Annual Report 2007

IVU Traffic Technologies AG

Consolidated IFRS figures	2003 € million	2004 € million	2005 € million	2006 € million	2007 € million	Changes in € million 2007 to 2006
Revenue	29.9	26.8	31.2	30.1	31.4	+1.3
of which performances not yet registered		1.0	1.4	0.5	3.7	+3.2
Gross profit	24.9	22.3	23.2	24.6	24.8	+0.2
Personnel expenses	19.5	17.7	15.2	15.9	16.5	+0.6
EBIT	(6.6)	(8.1)	1.0	2.1	2.3	+0.2
Consolidated annual profit/loss	(7.4)	(8.7)	2.2	1.4	1.9	+0.5

The year-end financial statement and management report for IVU Traffic Technologies AG for the 2007 business year were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Berlin, and provided with an unqualified audit report.

Supervisory Board
Klaus-Gerd Kleversaat (Chairman)
Hans G. Kloß (Deputy Chairman)
André Neiß

Executive Board
Prof. Dr. Ernst Denert (Chairman)
Frank Kochanski
Martin Müller-Elschner

Content

Letter to the shareholders

Dear shareholders, dear friends of IVU,

The stock exchange crash in January has also depressed the IVU share price, and unfortunately at only just over one euro it is considerably undervalued. This is despite the fact that the financial year 2007 was concluded once again with good, positive figures, and that the upward trend has now been maintained over three years. We were able to generate sales of more than € 31 million, we stabilised the gross profit, and EBIT increased. Another year in profit has increased the company's financial strength. This means that necessary investments can be made and long-term projects financed.

Frank Kochanski,
Martin Müller-Elschner,
Prof. Dr. Ernst Denert

With the changes to the Management Board of IVU, which have been in effect since 1 January 2008, a change of generations was begun and at the same time continuity in the management of the company was ensured. The same course will be pursued as in recent years – with still more economic success.

The reputation of IVU on the markets is good. It is recognised as a market leader for planning systems and as a powerful supplier in other fields. With increased financial strength, products which have been further developed, and above all with a highly-qualified and dedicated team we are confident and assured in our market activities. All the more so since the awareness has grown that public transport should be promoted for the good of the environment.

We hope that you share our optimism and continue to accompany us in 2008.

Yours sincerely

The Management Board

Berlin, March 2008

Sales		Percentage
€ 2.9 million	Exports	9 %
€ 3.5 million	Foreign subsidiaries	11 %
€ 3.7 million	Austria and Switzerland	12 %
€ 21.3 million	Germany	68 %
€ 31.4 million		

IVU and the market

IVU does more than 80 % of its business with companies operating in the public transport sector: operators of urban rail and bus services, regional bus companies, transport associations, and railway companies. IVU offers them a suite of IT-systems (software and hardware) which meet all their operational requirements from timetable planning, vehicle and personnel dispatching through fleet management, passenger information and ticketing to invoicing for the performances provided. We are currently observing a worldwide increase in the demand for such systems. The reasons are on one hand, that the awareness is growing that public transport should be promoted for the good of the environment, on the other hand, that passengers are expecting more and more from public transport and placing higher demands on the information made available to them; at the same time there is a growing necessity to optimise operations and increase efficiency.

Public Transport Suite

Integrated IT-Solutions for Public Transport

This is why we are continuously expanding our product suite: the functionality of the **MICROBUS** planning system is being expanded considerably and the software has been modernised, the personnel dispatching has been newly developed. We have continued the development of the **BON** fleet management system as well as the software and hardware of our on-board computer **i.box**, especially also for ticketing applications.

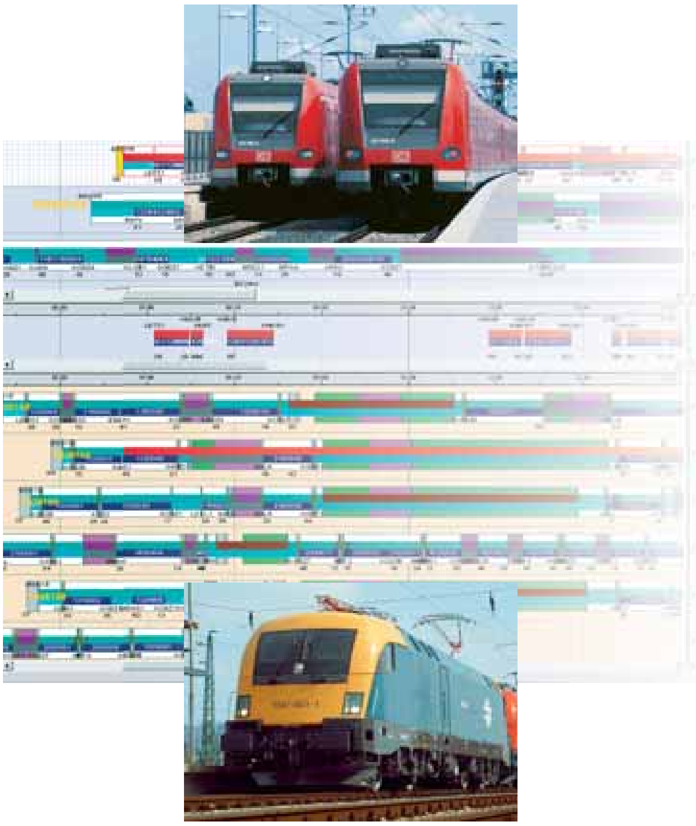
IVU generated about two thirds of its sales in Germany in 2007 and 20 % in non-German-speaking countries, in part through its subsidiaries and in part through direct exports. The strong domestic market provides the basis for the international expansion. One target group are the new EU member countries, where the transport infrastructures are in need of renewal, for which they will be receiving considerable EU funding. The successful entry by IVU onto the Hungarian market is an example of the benefits which can accrue for us. Two other target markets are the Middle East, where we are already active (Dubai, Saudi Arabia), and Latin America. Many Latin American cities are planning a thorough modernisation of their public transport system, because their traffic is so bad they are threatening to suffocate. In some cases, such as Bogotá, the modernisation has already begun. IVU already has established a good reputation in Latin America and has opened up numerous concrete opportunities.

