy. Busi Impianti is spinning of the business unit, including an aggregate of 10 employees; Kapsch TrafficCom Group complements the team through its own personnel. Kapsch TrafficCom AG will hold a share of 67 % in the joint venture.

Vienna, 16 May 2008



Mag. Georg Kapsch
Chief Executive Officer



Ing. Erwin Toplak
Member of the Management Board

Statement of all Members of the Management Board

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

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



Mag. Georg Kapsch
Chief Executive Officer



Ing. Erwin Toplak
Member of the Management Board

Consolidated Financial Statements as of 31 March 2008

Consolidated income statement.

all amounts in EUR	Note	2007/08	2006/07
Continuing Operations			
Revenue	(1)	185,734,678	198,600,787
Other operating income	(2)	5,194,394	1,061,182
Changes in finished and unfinished goods and work in progress	(3)	6,667,081	-2,156,353
Cost of material and other production services	(4)	-78,647,198	-93,842,865
Staff costs	(5)	-46,969,222	-39,825,015
Amortization of intangible assets and depreciation of property, plant and equipment	(6)	-4,092,312	-3,883,015
Other operating expenses	(7)	-32,967,747	-33,051,839
Operating result		34,919,674	26,902,882
Finance income	(8)	13,898,949	3,196,028
Finance costs	(8)	-6,009,417	-3,002,111
Financial result	(8)	7,889,532	193,917
Result from associates	(13)	-51,152	-133,434
Profit before income taxes		42,758,054	26,963,365
Income taxes	(9)	-10,698,610	-6,693,949
Profit for the year from continuing operations after taxes		32,059,444	20,269,416
Discontinued Operations			
Loss for the year from discontinued operations	(30)	0	-2,311,032
Profit for the year		32,059,444	17,958,384
Attributable to:			
Equity holders of the Company		30,412,759	18,127,839
Minority interests		1,646,685	-169,455
		32,059,444	17,958,384
Earnings per share from the profit for the year of continuing operations attributable to the equity holders of the Company (in EUR per share)	(31)	2.60	2.04

The consolidated financial statements of Kapsch TrafficCom AG as of 31 March 2008 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 2008	31 March 2007
ASSETS			
Non-current assets			
Property, plant and equipment	(11)	6,191,728	6,147,502
Intangible assets	(12)	8,593,152	9,269,453
Shares in associates	(13)	0	254,065
Other non-current financial assets and investments	(14)	3,405,449	3,619,452
Other non-current assets	(15)	55,005,342	81,693,693
Deferred tax assets – due from tax group leader	(22)	2,399,361	1,280,535
Deferred tax assets – non-tax group	(22)	4,880,464	7,379,024
		80,475,496	109,643,724
Current assets			
Inventories	(16)	25,734,379	19,899,763
Trade receivables and other current assets	(17)	135,837,086	77,460,457
Other current financial assets	(14)	8,895,252	0
Cash and cash equivalents	(18)	47,428,544	20,183,189
		217,895,261	117,543,409
Total assets		298,370,757	227,187,133
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	(19)	12,200,000	10,000,000
Capital reserve		70,077,111	5,325,259
Currency translation differences		220,011	914,309
Fair value valuation reserve	(20)	-971,375	-114,371
Consolidated retained earnings and other reserves		49,727,838	29,130,494
		131,253,585	45,255,691
Minority interests		2,123,011	339,556
Total equity		133,376,596	45,595,247
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	(21)	10,581,243	10,522,559
Liabilities from post-employment benefits to employees	(23)	14,088,937	14,552,388
Non-current provisions	(26)	1,693,548	1,684,408
Other non-current liabilities	(24)	26,149,682	26,885,607
Deferred income tax liabilities – due to tax group leader	(22)	1,607,668	1,150,153
Deferred income tax liabilities- non-tax group	(22)	447,171	1,315,542
		54,568,249	56,110,657
Current liabilities			
Trade and other current payables		39,049,926	40,524,113
Other liabilities and deferred income	(25)	29,485,680	42,248,566
Current tax payables		6,258,677	5,123,170
Current financial liabilities	(21)	17,381,784	22,123,633
Current provisions	(26)	18,249,845	15,461,747
Total liabilities		110,425,912	125,481,229
		164,994,161	181,591,886
Total equity and liabilities		298,370,757	227,187,133

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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	Currency translation differences	Fair value reserve	Consolidated retained earnings and other reserves		
Carrying amount at 31 March 2006	10,000,000	5,325,259	1,272,251	-57,258	21,722,141	788,868	39,051,261
Currency translation differences	0	0	-357,942	0	0	-3,305	-361,247
Fair value gains/losses realized	0	0	0	1,250	0	0	1,250
Fair value gains/losses (net of tax)	0	0	0	-58,363	0	0	-58,363
Net income/expense recognized directly in equity			-357,942	-57,113		-3,305	-418,360
Acquisition of minority interest	0	0	0	0	-719,486	-276,552	-996,038
Dividend for 2005/06	0	0	0	0	-10,000,000		-10,000,000
Profit for the year	0	0	0	0	18,127,839	-169,455	17,958,384
Carrying amount at 31 March 2007	10,000,000	5,325,259	914,309	-114,371	29,130,494	339,556	45,595,247
Currency translation differences	0	0	-694,298	0	0	136,770	-557,528
Fair value gains/losses realized	0	0	0	-51,817	0		-51,817
Fair value gains/losses (net of tax)	0	0	0	-805,187	0		-805,187
Net income/expense recognized directly in equity			-694,298	-857,004		136,770	-1,414,532
Capital increase from initial public offering	2,200,000	0	0	0	0	0	2,200,000
Premium from initial public offering less expenses relating to the initial public offering	0	64,751,852	0	0	0	0	64,751,852
Effects of business combinations	0	0	0	0	184,585	0	184,585
Dividend for 2006/07	0	0	0	0	-10,000,000	0	-10,000,000
Profit for the year	0	0	0	0	30,412,759	1,646,685	32,059,444
Carrying amount at 31 March 2008	12,200,000	70,077,111	220,011	-971,375	49,727,838	2,123,011	133,376,596

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Consolidated cash flow statement.

all amounts in EUR	Note	31 March 2008	31 March 2007
Cash flows from operating activities			
Operating result		34,919,674	26,902,882
Adjustments for non-cash items and other reconciliations:			
Depreciation and amortization	(6)	4,092,312	3,883,015
Increase/decrease in obligations for post-employment benefits	(23)	-463,451	-663,647
Change in other non-current liabilities and provisions	(24)	9,141	111,733
Increase in trade receivables (non-current)	(15)	26,679,092	-81,684,434
Increase in trade payables (non-current)	(24)	-663,820	26,813,502
Other (net) ¹		6,364,155	394,230
		70,937,103	-24,242,719
Changes in net current assets:			
Increase/decrease in trade receivables and other assets	(17)	-59,810,410	-45,653,414
Increase/decrease in inventories	(16)	-5,834,616	3,012,764
Increase/decrease in trade payables and other current payables		-10,615,016	26,595,995
Increase/decrease in current provisions	(26)	3,848,830	8,804,927
		-72,411,212	-7,239,728
Cash flow from operations		-1,474,109	-31,482,447
Interest received	(8)	2,082,913	1,262,033
Interest payments	(8)	-3,940,442	-2,537,592
Net payments of income taxes		-7,445,292	-4,018,557
Net cash flow from operating activities – continuing operations		-10,776,930	-36,776,563
Net cash flow from operating activities – discontinued operations	(30)	257,992	-1,991,409
Net cash flow from operating activities – total		-10,518,938	-38,767,972

¹ In the fiscal year 2007/08 this item mainly relates to currency translation differences (CZK/EUR).