IVU works mainly with project business, which means that the products (mainly software and to a lesser extent hardware) are prepared for utilisation within the framework of project work carried out at the customer's location; they are not the sort of thing that can simply be sold over the counter. This makes it necessary to analyse requirements and following on from this we carry out special developments, data migration and processing, training for the users, and so on.

IVU predominantly has clients in the public sector, which means that orders are mostly acquired within the framework of European Union public procurement legislation. It is a tortuous route from the call for tenders through making an offer to concluding a contract, and many formalities are involved. This leads to disadvantages and impediments on both sides, but it does also open up some opportunities for us on the extended European market, and we are able to submit tenders for contracts we would otherwise not have known about.

There is also still demand from the public sector for non-transport applications. Here too, in so-called e-government, comprehensive IT-solutions are required, but the offers are judged primarily in terms of the daily rates that are charged. This has led to a price war which virtually excludes the participation of qualified software engineers and the development of advanced software. Therefore in many cases we do not bother to make a bid. The current shortage of specialists could lead to a turnaround in this trend.

Highlights in 2007 in the field of Public Transport



... for planning and dispatching systems

In the financial year 2007, development and project work was focused on a series of larger contracts which had already started in 2006, including those for *Deutsche Bahn*, Berlin public transport utility *BVG* and *SBB* in Switzerland. At the same time we also gained a number of other customers.

The *Hungarian State Railway MÁV* (Magyar Államvasutak Rt.) was attracted as a further European rail customer. *MÁV* uses **MICROBUS** for the planning and dispatching of rolling stock and personnel in passenger and goods services. Goods transport in particular often requires the flexible allocation of traction units, and in order to improve the ability to respond to changes in the assignment situation we have developed a new module which allows rapid identification of individual train delays, and timely responses.

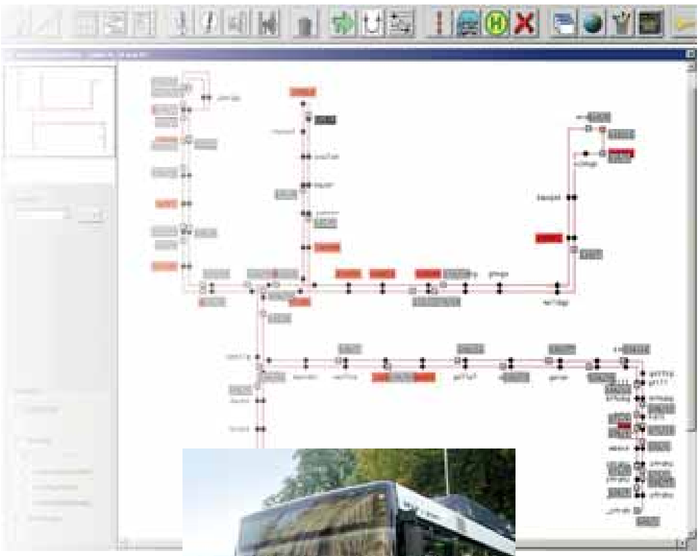
In Dubai, the *Road and Transport Authority (RTA)* commissioned IVU to extend and up-date the **MICROBUS** planning and dispatching system. In addition, the cartography component **MICRO-BUS.map** is also to be added to **MICROBUS**. This makes it possible to carry out area planning and to visualise the results on a road map. Modules are also being introduced for automatic service roster allocation and to provide better information for drivers.

A new **MICROBUS** customer in Poland is the Danzig City public transport service *(ZKM Gdansk)* with its 225 buses and 102 trams. *Nottingham City* bus service has also ordered the **MICROBUS** module for the optimisation of duty scheduling and vehicle dispatching.

In Italy a new customer was the largest Italian railway company *TRENITALIA*. In future they will be using **infopool** in order to compare data from ten sources and to link these with one another so that they will be available for purposes such as providing timetable information and making seat reservations.

... for fleet management systems

The functionality of our **BON** fleet management system has been considerably extended within the framework of the orders from our long-term customers *Wiener Linien* and *üstra*, Hanover. At the same time further advancements were made in the technical upgrading of **BON**.



The development work for the cooperative operational control system for three transport companies in the eastern Ruhrgebiet (KöR) has been concluded. This is now due to go into operation in 2008. This project is particularly important, because for the first time in Germany the VDV* standard for trunked digital radio (VDV 423) will be implemented.

Another milestone in 2007 is that IVU received the first contract to set up a rail control centre with **BON**. The new customer is *trans regio Deutsche Regionalbahn GmbH* in Kaiserslautern, which will be using the IVU fleet management system to operate its trains.

Whereas all the customers mentioned above operate with our on-board computer software together with the hardware supplied by IVU, STIB Brussels *(Société des Transports Intercommunaux de Bruxelles)* has only purchased the **i.box** software and has then acquired the on-board computer hardware separately from a French supplier. This is possible because the **i.box** software has been developed on the basis of the standard Windows CE operating system.

* Verband Deutscher Verkehrsunternehmen
(Association of German Transport Undertakings)

... for passenger information systems

In 2006 a first version of an on-line tariff advice service was installed for Munich's public transport group *MVV*. After undergoing further developments, the advanced version is now named **Ticket Navigator Profi**, and it is already proving very popular with passengers during its test phase. This is because it is very user-friendly. With only a few mouse-clicks it is not only possible to access information about the connection from A to B, but also to see what ticket will be required for the trip. Round trips or excursions with small groups can also be planned and possibly reorganised, e.g. in order to take advantage of off-peak rates and other special offers.

The **fahrinfo** Internet passenger information service for the Berlin public transport utility *BVG* has been given a facelift. Improved usability, a clearer and more transparent design, and a better recognition factor were key requirements. At the same time, alterations were made to allow barrier-free access, among other things by allowing alterations to the font size.

Dublin Bus in Ireland has also placed an order for both **infopool** and **fahrinfo** in order to link timetable data and provide better on-line customer information.

Since mid-2007, the passengers of the *Wolfsburger Verkehrsgesellschaft (WVG)* have been able to inform themselves about the actual departure times of their buses at key bus stops in the city. At thirteen bus stops, components from IVU have been installed to provide dynamic passenger information.

In order to be able to integrate all these information options for passengers on a display, IVU Traffic Technologies AG is cooperating with *Ströer Out-of-Home Media AG* on a promising development for the future. The traffic information will be augmented with news reports, entertainments and advertising.

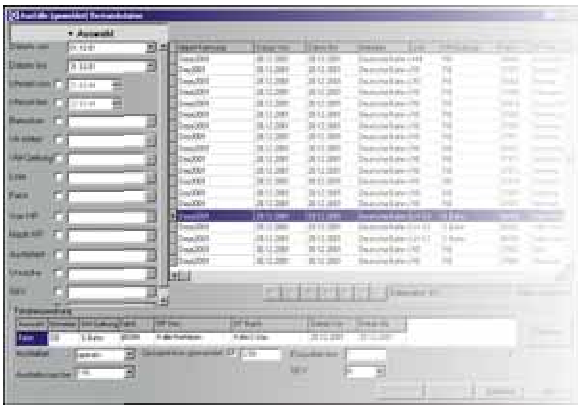
... for ticketing systems

The ticketing system of *üstra*, Hanover, went into full operation in 2007 and was approved. It consists of the background system **AFAB** and the **i.box** software from the on-board equipment.

The *Aachener Straßenbahn und Energieversorgungs-AG (ASEAG)* and the *Kasseler Verkehrs-Gesellschaft (KVG)* have taken delivery of the ticketing system from IVU, consisting of the new **i.box printer** ticketing on-board computers in combination with the background system **AFAB.office**, which can be used to store and evaluate sales data.

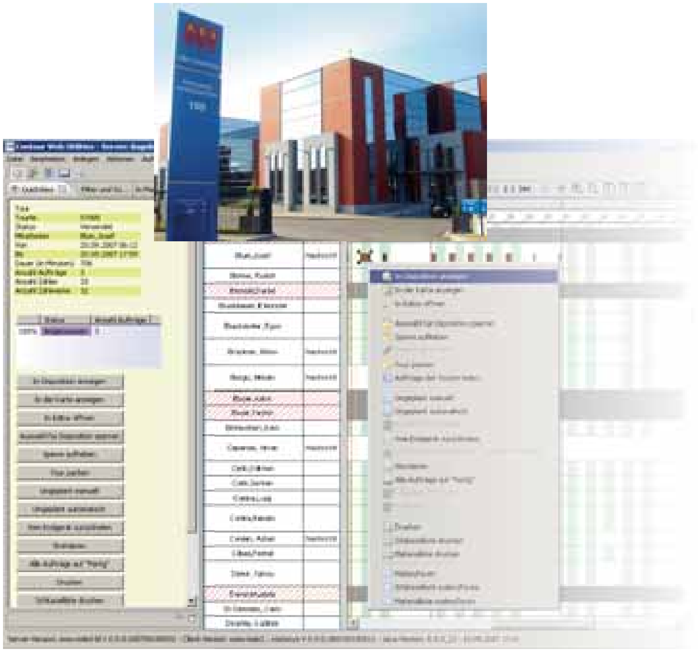
In all a total of almost 6000 units from the **i.box** family have been installed since 2002 – roughly 3000 with and 3000 without ticketing function. In the financial year 2007, some 1300 units were sold, and this total included about 1000 **i.box printer** units. This clearly demonstrates the increasing success of this product. The demand for the **i.box printer** has risen appreciably, and annual sales are up by 50% in comparison with 2006.