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Consolidated cash flow statement.

all amounts in EUR	Note	31 March 2008	31 March 2007
Cash flows from investing activities			
Purchase of property, plant and equipment	(11)	-3,441,286	-1,994,756
Purchase of non-current intangible assets	(12)	-582,231	-305,934
Purchase of securities and investments	(14)	-30,548,455	-4,375
Payments for acquisition of companies (net of cash acquired)	(28)	-74,790	-1,880,438
Payments for acquisition of a minority interest		0	-996,038
Payments for the acquisition of shares in companies consolidated at equity	(13)	0	-387,500
Proceeds from the sale of shares in subsidiaries		1,090,909	5,013
Proceeds from the disposal of property, plant and equipment and intangible assets		1,156,499	170,131
Proceeds from the sale of securities		20,800,756	125,251
Net cash flow from investing activities – continuing operations		-11,598,598	-5,268,646
Net cash flow from investing activities – discontinued operations	(30)	0	1,444,923
Net cash flow from investing activities – total		-11,598,598	-3,823,723
Cash flows from financing activities			
Contributions from shareholders		65,802,469	0
Dividends paid to company shareholders		-13,500,000	-6,500,000
Increase/decrease in other non-current financial liabilities	(21)	758,684	9,785,559
Increase/decrease in current financial liabilities	(21)	-4,275,183	13,591,002
Net cash flow from financing activities – continuing operations		48,785,970	16,876,561
Net cash flow from financing activities – discontinued operations	(30)	-1,166,666	-233,334
Net cash flow from financing activities – total		47,619,304	16,643,227
Net decrease/increase in cash and cash equivalents		25,501,768	-25,948,468
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of year	(18)	20,183,189	46,725,330
Net decrease/increase in cash and cash equivalents		25,501,768	-25,948,468
Exchange gains/losses on cash and cash equivalents		1,743,507	-593,673
Cash and cash equivalents at end of year	(18)	47,428,544	20,183,189

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Notes to the consolidated financial statements.

General information.

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

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

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

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

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

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

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

Group structure.

DATAX HandelsgmbH, Vienna, is the ultimate parent of Kapsch Group. Until June 2007 KAPSCH-Group Beteiligungs GmbH, Vienna, a wholly-owned subsidiary of DATAX HandelsgmbH, had been the sole shareholder of the parent company Kapsch TrafficCom AG.

In June 2007 KAPSCH-Group Beteiligungs GmbH reduced its share in Kapsch TrafficCom AG to 69.67% through an initial public offering.

Consolidated group.

The parent company Kapsch TrafficCom AG is a joint stock corporation incorporated and domiciled in Vienna, Austria. The address of its registered office is A-1120 Vienna, Wagenseilgasse 1. Since 26 June 2007 the shares of the parent company have been listed in the Prime Market segment of the Vienna Stock Exchange.

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The following subsidiaries are part of the consolidated group:

- ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna
- DPS Automation Chile S.A., Santiago de Chile
- Kapsch Components GmbH, Vienna
- Kapsch Components KG, Vienna
- Kapsch Telematic Services GmbH, Berlin¹
- Kapsch Telematic Services GmbH, Vienna
- Kapsch Telematic Services spol. s r.o., Prague
- Kapsch Telematic Services Kft., Budapest
- Kapsch Telematic Services SK s.r.o., Bratislava
- Kapsch TrafficCom (M) Sdn Bhd, Kuala Lumpur
- Kapsch TrafficCom AB, Jönköping
- Kapsch TrafficCom Argentina S.A., Buenos Aires
- Kapsch TrafficCom Australia Pty Ltd, Melbourne
- Kapsch TrafficCom Chile S.A., Santiago de Chile
- Kapsch TrafficCom Construction & Realization spol. s r.o., Prague
- Kapsch TrafficCom France SAS, Paris
- Kapsch TrafficCom Inc, San Diego
- Kapsch TrafficCom Limited, Parnell
- Kapsch TrafficCom Ltd., Manchester
- Kapsch TrafficCom Russia ooo, Moscow¹
- Kapsch TrafficCom S.r.l., Milan
- Kapsch TrafficCom SK Construction & Realization s.r.o., Bratislava
- Kapsch TrafficCom South Africa (Pty) Ltd., Germiston¹
- VTI Industrials (Pty) Ltd., Germiston

¹ newly established in the fiscal year 2007/08

The majority interests in VTI Industrials (Pty) Ltd., Germiston, South Africa, and ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna, were acquired in the fiscal year 2007/08 (see Note 28).

Accounting and measurement.

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

1 Basis of preparation.

Pursuant to § 245a UGB the consolidated financial statements as of 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Presentation currency is the Euro (EUR). The consolidated financial statements as of 31 March 2008 are prepared under the historical cost convention, with the exception of

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available-for-sale securities and derivative financial instruments, which are measured at fair value at the balance sheet date.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions which influence the amount and presentation of assets and liabilities reported at the balance sheet date, and income and expenses recorded during the reporting period. Although these estimates are made by the Management Board to the best of their knowledge and are based on current transactions, actual figures may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 21.

The IASB (International Accounting Standards Board) published a number of changes to existing standards as well as new standards and interpretations which are mandatory for the financial year ended 31 March 2008. These standards also have to be applied in the EU and relate to the following issues:

- IFRS 7 Financial Instruments: Disclosures and Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures was adopted for the first time in the fiscal year ended 31 March 2008. This results in additional disclosures on financial instruments and has no effect on the presentation or measurement of the Group's financial instruments or disclosures regarding taxes and trade receivables or other liabilities.
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (mandatory for accounting periods beginning on or after 1 March 2006). This interpretation has no impact on the consolidated financial statements.
- IFRIC 8 Scope of IFRS 2 (mandatory for accounting periods beginning on or after 1 May 2006). This interpretation has no impact on the consolidated financial statements.
- IFRIC 9 Reassessment of Embedded Derivatives (mandatory for accounting periods beginning on or after 1 June 2006). This interpretation has no impact on the consolidated financial statements.
- IFRIC 10 Interim Financial Reporting and Impairment (mandatory for accounting periods beginning on or after 1 November 2006). This interpretation has no impact on the consolidated financial statements.
- IFRIC 11 Group and Treasury Share Transactions pursuant to IFRS 2 (mandatory for accounting periods beginning on or after 1 March 2007). This interpretation has no impact on the consolidated financial statements.

The IASB and IFRIC adopted further standards or amendments to standards and interpretations which are not yet mandatory for the fiscal year ended 31 March 2008 and which have not yet been adopted by the Company. The following regulations had been adopted by the EU by the time these consolidated financial statements were prepared and published in the official journal:

- IFRS 8 Operating Segments (mandatory for accounting periods beginning on or after 1 January 2009). The effect of these regulations cannot yet be estimated reliably.

The following standards or amendments to standards and interpretations were adopted by the IASB or IFRIC, however, by the time these consolidated financial statements were prepared, they had not yet been adopted by the EU:

- IFRIC 12 Service Concession Arrangements (mandatory for accounting periods beginning on or after 1 January 2008).
- IFRIC 13 Customer Loyalty Programmes (mandatory for accounting periods beginning on or after 1 July 2008).
- IFRIC 14 The Limit on a Defined Benefit Asset: Minimum Funding Requirements and their Interaction (mandatory for accounting periods beginning on or after 1 July 2008).
- IAS 23 Borrowing Costs (revised; mandatory for accounting periods beginning on or after 1 January 2009).
- IAS 1 Presentation of Financial Statements (revised; mandatory for accounting periods beginning on or after 1 January 2009).
- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (revised; mandatory for accounting periods beginning on or after 1 July 2009).
- IFRS 2 Share-based payment (revised; mandatory for accounting periods beginning on or after 1 January 2009).