... for settlement systems for transport contracts



Qbase, our IT solution for invoicing on the basis of transport contracts is finding more and more users. For example, in 2007 *DB Regio Südost* has started to not only use it in Saxony, but in all four of its regional operations. Figures are constantly compared with target values, and invoices prepared at a local level for the individual transport organisers placing the order, while at the same time the data is being stored at the regional control office in Leipzig to provide the central management with an overview of the current status of all transport contracts.

Further highlights in 2007



... in transport logistics

Contour, the new system for the coordination of external personnel, was sold to a further customer in 2007: *ABX*, an international parcel delivery service, is now using it in its branches in Germany. But the company also has plans to introduce it step-by-step for all its operations internationally.

Enquiries are now being received from other companies, for example from public transport services, who want to use it for cash collection from ticket machines, and their maintenance. The public transport companies in Zurich and Lucerne have already ordered the system. We therefore anticipate that there will be additional good opportunities for this system, and not only in the transport logistics sector.

... in waste management logistics

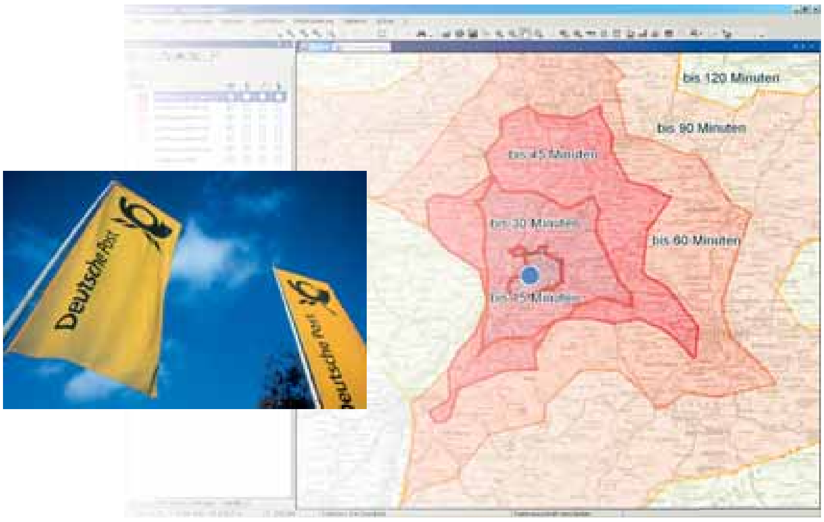
The markets for waste service logistics (waste management) continued to be mixed in 2007. In Germany, as in the previous year, there were no major movements. A noteworthy development is the pending extension of the IVU system for the Hamburg City waste management utility.

In Great Britain, **Combitour** was successfully implemented for the first customers.

In the Netherlands we lost a customer when a company was taken over. The projects which could be finished in 2007 included the implementation of **Combitour** for *BDR Containerreiniging*, a company which specialises in cleaning containers. With the help of a new telematics system, the operational process could be further automated, including on and around the vehicle. Other companies have already expressed interest in this solution.

... in geomarketing

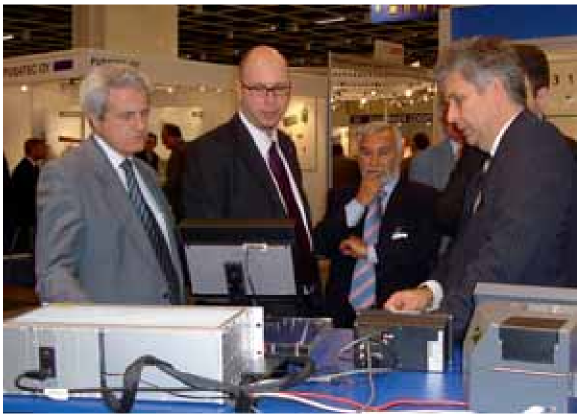
Our geomarketing system **Filialinfo** was being used in 2007 by *Deutsche Post*. At the same time it was undergoing further development and, for example, it was extended by a new module, which makes it possible to employ data mining methods to carry out a deeper analysis of geodata than was previously possible.



Filialinfo had another opportunity in 2007 to demonstrate its qualities in the Geomarketing Benchmark competition organised by the Fraunhofer Institute for Intelligent Analysis and Information Systems (IAIS). The system was awarded a seal of quality in each of the three categories “Market potential analysis”, “Location planning and optimisation” and “Customer analysis and sales management”, and was thus the clear winner of the benchmarking event.