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- IAS 32 Financial Instruments Disclosures and IAS 1 Presentation of Financial Statements (revised; mandatory for accounting periods beginning on or after 1 January 2009).

The effect of these regulations cannot yet be estimated reliably.

The consolidated financial statements were prepared by the management board on the undersigned date and released for issue. The entity financial statements of the parent company, which have been included in the consolidated financial statements after transition to the applicable accounting standards, have not yet been approved by the supervisory board. The supervisory board and, in the event of presentation at the general meeting of shareholders, the general meeting of shareholders could amend the entity financial statements in a way that may affect the presentation of the consolidated financial statements.

2 Consolidation.

a) Subsidiaries

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

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

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

Goodwill is tested annually for impairment, as well as when there are indications of impairment. If an impairment requirement is identified, goodwill will be reduced immediately by the amount of the impairment. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Associates

Associates are accounted for by the equity method. Associates are companies in which the group has significant influence, but not

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control, generally accompanied by shareholding of between 20% and 50% of the voting rights. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement and its share of post-reserve movements is recognized in reserves. Goodwill on acquisition of associates is included in the investment in associates, net of any impairment losses.

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

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

c) Transactions and balances

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

3 Currency translation.

a) Translation of financial statements in foreign currencies

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

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

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

b) Foreign currency transactions

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

4 Financial instruments and risk management.

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

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

a) Foreign exchange risk

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

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

If the exchange rate of the stated currencies as of 31 March 2008 (31 March 2007) had changed by the percentage rate (“volatility”) stated below, the profits before tax, provided all other variables had remained unchanged, would have been higher or lower, respectively, by the following amounts.

Currency	Volatility	Hypothetical impact on result in TEUR	
		2007/08	2006/07
CZK	10 %	8,022	4,895

b) Interest rate risk

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

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

For variable-interest balance sheet items, the risk relates to the cash flow. With variable-interest financial instruments, adjustments in the interest rates may result from changes in the market rates. Such changes would entail changes in interest payments. Variable-interest (both short-term and long-term) financial liabilities account for the major part of financial interest balance sheet items. If the market interest rate had been 100 basis points higher (lower) at 31 March 2008, 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.

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c) Credit risk

As part of the Group's risk management policy, the Group only deals with recognized creditworthy third parties, and implements policies to ensure that the Group sells to customers with appropriate credit histories. In addition, the Group monitors its receivables balances on an ongoing basis in order to limit its exposure to bad debts. Certain of the Group's policies limit the amount of its credit exposure to any financial institution, depending on the rating of the institution.

d) Liquidity risk

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

e) Capital management

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

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

in TEUR	2007/08	2006/07
Non-current financial liabilities	10,581	10,523
Current financial liabilities	17,382	22,124
Total financial liabilities	27,963	32,646
Cash on hand and at banks	47,429	20,183
Current securities	8,895	0
Net debt (net credit)	-28,361	12,463
Equity	133,377	45,595
Net gearing	n/a	27 %

At the balance sheet date 31 March 2008, mainly due to the initial public offering carried out in 2007, the Company had a net credit (excess of cash and cash equivalents, bank balances and current securities over financial liabilities) so that the net gearing cannot be calculated. The net credit is retained with regard to planned acquisitions.

5 Research and development costs.

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

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

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

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

6 Intangible assets.

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

7 Other financial assets.

a) Securities

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

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

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

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

b) Other Investments

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

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

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

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

8 Property, plant and equipment.

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

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

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

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

9 Leases.

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

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

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

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

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

10 Government grants.

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

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

11 Inventories.

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

12 Construction contracts.

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

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

13 Trade receivables.

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

14 Cash and cash equivalents.

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

15 Other provisions.

Provisions are set up when the Group has a present legal or constructive obligation to third parties as a result of past events, it is

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probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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

16 Employee benefits.

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

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

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

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

17 Deferred income tax.

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

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

Temporary differences mainly arise in connection with depreciation (amortization) periods of non-current assets, provisions for pension benefits, other post-employment benefits, differences regarding the measurement of receivables and payables and tax loss carryforwards.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

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

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

18 Liabilities.

Liabilities are recognized at amortized cost using the effective interest rate method. Liabilities denominated in foreign currencies are measured at the current rate at the balance sheet date. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest rate method; borrowing costs are charged to the income statement in the period in which they are incurred.

19 Contingent liabilities.

Contingent liabilities occur for two reasons. For one, they comprise possible obligations that arise from past events and whose existence will be confirmed by uncertain future events that are at least partly beyond an entity’s control. For another, they comprise present obligations that fail to meet general or special recognition standards (i.e. the amount of settlement of an obligation cannot be measured with sufficient reliability or an outflow of resources to settle the obligations is not deemed probable).

The Group discloses contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote, but – in accordance with IFRS – fails to recognize them.

20 Revenue recognition.

In accordance with IAS 18 revenue is recognized in the income statement upon delivery when the significant risks and rewards of

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ownership of the goods are transferred to the customer, net of discounts and eliminated sales within the Group. Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

Other revenue is recognized by the Group as follows:

- Revenue from expenses recharged is recognized on the basis of the accumulated amounts in accordance with the respective agreements.
- Interest income is recognized on a time-proportion basis using the effective interest method.

21 Critical accounting estimates and assumptions.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

In particular estimates and assumptions regarding revenue recognition have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the Group to estimate the expected profit mark-up for the construction contract. Sensitivity analyses on assumptions made by Management indicate that no material effect is to be expected, if the actual final results should deviate by 10% from estimates. The analysis of assumptions made in the past as well as of actual profit mark-ups showed that the estimates had been reliable up to now.

Further areas where assumptions and estimates are significant to the consolidated financial statements, are capitalized goodwill, inventories, deferred taxes and provisions for warranties. Sensitivity analyses of the assumptions made by management in connection with capitalized goodwill, inventories, deferred taxes and provisions for warranties indicate that no material effect will arise if the actual final outcomes were to differ by 10% from the estimates made.

22 Segment information.

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

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

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

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

1 Segment Information.

Primary reporting format – business segments

- The Group reports three main business segments (see section “General Information”):
- Road Solution Projects (RSP)
- Services, System Extensions, Components Sales (SEC)
- Others (OTH)

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

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

The segment results for the fiscal year ended 31 March 2007 are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Revenue	105.0	80.6	13.0	198.6
Operating result	11.6	15.8	-0.5	26.9
Results from associates				-0.1
Financial result				0.2
Profit before income taxes				27.0
Income taxes				-6.7
Profit from continuing operations:				20.3
Loss from discontinued operations:		-2.3		-2.3
Profit for the year				18.0
Loss attributable to minority shareholder				-0.2
Consolidated profit				18.1

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

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

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

The segment assets and liabilities as of 31 March 2007 and capital expenditure, depreciation and amortization and other non-cash-effective expenses from continuing operations for the period then ended are as follows (in EUR million):

	Road Solution Projects	Services, System Extensions, Components Sales	Others	Consolidated Group
Assets	125.4	60.7	8.7	194.7
Unallocated assets				32.5
Total assets				227.2
Liabilities	79.5	47.7	19.2	146.4
Unallocated liabilities				35.2
Total liabilities				181.6
Capital expenditure	0.1	2.1	0.1	2.3
Depreciation and amortization	0.5	2.7	0.7	3.9
Other non-cash-effective expenses	0.0	0.4	0.1	0.5

Secondary reporting format – geographical segments

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

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

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

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The figures for the fiscal year ended 31 March 2007 are as follows (in EUR million):

	Western Europe	Central and Eastern Europe	Americas	Rest of World	Consolidated Group
Revenues	12.9	157.3	15.4	13.0	198.6
Assets	35.5	185.6	5.2	0.9	227.2
Capital expenditure	0.3	1.7	0.3	0.0	2.3

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

2 Other operating income.

	2007/08	2006/07
Income from the sale of non-current assets	25	1
Income from costs recharged	2,741	0
Income from subsidies and government grants	2,197	855
Other	231	205
	5,194	1,061

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

	2007/08	2006/07
Change in unfinished goods and work in progress	8,320	-1,855
Change in finished goods	-1,653	-301
	6,667	-2,156

In the fiscal year 2007/08 change in finished and unfinished goods and work in progress attributable to discontinued operations amounted to TEUR 0 (2006/07: TEUR -167).

4 Costs of material and other production services.

	2007/08	2006/07
Cost of material	32,939	30,765
Cost of production services	45,708	63,078
	78,647	93,843

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5 Staff costs.

	2007/08	2006/07
Wages	2,258	2,781
Salaries and other remunerations	33,060	26,985
Expenses for social security and payroll-related taxes and contributions	9,995	8,484
Expenses for termination benefits (see Note 23)	498	525
Expenses for pensions (see Note 23)	474	631
Contributions to pension funds and other external funds (see Note 23)	116	108
Fringe benefits	569	311
	46,969	39,825

At 31 March 2008 the number of staff amounted to 824 persons (31 March 2007: 774 persons) and averaged 791 persons in the fiscal year 2007/08 (2006/07: 727).

6 Depreciation and amortization expense.

	2007/08	2006/07
Depreciation of property, plant and equipment	2,286	1,761
Amortization of other intangible assets	1,437	1,775
Expenses from low-value assets written-off	369	347
	4,092	3,883

In the fiscal year 2007/08 depreciation and amortization expense attributable to discontinued operations amounted to TEUR 0 (2006/07: TEUR 707).

7 Other operating expenses.

	2007/08	2006/07
Rental expenses	3,671	2,612
Legal and consulting fees	9,222	8,926
Impairment of receivables	307	416
Marketing and advertising expenses	3,595	3,234
Travel expenses	2,859	2,342
Maintenance	1,409	1,324
Communication and IT expenses	2,343	1,837
Training costs	575	335
Losses on disposal of non-current assets	93	48
Insurance costs	694	911
Licence and patent expenses	1,156	1,117
Office expenses	394	335
Taxes and charges	404	1,126
Adjustment provision for warranties	-28	389
Commissions and other fees	3,751	3,845
Transport costs	625	713
Automobile expenses	1,113	814
Other	785	2,728
	32,968	33,052

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

8 Financial result.

	2007/08	2006/07
Interest and similar income:		
Interest income from bank deposits and loans granted	1,697	1,120
Income from securities	386	144
Income from interest accretion of long-term receivables	3,278	795
Gains from the disposal of financial assets	1,113	0
Currency translation differences	7,425	1,137
	13,899	3,196
Interest and similar expenses:		
Interest expense	-3,917	-2,537
Expense from interest accretion of long-term payables	-999	-210
Losses on disposals and write-down of financial assets, investments and securities	-23	0
Currency translation differences	-1,070	-255
	-6,009	-3,002
	7,890	194

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9 Income taxes.

	2007/08	2006/07
Current tax expense	-7,942	-5,989
Deferred tax expense from offsetting the costs of the initial public offering against capital reserves	-1,149	0
Deferred tax assets/liabilities (see Note 22)	-1,608	-705
Total	-10,699	-6,694
Thereof income/(expense) from group taxation	-27	-307

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:

	2007/08	2006/07
Profit before income taxes – continuing and discontinued operations	42,758	24,652
Arithmetic tax income/(expense) based on a tax rate of 25 % (2006/07: 25 %)	-10,689	-6,163
Different foreign tax rates	-558	-361
Tax allowances claimed and other permanent tax differences	748	241
Expenses not subject to tax and other differences	-200	-410
Recognized tax income/(expense)	-10,699	-6,694

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

10 Additional disclosures on financial instruments by category.

	2007/08	2006/07
Available-for-sale financial assets		
Other non-current financial assets and investments	3,405	3,619
Other current financial assets	8,895	0
	12,300	3,619
Loans and receivables		
Other non-current assets	55,005	81,694
Trade receivables and other current assets	135,837	77,460
Cash and cash equivalents	47,429	20,183
	238,271	179,337
Financial liabilities at (amortized) cost		
Non-current financial liabilities	10,581	10,522
Other non-current liabilities	26,150	26,885
Trade payables and other current liabilities	39,049	40,524
Other liabilities and deferred income	29,486	42,249
Current financial liabilities	17,382	22,124
	122,648	142,304

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

	2007/08	2006/07
Available-for-sale financial assets	1,476	144
Loans and receivables	11,330	2,797
Financial liabilities at (amortized) cost	-4,916	-2,747
	7,890	194

11 Property, plant and equipment.

	Real estate, land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Total
Carrying amount at 31 March 2006	1,495	2,851	2,010	6,356
Currency translation differences	1	8	-49	-40
Change in consolidated entities	0	15	93	108
Additions	325	497	1,237	2,060
Disposals	-5	-46	-199	-251
Scheduled depreciation	-374	-870	-842	-2,086
Carrying amount at 31 March 2007	1,442	2,455	2,250	6,148
Acquisition/production cost	5,394	23,862	14,435	43,691
Accumulated depreciation	-3,951	-21,407	-12,185	-37,544
Carrying amount at 31 March 2007	1,442	2,455	2,250	6,148
Currency translation differences	19	-6	58	71
Change in consolidated entities	0	0	18	18
Additions	284	1,027	2,130	3,441
Disposals	-198	-36	-965	-1,199
Scheduled depreciation	-346	-888	-1,052	-2,286
Carrying amount at 31 March 2008	1,201	2,551	2,439	6,192
Acquisition/production cost	5,481	21,695	13,339	40,515
Accumulated depreciation	-4,279	-19,144	-10,900	-34,323
Carrying amount at 31 March 2008	1,201	2,551	2,439	6,192

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12 Intangible assets.

	Capitalized develop- ment costs	Concessions and rights	Goodwill	Total
Carrying amount at 31 March 2006	856	2,041	6,173	9,071
Currency translation differences	16	14	0	30
Change in consolidated entities	0	2,543	0	2,543
Additions	0	306	0	306
Disposals	0	-583	0	-583
Scheduled amortization	-613	-1,485	0	-2,098
Carrying amount at 31 March 2007	260	2,836	6,173	9,269
Acquisition/production cost	7,794	7,433	6,173	21,400
Accumulated amortization	-7,534	-4,597	0	-12,130
Carrying amount at 31 March 2007	260	2,836	6,173	9,269
Currency translation differences	-28	-272	0	-300
Change in consolidated entities	0	503	0	503
Additions	210	372	0	582
Disposals	0	-25	0	-25
Scheduled amortization	-332	-1,106	0	-1,437
Carrying amount at 31 March 2008	111	2,309	6,173	8,593
Acquisition/production cost	7,918	7,245	6,173	21,337
Accumulated amortization	-7,807	-4,936	0	-12,744
Carrying amount at 31 March 2008	111	2,309	6,173	8,593

The goodwill results from the acquisition of the respective shares of Kapsch TrafficCom AB, Jönköping, Sweden (formerly: Saab Combitech AB).