... in e-government

An interesting project in this sector is the portal “Near-surface Geothermics in Land Brandenburg”. Initially developed specifically for the Federal State of Brandenburg, it was extended in 2007 to include data from Berlin and has now attracted interest from other laender. Data is now being included from eleven more federal states. What started out as a model project supported by the Federal Government in the field of geodata infrastructure has now developed into a national project. It was presented at CeBIT 2008.



... at trade fairs and conferences

At the UITP trade fair "Mobility & City Transport" held in Helsinki at the end of May, important contacts were established with potential customers, in particular from other countries. The IVU stand was very well frequented.

In February, the users of our systems for public transport met for our annual PT user forum. This serves to intensify customer dialogue. In 2007 280 participants took part, about the same number as in the previous year.

In October the third IVU Conference took place with some 60 decision-makers from the public transport sector. New trends and developments were discussed and presented.

Research and development

IVU – as an IT system house – is a high-tech company and has to work permanently and intensively on the development of new products and systems and the further development of existing ones. Customers are continually presenting us with new challenges, while at the same time the systems technologies (software, hardware, radio communications) are making rapid progress, for example from a client/server architecture to an internet architecture or from analogue to digital radio communications. Such technical innovations open up opportunities for new solutions.

Our product development is basically organised in three groups:

– planning and dispatching software in Berlin,
– software for fleet management, passenger information and ticketing in Aachen and Berlin,
– trip planning in Berlin.

Overall a total of about 100 co-workers are involved in the development of new IT systems and the advancement of existing ones for the market. This accounts for some 40 % of the capacity of our workforce.

In 2007, these groups developed a series of new functions for our products: The **MICROBUS** planning and dispatching system was extended, a GIS component integrated in the **BON** fleet management system and new functions added to the software for the **i.box printer**.

In addition, we also participate in state-funded projects in which future developments in traffic and transport IT are investigated and tested. Typically this involves a government grant which is matched by an equal contribution by IVU. A topical example is DISTEL, which is intended to create a standard by means of which the vehicle and operational control systems of various public transport operators can communicate with one another with the goal of improving passenger information and the coordination of connections.

Personnel

Personnel development

	2007	2006	Change
No. of personnel as of 31.12.	291	289	0.7 %
Personnel capacity[1] as annual mean	245	242	1.2 %

[1] Personnel capacity denotes the equivalent number of full-time employees.

Further restructuring and strengthening of our team

In the financial year 2007 the number of personnel only increased slightly. We would have liked to recruit more qualified software engineers and architects. But the situation on the job market continues to be very tight in the computer sciences sector. There are not enough well-trained computer scientists and at the same time there is strong demand.

Nevertheless, the fact there is only a slight increase in numbers does not reflect the restructuring of the company which continued in 2007. In all, 16 new employees were recruited in Berlin and Aachen – included from other European and non-European countries, so that the IVU team meanwhile includes representatives of two dozen nations.

In addition in 2007 there were further training and continuous learning measures, from which more than 150 employees benefited.

Assets, financial situation and results

Consolidated IFRS figures	2003 € million	2004 € million	2005 € million	2006 € million	2007 € million	Changes in € million 2007 to 2006
Revenue	29.9	26.8	31.2	30.1	31.4	+1.3
of which performances not yet registered		1.0	1.4	0.5	3.7	+3.2
Gross profit	24.9	22.3	23.2	24.6	24.8	+0.2
Personnel expenses	19.5	17.7	15.2	15.9	16.5	+0.6
EBIT	(6.6)	(8.1)	1.0	2.1	2.3	+0.2
Consolidated annual profit/loss	(7.4)	(8.7)	2.2	1.4	1.9	+0.5

Increased sales with slightly higher gross profits

Sales have risen by 4.5% to € 31.4 million, the gross profits have increased by 0.5% to almost € 25 million.

The sales include € 3.7 million booked for performances which have already been provided but which could not yet be invoiced. Such a situation arises whenever a project extends beyond the end of the financial year. The performances through until the end of the year are evaluated on the basis of the percentage of completion, so that these can be booked to the revenues as containing real value. This IFRS method has the advantage that the sales reflect the actual performance of the company, irrespective of when the final invoice is submitted for a longer-lasting project. We also endeavour, wherever possible, to receive liquidity for these performances in the form of down-payments.

The gross profit quantifies the value created by a company, and in the case of a software house like IVU this primarily consists of project and development performances, together with licences. The gross profit per employee is the most important parameter for the profitability. In 2007 the gross profit per employee was € 101 000, which is slightly above the target of € 100 000.

The difference between turnover and the gross profit is influenced primarily by third-party performances and material costs, which in the case of IVU signify minor value creation. They result above all from the purchase and resale of hardware components for the on-board computers of the i.box family. The increase in material costs was due to the effects of some large projects. The work on these had already been carried out in 2006, and this was followed in 2007 by the purchase and delivery of the materials.