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

	Road Solution Projects – Swedish entity	Services, System Extensions, Components Sales – Swedish entity
The carrying amount of goodwill allocated to the unit	TEUR 2,469	TEUR 3,704
The carrying amount of intangible assets with indefinite useful lives allocated to the unit	TEUR 0	TEUR 0
Determination of recoverable amount of CGU	Value in use	Value in use

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Cash-generating unit “Road Solution Projects – Swedish entity”:

Key assumptions for determining expected cash flows of the CGU

- The Management has based its determination on the assumption that after the successful implementation of road tolling systems, in particular in Australia and South America, demand for tolling systems will increase, in particular as a result of tight public budgets.
- The planning for the Road Solution Projects segment of the Swedish entity is based on projects such as Autopista Central and San Cristóbal in Chile, Mitcham Frankston and North South Bypass Tunnel in Australia and Alpur P2 in New Zealand, as well as the fact that tenders in other countries are already in progress.
- 4 years of detailed planning
- 13.2 % (2006/07: 13.0%) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 4 % (2006/07: 4 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount

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

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

Key assumptions for determining expected cash flows of the CGU

- The Management has based its determination on the assumption that the entity will remain the preferred supplier of maintenance and components for tolling projects installed in previous years.
- The planning for the Services, System Extensions, Components Sales segment of the Swedish entity is based on ongoing maintenance for existing projects in Australia and South America as well as on component orders for customers such as Transurban, Interlink and QML in Australia, Ziraat, Turkey and various customers in Spain, Denmark, the UK and South Africa.
- 4 years of detailed planning
- 13.2 % (2006/07: 13.0%) discount rate before tax
- Due to the growth potential of this business unit, the cash flows beyond the four-year period of detailed planning were accounted for at a continuous growth rate of 4 % (2006/07: 4 %) in the determination of value.

Effects of changes in key assumptions on the recoverable amount

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

Development costs relate to expenses in the area of traffic-control systems, 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 2007/08 amounted to EUR 14.8 million (2006/07: EUR 16.4 million). In the fiscal year 2007/08 EUR 5.4 million thereof (2006/07: EUR 5.9 million) was project-specific development costs and charged to the customer. The remaining amount of EUR 9.4 million (2006/07: EUR 10.5 million) was recognized as an expense.

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

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13 Shares in associates.

Shares in associates developed as follows:

	2007/08	2006/07
Carrying amount at 31 March – prior year	254	0
Acquisition		387
Disposal	-203	0
Share of profit/loss (after tax)	-51	-133
Carrying amount at 31 March – reporting year	0	254

Shares in associates refer to an investment in ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna. The Group held 50% of the shares until December 2007. In December 2007 the Group took over the remaining 50% of the shares in the company (see Note 28).

14 Current and non-current financial assets.

	2007/08	2006/07
Other non-current financial assets and investments	3,405	3,619
Other current financial assets	8,895	0
	12,300	3,619

Short term financial assets	Available-for-sale securities	Available-for-sale investments	Total
Carrying amount at 31 March 2006	3,817	0	3,817
Additions	0	4	4
Disposals	-126	0	-126
Change in fair value	-76	0	-76
Carrying amount at 31 March 2007	3,615	4	3,619
Additions	549	0	549
Disposals	-724	0	-724
Change in fair value	-38	0	-38
Carrying amount at 31 March 2008	3,401	4	3,405

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Other current financial assets	Available-for-sale securities	Available-for-sale investments	Total
Carrying amount at 31 March 2006	0	0	0
Additions	0	0	0
Disposals	0	0	0
Change in fair value	0	0	0
Carrying amount at 31 March 2007	0	0	0
Additions	30,000	0	30,000
Disposals	-20,074	0	-20,074
Change in fair value	-1,031	0	-1,031
Carrying amount at 31 March 2008	8,895	0	8,895

At 31 March 2008 available-for-sale securities relate to government and bank bonds as well as shares in investments funds. Available-for-sale securities are measured at prevailing market rates, unrealized gains and losses from price fluctuations are recognized in equity as a separate position (see Note 20).

At 31 March 2008 other investments classified as available-for-sale relate to a 12.5 % investment in ATC Austrian Technology Corporation GmbH, Vienna.

15 Other non-current assets.

	2007/08	2006/07
Truck tolling system Czech Republic (phase I)	37,462	81,693
Truck tolling system Czech Republic (phase II)	17,543	0
	55,005	81,693

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

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

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

	2007/08	2006/07
Up to 1 year	0	0
Between 1 and 2 years	50,733	51,987
Between 2 and 3 years	7,476	34,658
	58,209	86,645

Long-term receivables in the amount of TEUR 55,005 (2006/07: TEUR 81,684) were pledged as collateral to banks (see Note 21).

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16 Inventories.

	2007/08	2006/07
Purchased parts and merchandise, at acquisition cost	7,023	7,856
Unfinished goods and work in progress, at production cost	13,614	5,294
Finished goods, at production cost	5,097	6,750
	25,734	19,900

Individual inventory items were impaired, when necessary, to their net realizable values. The valuation adjustment included in inventories amounts to TEUR 5,652 (2006/07: TEUR 3,851).

17 Trade receivables and other assets.

	2007/08	2006/07
Trade receivables, less allowance for bad debt	118,721	63,964
Gross amount due from customers for contract work	5,561	6,405
Prepayments made	2,074	513
Receivables from tax authorities (other than income tax)	4,361	2,109
Other receivables and prepaid expenses	5,120	4,469
	135,837	77,460

Valuation allowances relating to trade receivables developed as follows:

	2007/08	2006/07
Balance at 31 March of the prior year	280	1,586
Addition	1,147	53
Utilization	0	-949
Disposal	-192	-410
Balance at 31 March of the reporting year	1,235	280

Maturity structure of trade receivables:

	2007/08	2006/07
Not yet due	107,408	55,678
Overdue, but not impaired		
less than 60 days	996	2,364
more than 60 days	10,317	5,922
	118,721	63,964

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The fair values as well as gross cash flows in the next fiscal year approximate the carrying amounts. There is no concentration of credit risk with respect to trade receivables, as the Group generally has a large number of customers worldwide. Trade receivables (short-term) relating to the installation of phase I and phase II of the Czech truck tolling system in the amount of TEUR 64,244 (2006/07: TEUR 28,448) and to the operation and maintenance of the system in the amount of TEUR 16,911 (2006/07: TEUR 10,773) are due from the Czech Ministry of Transport.

Trade receivables in an amount of TEUR 64,244 (2006/07: TEUR 54,760) were pledged as collateral to banks (see Note 21).

Amounts due from customers for contract work detail as follows:

	2007/08	2006/07
Construction costs incurred plus recognized gains	5,561	6,405
Less amounts billed and prepayments received	0	0
	5,561	6,405

18 Cash and cash equivalents.

	2007/08	2006/07
Cash on hand	9	38
Deposits held with banks	47,419	20,145
	47,429	20,183

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

19 Equity.

	2007/08	2006/07
Carrying amount at 31 March of fiscal year	12,200	10,000

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

The Company in the initial public offering in June 2007 issued 2,200,000 new shares at an issue price of EUR 32 per share.

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20 Fair value reserve.

	2007/08	2006/07
Carrying amount at 31 March of prior year	-114	-57
Gains (losses) taken through profit or loss	-52	1
Unrealized gains (losses) in current period	-1,091	-77
Profit taxes on unrealized gains/losses (Note 22)	286	20
Carrying amount at 31 March of fiscal year	-971	-114

21 Current and non-current financial liabilities.

	2007/08	2006/07
Current		
Short-term loans	11,238	17,368
Loans for project financing	6,144	3,060
Other	0	1,696
	17,382	22,124
Non-current		
Loans for project financing	9,830	9,179
Other	751	1,343
	10,581	10,522
Total	27,963	32,646

The non-current liabilities mature in 1 to 5 years. The fair values and the gross cash flows of non-current financial liabilities are as follows:

	2007/08	2006/07
Carrying amount	10,581	10,522
Fair value	9,787	10,269
Gross cash flows		
Up to 1 year	0	0
Between 1 and 2 years	10,852	6,412
Between 2 and 3 years	0	5,249
	10,852	11,661

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The fair values and the gross cash flows of current financial liabilities approximate the carrying amounts. Interest rates on current and non-current financial liabilities are as follows:

	2007/08	2006/07
Total financial liabilities:		
carrying fixed interest rates	557	420
carrying variable interest rates	27,406	32,226
	27,963	32,646
Average interest rates:		
Short-term loans	4,95–5,64 %	3,75–5,25 %
Loans for project financing	5,38–6,25 %	4,80 %
Other	2,00–8,75 %	1,62–3,85 %

Other non-current assets amounting to TEUR 55,005 (2006/07: TEUR 81,684), trade receivables (short-term) amounting to TEUR 64,244 (2006/07: TEUR 54,760) and securities amounting to TEUR 3,401 (2006/07: TEUR 3,615) were pledged as collateral for guarantees issued by banks and for loans granted. A bill of exchange amounting to TEUR 1,425 (2006/07: TEUR 1,425) was issued for an export promotion credit.

22 Deferred tax assets/liabilities.

	2007/08	2006/07
Deferred tax assets – due from tax group leader	2,399	1,281
Deferred tax assets – non-tax group	4,881	7,379
	7,280	8,660
Deferred tax liabilities – due to tax group leader	1,608	1,150
Deferred tax liabilities – non-tax group	447	1,316
	2,055	2,466
Total	5,226	6,194

Deferred taxes due to tax loss carryforwards 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 carryforwards amounting to EUR 0.1 million (2006/07: EUR 0.1 million) have not been recognized, because it was uncertain whether there would be sufficient taxable profits available against which to offset them. All other deferred tax assets have been recognized in the respective group companies as future deductible items.

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

	31 March 2006	Change in consolidated entities	Taken through profit or loss	Taken through equity	Currency translation differences	31 March 2007
Deferred tax assets						
Tax loss carryforwards	6,855	0	-2,741	0	0	4,114
Provisions disallowed for tax purposes	1,091	0	-83	0	-1	1,007
Depreciation disallowed for tax purposes	0	0	0	0	0	0
Other	661	0	2,864	20	-6	3,539
	8,608	0	40	20	-7	8,660
Deferred tax liabilities						
Special depreciation/amortization of non-current assets	0	0	0	0	0	0
Other	839	889	745	0	-7	2,466
	839	889	745	0	-7	2,466
Total change	7,769	-889	-705	20	0	6,194

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

23 Liabilities from post-employment benefits to employees.

Amounts recognized in the balance sheet:

	2007/08	2006/07
Severance payments	5,001	5,305
Pension benefits	9,088	9,247
	14,089	14,552

Termination benefits

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

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Retirement benefits

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

For the valuation of severance payments and pension benefit obligations an interest rate of 5.25 % (2006/07: 5.0%), was used and for compensation increases a rate of 3 % (2006/07: 2.5 %). In addition, the calculation was based on the earliest possible statutory retirement age including transition provisions and using the mortality tables of Pagler & Pagler 1999. Pension increases were estimated at 2–3 % (2006/07: 2–3 %).

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

	2007/08	2006/07
Current service cost	177	208
Interest expense	280	291
Actuarial losses	41	26
Total, included in staff costs (Note 5)	498	525
Change in liabilities recognized in the balance sheet:		
Carrying amount at 31 March of prior year	5,305	5,979
Total expense according to the table above	498	525
Payments	-802	-1,199
Carrying amount at 31 March of fiscal year	5,001	5,305
Actuarial present value of obligations (defined benefit obligation)	5,949	6,072
Unrecognized actuarial gains/losses	-948	-767
Amount recognized in the balance sheet	5,001	5,305

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

	2007/08	2006/07
Current service cost	0	0
Interest expense	474	631
Total, included in staff costs (Note 5)	474	631
Change in liabilities recognized in the balance sheet:		
Carrying amount at 31 March of prior year	9,247	9,236
Total expense according to the table above	474	631
Payments	-633	-620
Carrying amount at 31 March of fiscal year	9,088	9,247
Actuarial present value of obligations (defined benefit obligation)	9,558	9,792
Unrecognized actuarial gains/losses	-470	-545
Amount recognized in the balance sheet	9,088	9,247

24 Other non-current liabilities.

	2007/08	2006/07
Truck tolling system Czech Republic (phase I)	17,796	26,550
Truck tolling system Czech Republic (phase II)	8,274	0
Other	80	335
	26,150	26,885

Other non-current liabilities in the amount of TEUR 26,070 relate to trade payables (long-term) due to subcontractors for the installation of the Czech truck tolling system. As in the prior year, these liabilities are due in more than 1 year and less than 5 years as of the balance sheet date. These non-current liabilities were discounted on the basis of cash flows using discount rates that correspond to those rates applied in discounting non-current receivables from the Czech truck tolling system (see Note 15). Thus, the fair values approximate the carrying amounts.

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

	2007/08	2006/07
Less than 1 year	0	0
Between 1 and 2 years	22,532	13,050
Between 2 and 3 years	4,647	14,914
	27,179	27,964

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25 Other liabilities and deferred income.

	2007/08	2006/07
Amounts due to customers for contract work	4,625	16,294
Prepayments received	2,368	1,536
Non-current employee liabilities	8,606	8,168
Liabilities to tax authorities (other than income tax)	5,459	4,068
Other liabilities and deferred income	8,428	12,182
	29,486	42,248

Amounts due to customers for contract work detail as follows:

	2007/08	2006/07
Construction costs incurred plus recognized gains	-3,392	-2,555
Less amounts billed and prepayments received	8,017	18,849
	4,625	16,294

26 Provisions.

	2007/08	2006/07
Non-current	1,694	1,684
Current	18,250	15,462
	19,944	17,146

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The provisions changed as follows:

	31 March 2006	Change in consolidated entities	Utilization/ disposal	Addition	Currency translation differences	31 March 2007
Obligations from anniversary bonuses	620	0	-173	10	0	457
Costs of dismantling and removing assets	1,176	0	-46	0	0	1,130
Other	0	97	0	0	0	97
Non-current provisions, total	1,796	97	-219	10	0	1,684
Warranties	3,711	0	-331	762	23	4,165
Losses from pending transactions and rework	793	0	-793	881	0	881
Legal fees, costs of litigation and contract risks	5	0	0	2,856	20	2,881
Other	2,714	0	-1,417	6,236	2	7,535
Current provisions, total	7,223	0	-2,541	10,735	45	15,462
Total	9,019	97	-2,760	10,745	45	17,146

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

The provision for anniversary bonuses relates to non-current entitlements by employees based on collective labour agreement provisions. The valuation was based on an interest rate of 5.25 % (2006/07: 5.0%), the earliest possible statutory retirement age including transition provisions and using the mortality tables of 1999, increases in salary were considered at 3 % (2006/07: 2.5 %).