Costs and amortisation

The costs have remained broadly stable:

- The personnel expenses increased by € 609 000. This includes the provisions made for a settlement payment for a prematurely departing member of the Management Board equivalent to the emolument claim of € 480 000 for the residual period of the contract. The personnel costs stand against new appointments, which were necessary to strengthen the team and for the planned growth of the company.
- The amortisation of intangible assets (third-party software) and property plant and equipment declined by € 133 000. Due to the elevated investments in previous years the depreciation is still higher than the current investments, but 2008 levels will approach the current investments.
- The amortisation of internally-generated intangible assets has declined by € 179 000, because this involves old stocks.
- The other operational costs could be reduced by € 356 000.

EBIT increased

The slight increase in the gross profit is also reflected in the EBIT. At € 2.3 million, it is about € 0.2 million (+9.1 %) higher in the financial year 2007 than in the previous year.

At the same time the consolidated annual profit could be increased by about € 0.5 million to € 1.9 million (+30.8 %).

Assets situation improved

The assets situation could be further stabilised, and debts of € 1.2 million were repaid as planned. The positive annual result improved the equity by almost € 2 million, so that as of 31.12.2007 it was € 18.2 million (2006: € 16.2 million).

Liquidity

As of 31.12.2007, the amount held in cash was € 0.8 million. At the same time there was a decline in receivables from deliveries and performances at the balance sheet date of € 0.3 million. In view of the good situation for orders together with the receivables amounting to € 11.7 million, it is anticipated that there will be sufficient liquidity for 2008. The lines of credit will not be drawn on in full at any time and loan repayments totalling € 1.2 million can be made as planned. This will save further interest payments. The foreseeable bank sureties required to secure project business can be deposited to the required levels.

The cash flow from current business activities in the financial year 2007 was about € 1.9 million higher than in the previous year.

Orders situation

The orders situation is good. The level of orders for 2008, defined in terms of signed contracts, amounted on 28.02.2008 to € 22 million (as against € 21 million in the previous year). Firmly promised orders have a volume of € 3.5 million (as against € 2 million in the previous year). In addition there are open offers and on-going negotiations which we conservatively value at € 4.5 million (compared with € 5.6 million in the previous year), so that the overall orders situation for 2008 already covers the planned goals to a considerable extent.

Prospects

The situation of IVU is good and offers opportunities for growth. The third positive financial statement in series shows this, and the orders situation also offers a sound basis for the financial year 2008. With this, we can in any case achieve turnover in excess of € 30 million and a gross profit of € 25 million. And if one or the other major projects currently in the acquisition phase comes to finalisation, then an increase is possible.

The prospects for the financial year 2009 are just as good. They have their foundation in the scope and depth of our product suite for public transport, which will be promoted intensively in this year with special marketing measures. In addition the good prospects are based on our strong domestic market and many international opportunities.

Another factor is that by mid-2009 the bank loans will have been repaid in full, so that IVU will then be debt-free.

Risks

Business risks

The project business of IVU is based almost exclusively on contract work. This naturally brings with it the risk that the actual workload involved turns out to be more than was planned, whether because the task was underestimated or because there was a lack of efficiency when carrying out the project. This usually leads to delivery delays, which in turn can result in claims being made for compensation.

Deficiencies in the software which is supplied can delay the acceptance and with it the payment of the final invoice, so that a liquidity shortage can arise. This can also arise if clients expect considerable advanced performance and only make payments towards the end of the project.

Goodwill

Maintenance or impairment of goodwill is recognised in accordance with IAS 36 (Impairment of Assets) using the accepted evaluation procedures, in particular a Discounted Cash Flow procedure. Calculations are based on anticipated sales. If these cannot subsequently be realised then this can lead directly to impairment of goodwill.

Risk management / Financial controlling

The risk management is based on the monthly reporting system (Financial Controlling Report) covering key parameters, which compares the company's monthly plan and the actual figures. These also include the expenses for the individual projects. The subsidiaries are included in the reporting system. The analysis of deviations serves the management as a tool for business control.

Targets and actual figures are discussed regularly with those responsible for revenue and cost development in order to provide the management board with timely information about critical developments and making it possible to take any necessary corrective measures.

In order to ensure that the available liquidity and the credit lines are adequate, the development of the available liquidity is monitored on a daily basis.

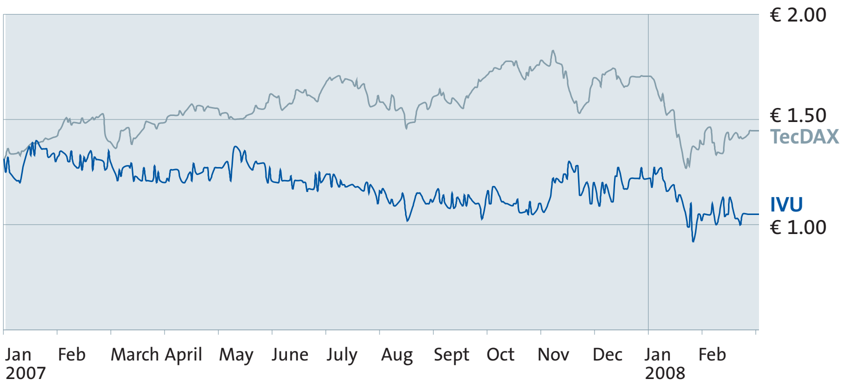
The large majority of transactions are conducted in euros. In order to avoid risks arising from interest rate fluctuations, interest security measures (swaps) are concluded for loans received.

Follow-up report

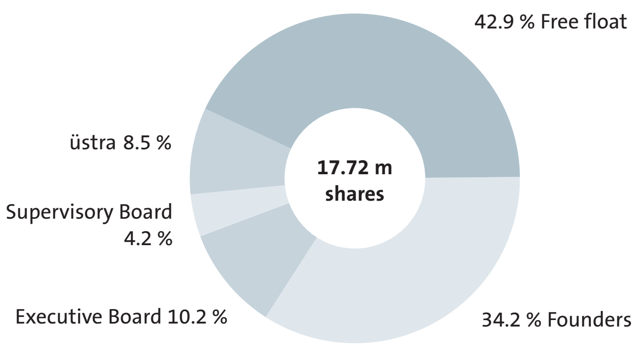
Since 31 December 2007 there have been no events of significance which have affected the situation regarding earnings, finances, or assets.

IVU shares

IVU-Share Price compared to Indices



Shareholder structure



As of: 31 December 2007

Shares of the board members on 31 December 2007

	No. of shares
Executive Board	
Prof. Dr. Ernst Denert	1,808,132
Total Executive Board	**1,808,132**
Supervisory Board	
Klaus-Gerd Kleversaat	139,000
Hans G. Kloß	598,217
Total Supervisory Board	**737,217**
No. of IVU shares owned by the Group	0

Obligation to report

In the financial year 2007 the company was not informed of any security dealing which it would be obliged to report under Section 15 a WpHG (Securities Trading Act).

Consolidated Profit and Loss Account in Accordance with IFRS for the Financial Year 2007

	2007 T€	2006 T€
1. Earnings	**31,424**	**30,061**
Of which performances not yet registered	3,694	522
2. Other operating revenues	1,026	732
3. Material costs	(7,695)	(6,169)
Gross profit	**24,755**	**24,624**
4. Personnel expenses	(16,478)	(15,869)
5. Depreciation of non-current assets	(970)	(1,282)
6. Other operating expenses	(5,023)	(5,379)
EBIT	**2,284**	**2,094**
7. Interest revenue	18	50
8. Interest payments	(376)	(468)
9. Earnings before taxes	**1,926**	**1,676**
10. Taxes on income and earnings	(39)	(233)
11. Group annual profit	**1,887**	**1,443**

	€	€
Earnings per share (diluted and undiluted)	**0.11**	**0.08**
Average number of shares in circulation (in thousands)	**17,719**	**17,669**

Consolidated Profit and Loss Account in Accordance with IFRS for the Financial Year 2007

	2007 T€	2006 T€
1. Business activity		
Consolidated earnings before income taxes of the period	1,926	1,676
Depreciation of tangible assets	970	1,282
Changes to provisions	(177)	(150)
Differences from currency translation	6	26
Earnings from dissolved special positions	(32)	(43)
Earnings from interest	358	418
Revenue from disposal of property, plant, and equipment	(4)	69
	3,047	**3,278**
Changes to items of current assets and current borrowed funds		
Inventories	(357)	152
Receivables and other assets	(1,604)	(2,488)
Liabilities (without provisions)	948	(710)
	2,034	**232**
Interest payments	(353)	(419)
Income tax payments	(34)	(27)
Cashflow from current business activities	**1,647**	**(214)**
2. Investment activities		
Payments for investments in property, plant and equipment[1]	(321)	(369)
Receipts from disposal of property, plant and equipment	9	53
Interest received	18	20
Cashflow from investment activities	**(294)**	**(296)**
3. Financing activities		
Equity increase from conditional capital[2]	50	0
Receipt from Sale & Leaseback dealings[3]	0	181
Repayments of liabilities from Sale & Leaseback dealings[3]	(42)	(23)
Receipts from taking up financial loans	232	1,611
Repayment of financial liabilities	(1,700)	(858)
Cashflow from financing activities	**(1,460)**	**911**
4. Liquid funds		
Effective change in liquid funds	(107)	401
Liquid funds at the beginning of the period	943	542
Liquid funds at the end of the financial year	**836**	**943**

\+ = inflow of funds
( ) = outflow of funds

[1] This presentation of payments for investments in PPE for 2007 and for 2006 differ from the additions to the fixed assets given in the Consolidated Group Assets (page 20). The difference results from the acquisition of property, plant and equipment under finance leasing arrangements, so that here only the repayment of the relevant liabilities are shown as payments for investments in PPE. Note the comments in the notes.

[2] Equity was increased from conditional capital on 31 January 2007. Note the comments in the notes.

[3] The company has entered into Sale & Leaseback dealings for reasons of finance. Therefore the transaction is presented as a financing activity. Note the comments in the notes.