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

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

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

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

27 Contingent liabilities, other commitments and financial obligations.

The Group's contingent liabilities primarily result from major projects in the area of traffic control. Other commitments mainly relate to contract and warranty bonds, bank guarantees, performance and bid bonds, sureties and acceptance of guarantees for subsidiaries vis-à-vis third parties. Details of contingent liabilities and other commitments are as follows:

	2007/08	2006/07
Contract, warranty, performance and bid bonds		
City Highway Santiago	860	15,358
City Highway Sydney and Melbourne	2,377	7,901
Truck Tolling System Austria	12,500	12,500
Truck Tolling System Czech Republic	48,899	89,424
Tolling project New Zealand	2,101	0
Other	4,306	4,658
	71,043	129,841
Bank guarantees	3,290	12,179
Sureties	25	30
	74,359	142,050

In the fiscal year 2006/07 the Group acquired 100% of the shares in DPS Automation S.A., Buenos Aires, Argentina (subsequently renamed to Kapsch TrafficCom Argentina S.A.). The share purchase agreement includes an additional variable element for the purchase price (earn-out model) based on future sales of software licences owned by the acquired entity within 5 years upon closing. This contingent consideration can not yet be estimated reliably, as the sales of the respective licences are completely dependent upon how successful group companies are at winning further contracts for road tolling systems.

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Financial obligations from lease contracts:

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

	2007/08	2006/07
Up to 1 year	4.471	3.836
Between 1 and 5 years	5.370	3.416
Over 5 years	2	0
	9.843	7.252

28 Business combinations.

VTI Industrial (Pty) Ltd, Germiston, South Africa

By share purchase agreement dated 26 April 2007 the Group acquired 100% of the shares in VTI Industrial (Pty) Ltd, Germiston, South Africa.

Cash paid	209
Fair value of net assets acquired	209
Goodwill	0

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

	Fair value	Acquiree's carrying amount
Intangible assets	145	0
Property, plant and equipment	2	2
Receivables and other assets	70	70
Cash and cash equivalents	46	46
Payables, other liabilities and accruals	-54	-54
Net assets acquired	209	64

The acquired company in South Africa contributed revenues of TEUR 52 and a net income of TEUR 21 to the Group for the period from 1 May 2007 to 31 March 2008. If the acquisition had occurred on 1 April 2007, there would not have been a significant change in revenue or profit of the Group.

ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna

By assignment agreement dated 5 December 2007 the Group acquired an additional 50% of the shares in ArtiBrain Software Entwicklungsgesellschaft mbH, Vienna, which up to then had been an associate (see Note 13). The Group now holds 100% of the shares.

Cash paid (including historical start-up costs of TEUR 388)	488
Fair value of net assets acquired	488
Goodwill	0

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

	Fair value	Acquiree's carrying amount
Intangible assets	453	371
Property, plant and equipment	18	18
Receivables and other assets	294	294
Cash and cash equivalents	65	65
Payables, other liabilities and accruals	-343	-343
Net assets acquired	488	406

The acquired company contributed revenues of TEUR 118 and a net loss of TEUR -467 to the Group for the period from 1 January 2008 to 31 March 2008. If the acquisition had occurred on 1 April 2007, there would not have been a significant change in revenue or profit of the Group.

29 Related parties.

The following transactions were performed with related companies or persons:

KAPSCH-Group Beteiligungs GmbH, Vienna

From January 2005 onwards, the company provides services to the Group in the area of group consolidation and legal advice. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 599 (2006/07: TEUR 157), TEUR 318 thereof was a one-off charge for additional services in connection with the preparation and implementation of the initial public offering of Kapsch TrafficCom AG. Furthermore, the company invoices insurance costs (directors & officers liability insurance) to the Group in the amount of TEUR 11 (2006/07: TEUR 10).

In August 2003 the company issued a parental guarantee to the group company Kapsch TrafficCom AB, Jönköping, Sweden, in the amount of EUR 11.1 million. The company was released from the guarantee obligation in April 2006. In December 2005 the company issued a parental guarantee to FöreningsSparbanken AB, Stockholm, Sweden, in favor of the group company Kapsch TrafficCom AB, Jönköping, Sweden, in the amount of EUR 19.1 million. The annual fee for the assumption of the liability is 0.5 % of the guaranteed amount. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 96 (2006/07: TEUR 96).

In January 2007 KAPSCH-Group Beteiligungs GmbH issued an unconditional and irrevocable first demand payment guarantee up to EUR 40 million with respect to the payment obligations of Kapsch TrafficCom Construction & Realization spol.s.r.o.. Prague, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, Bank Austria Creditanstalt AG, Vienna und Raiffeisen Zentralbank Österreich AG, Vienna, for the delivery and operation of the Czech truck tolling system. The annual fee for the assumption of the liability is 0.5 % of the actual guaranteed amount. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 209 (2006/07: TEUR 0).

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

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Kapsch Aktiengesellschaft, Vienna

The company provides services to the Group in the area of legal advice. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 0 (2006/07: TEUR 10).

In connection with the use of the KAPSCH trademark and logo the company invoices licence fees to the Group. The licence fee amounts to 0.5 % of all third-party sales of the Group, whereby the annual minimum fee is TEUR 250. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 750 (2006/07: TEUR 924).

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 2007/08 amounted to TEUR 447 (2006/07: TEUR 541).

Furthermore, the company invoices management and consulting services (including costs for the chairman of the board of the company, Georg Kapsch, and costs for consulting services of certain supervisory board members of the company) to the Group. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 1,257 (2006/07: TEUR 874), TEUR 382 thereof was a one-off charge for additional services in connection with the preparation and implementation of the initial public offering of Kapsch TrafficCom AG.

Kapsch Aktiengesellschaft has entered into various insurance contracts covering all group companies. The cost allocated to the Group in the fiscal year 2007/08 amounted to TEUR 253 (2006/07: TEUR 175).

Kapsch Partner Solutions GmbH, Vienna

The company provides human resources services (payroll services, administration, recruiting, advice on labour law and human resources development) to the Group. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 786 (2006/07: TEUR 606).

Kapsch Financial Services GmbH, Vienna

The company leases telephone and IT equipment (hardware and software) to the Group and provides call centre services and IT support. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 1,643 (2006/07: TEUR 1,487).

Kapsch BusinessCom AG, Vienna

The company provides maintenance services on behalf of Kapsch TrafficCom AG, Vienna, for the project "Truck Tolling System Austria". Expenses incurred by the Group in the fiscal year 2007/08 TEUR 1,999 (2006/07: TEUR 1,622).

The company delivered hardware (in particular IT equipment) and provided other services for the project "Truck Tolling System Czech Republic". Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 496 (2006/07: TEUR 3,741).

Furthermore, the company renders maintenance services to the Austrian National Railways on behalf of Kapsch TrafficCom AG, Vienna. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 59 (2006/07: TEUR 412).

The company provides IT, EDP and telephone services to the Group in the amount of TEUR 192 (2006/07: TEUR 0), as well as other services in the amount of TEUR 180 (2006/07: TEUR 0).

The Group invoices consulting services, in particular on public relations, to the company. Income of the Group resulting from these services in the fiscal year 2007/08 totalled TEUR 60 (2006/07: TEUR 56).

In the fiscal year 2007/08 the Group assigned the NMC project to the company. Income of the Group resulting from this totalled TEUR 216.

Kapsch Components KG provides logistic services to the company. Income of the Group resulting from these services in the fiscal year 2007/08 totalled TEUR 100 (2006/07: TEUR 107).

Kapsch CarrierCom AG, Vienna

The company provided installation and other services in connection with the "Truck Tolling System Austria". Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 0 (2006/07: TEUR 379).

Furthermore the company rendered services in connection with the "Truck tolling system Czech Republic". Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 0 (2006/07: TEUR 176).

The Group provides services in the area of public relations to the company. Income of the Group resulting from this service in the fiscal year 2007/08 amounted to TEUR 83 (2006/07: TEUR 77).

The company provides support services regarding the accounting system "Navision" to the Group. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 0 (2006/07: TEUR 53).

Kapsch Components KG provides logistic services to the company. Income of the Group resulting from these services in the fiscal year 2007/08 totalled TEUR 1,102 (2006/07: TEUR 1,254).

Kapsch Components KG produces various components for the company. Income of the Group resulting from the sale of these components in the fiscal year 2007/08 totalled TEUR 711 (2006/07: TEUR 3,555).

In January 2007 Kapsch CarrierCom AG issued an unconditional and irrevocable first demand payment guarantee up to EUR 9 million with respect to the payment obligations of Kapsch TrafficCom Construction & Realization spol.s.r.o., Prague, resulting from the credit and guarantee facilities agreement granted by Ceskoslovenska Obchodni Banka A.S., Prague, Bank Austria Creditanstalt AG, Vienna und Raiffeisen Zentralbank Österreich AG, Vienna, for the delivery and operation of the Czech truck tolling system. The annual fee for the assumption of the liability is 1.5 % of the actual guaranteed amount. The first portion of the respective credit and guarantee facilities was drawn end of March 2007. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 135. (2006/07: TEUR 6).

Kapsch s r.o., Prague

The company assisted the Group in the tender process for the truck-tolling system in the Czech Republic (in particular regarding advertising activities and consulting services). Expenses incurred by the Group in the fiscal year 2007/08 totalled TEUR 0 (2006/07: TEUR 103).

The company provided further consulting services to the Group. Expenses incurred by the Group in the fiscal year 2007/08 amounted to TEUR 0 (2006/07: TEUR 5).

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Kapsch Consulting Austria GmbH

In the fiscal year 2007/08 an agreement could be reached with the company on waiving a potential success fee for the procurement of a tolling project in Argentina in the form of a one-off payment amounting to TEUR 400 (2006/07: TEUR 0).

Kapsch Immobilien GmbH, Vienna

The managing directors of Kapsch Immobilien GmbH are members of the supervisory board of Kapsch TrafficCom AG.

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

Lease expenses incurred by the Group from this contract amounted to TEUR 1,181 in the fiscal year 2007/08 (2006/07: TEUR 1,129).

Lease income of the Group resulting from the sub-lease to related parties in the fiscal year 2007/08 totalled TEUR 379 (2006/07: TEUR 505).

Services are usually negotiated with related parties on a cost-plus basis. Goods are bought and sold on the basis of the price lists in force with non-related parties.

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

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

	31 March 2008	31 March 2007
Parent company		
Trade receivables and other assets	379	406
Trade payables and other payables	522	3,635
Affiliated companies		
Trade receivables and other assets	444	586
Trade payables and other payables	466	4,710
Other related parties		
Trade receivables and other assets	0	0
Trade payables and other payables	12	12

30 Discontinued operations.

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

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

a) Analysis of the result of discontinued operations

	2007/08	2006/07
Revenues	0	7,071
Expenses	0	-9,381
Profit from discontinued operations – before and after tax	0	-2,311

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b) Cash flows from discontinued operations

	2007/08	2006/07
Operating result	0	-2,318
Adjustments for non-cash items and other reconciliations	0	197
Changes in current assets:		
Increase/decrease in trade receivables and other assets	1,441	1,294
Increase/decrease in inventories	0	485
Increase/decrease in trade payables and other current payables	-122	-1,613
Increase/decrease in current provisions	-1,061	-12
	258	154
Interest received	0	66
Interest payments	0	-90
Net cash flow from operating activities – discontinued operations	252	-1,991
Cash flow used in investing activities		
Purchases of property, plant and equipment	0	-65
Proceeds from disposal of assets	0	1,510
Net cash flow used in investing activities – discontinued operations	0	1,445
Cash flow used in financing activities		
Increase/decrease in other non-current financial liabilities	-700	-467
Increase/decrease in current financial liabilities	-467	233
Net cash flow used in financing activities discontinued operations	-1,167	-233
Net cash flow from discontinued operations	-909	-779

31 Earnings per share.

Earnings per share (basic earnings) is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding, if any, ordinary shares purchased by the Company and held as treasury shares.

At 31 March 2008, as in the prior year, no treasury shares were held by the Company.

	2007/08	2006/07
Continuing Operations:		
Profit attributable to equity holders of the Company (in EUR) ¹	30,412,759	20,438,871
Weighted average number of ordinary shares	11,683,060	10,000,000
Basic earnings per share (expressed in EUR per share)	2.60	2.04
Discontinued Operations:		
Loss attributable to equity holders of the Company (in EUR)	0	-2,311,032
Weighted average number of ordinary shares	11,683,060	10,000,000
Basic earnings per share (expressed in EUR per share)	0	-0.23

¹ Losses attributable to minority shareholders in the periods under review refer to continuing operations only.

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32 Events after the balance sheet date.

Kapsch TrafficCom AG and the Italian Busi Impianti Group announced their cooperation on 15 May 2008. The two companies will establish Kapsch-Busi S.p.A., domiciled in Bologna, under a joint venture. The new company will focus on the Italian traffic telematics market in the urban area. Busi Impianti will outsource the respective business unit, including a group of about 10 employees, Kapsch TrafficCom will complement the team by own personnel. Kapsch TrafficCom will hold a share of 67 % in the joint venture.

33 Supplementary disclosures.

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

The average number of staff in the fiscal year 2007/08 was 716 salaried employees and 75 waged workers (2006/07: 606 salaried employees and 121 waged workers).

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

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

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No remunerations were paid to supervisory board members.

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

In the fiscal year 2007/08 the following persons served as management board members:

Mag. Georg Kapsch (Chief Executive Officer)

Ing. Erwin Toplak

In the fiscal year 2007/08 the following persons served on the supervisory board:

Dr. Franz Semmernegg (Chairman)

Dr. Kari Kapsch (Deputy-Chairman)

Mag. Elisabeth Kapsch

Delegated by the works council:

Ing. Christian Windisch

Dipl.-Ing. Werner Dreschl

Authorized for issue:

Vienna, 16 May 2008



Mag. Georg Kapsch
Chief Executive Officer



Ing. Erwin Toplak
Member of the Management Board

Auditor's Report.

Report on the Consolidated Financial Statements.

We have audited the accompanying consolidated financial statements of Kapsch TrafficCom AG, Vienna, for the financial year from 1 April 2007 to 31 March 2008. These consolidated financial statements comprise the balance sheet as of 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 March 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 March 2008, and of its financial performance and its cash flows for the financial year from 1 April 2007 to 31 March 2008 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on the Consolidated Management Report.

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

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

Vienna, 16 May 2008

PwC INTER-TREUHAND GmbH
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft

signed:

Dr. Aslan Milla
Certified Public Accountant

Kapsch TrafficCom is an international supplier of innovative road traffic telematics solutions. Its principle business is the development and supply of electronic toll collection (ETC) systems, in particular for the multi-lane free-flow (MLFF) of the traffic, and the technical and commercial operation of such systems. Kapsch TrafficCom also supplies traffic management systems, with a focus on road safety and traffic control, and electronic access systems and parking management. With more than 140 installed tolling systems in 30 countries in Europe, Australia, Latin America, in the Middle-East, in the Asian/Pacific region and in South Africa, and with almost 12 million on-board units (OBUs) and nearly 11,000 equipped lanes, Kapsch TrafficCom has positioned itself among the leading suppliers of ETC systems worldwide. Kapsch TrafficCom is headquartered in Vienna, Austria, and has subsidiaries and representative offices in 20 countries.