Consolidated Balance Sheet
in Accordance with IFRS until 31 December 2007

Assets	31 Dec. 2007 T€	31 Dec. 2006 T€
A. Current assets	**20,234**	**18,380**
1. Liquid funds	836	943
2. Trade receivables	11,665	11,981
3. Current receivables from construction contracts	4,904	3,004
4. Inventories	1,075	718
5. Other current assets	1,754	1,734
B. Non-current assets	**14,201**	**14,755**
1. Fixed assets (PPE)	1,005	955
2. Intangible assets	12,049	12,581
3. Financial assets held for trading purposes	31	54
4. Deferred tax assets	1,116	1,165
Assets	**34,435**	**33,135**

Liabilities	31 Dec. 2007 T€	31 Dec. 2006 T€
A. Current liabilities	**11,640**	**11,324**
1. Current liabilities and current portions of long-term debts	3,310	3,578
2. Trade payables	2,112	1,827
3. Obligations arising from construction contracts	560	475
4. Provisions	236	560
5. Tax provisions	523	549
6. Other current liabilities	4,899	4,335
B. Non-current liabilities	**4,627**	**5,586**
1. Long-term debt	635	1,835
2. Deferred tax liabilities	1,116	1,165
3. Pension provisions	2,463	2,316
4. Additional line items for investment grants and investment subsidies	58	90
5. Other non-current liabilities	355	180
C. Equity	**18,168**	**16,225**
1. Subscribed capital	17,719	17,669
2. Capital reserves	46,456	46,456
3. Balance sheet loss	(46,120)	(48,007)
4. Currency translation	113	107
Liabilities	**34,435**	**33,135**

Consolidated Group Assets 2007 (IFRS)

	Historical purchase/production costs			
	as of 1 Jan. 2007 T€	Additions T€	Disposals T€	as of 31 Dec. 2007 T€
1. Intangible assets				
1. Commercial copyrights and software licences	4,924	51	0	4,975
2. Goodwill	14,626	0	0	14,626
3. Original intangible assets	15,505	0	0	15,505
	35,055	**51**	**0**	**35,106**
2. Fixed assets				
1. Technical equipment and machinery	2,670	238	121	2,787
2. Other equipment, factory and office equipment	3,703	204	97	3,810
	6,373	**442**	**218**	**6,597**
Total	**41,428**	**493**	**218**	**41,703**

Consolidated Companies

	Holding %	Equity as of 31 Dec. 2007 T€	Annual result[1] 2007 T€
IVU – Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin („IVU GmbH“)	100	480	0[2]
IVU Benelux B.V., Veenendaal, (“IVU Benelux“)	100	979	23
IVU Traffic Technologies Italia s.r.l., Rom, (“IVU Italia“)	100	310	5
IVU Traffic Technologies UK Ltd., Birmingham, (“IVU UK“)	100	171	105

[1] In accordance with IFRS before consolidation
[2] after profit pooling by IVU AG

Write-offs				Residual value	
as of 1 Jan. 2007 T€	planned Additions T€	Disposals T€	as of 31 Dec. 2007 T€	as of 31 Dec. 2007 T€	as of 31 Dec. 2006 T€
4,124	224	0	4,348	627	800
3,277	0	0	3,277	11,349	11,349
15,073	359	0	15,432	73	432
22,474	**583**	**0**	**23,057**	**12,049**	**12,581**
2,357	194	121	2,430	357	313
3,061	193	92	3,162	648	642
5,418	**387**	**213**	**5,592**	**1,005**	**955**
27,892	**970**	**213**	**28,649**	**13,054**	**13,536**

Group Equity Change Account in accordance with IFRS for the Financial Years 2006 and 2007

	Share capital T€	Capital reserves T€	Foreign exchange rate changes T€	Balance sheet lost T€	Total T€
As of 1 January 2006	**17,669**	**46,456**	**81**	**(49,450)**	**14,756**
Differences from currency translations (profits not included in consolidated income statement)	0	0	26	0	26
Consolidated profit 2006	0	0	0	1,443	1,443
As of 31 December 2006	**17,669**	**46,456**	**107**	**(48,007)**	**16,225**
As of 1 January 2007	**17,669**	**46,456**	**107**	**(48,007)**	**16,225**
Differences from currency translations (profits not included in consolidated income statement)	0	0	6	0	6
Consolidated profit 2007	0	0	0	1,887	1,887
As of 31 December 2007	**17,669**	**46,456**	**113**	**(46,120)**	**18,168**

Unabridged Notes to the 2007 Consolidated Financial Statement

This annual report, which was intentionally kept brief and easy to read, contains all important details about the company's position and outlook. Although we stopped printing the 38-page Unabridged Notes to the Consolidated Financial Statement several years ago, it is available on request or can be downloaded from the Internet at **www.ivu.de**.

Auditor’s report

The year-end financial statement and management report for IVU Traffic Technologies AG for the 2007 business year were audited by Ernst & Young AG Wirtschafsprüfungsgesellschaft, Berlin, and provided with an unqualified audit report.

In the financial year 2007, the Supervisory Board continually monitored the work of the Management Board in accordance with our duties under law and company statutes and also offered advice. The Supervisory Board informed itself fully about the development of business and finances, about important business dealings and about the strategy and planning of the company. The Supervisory Board was informed by the Management Board in a timely and thorough fashion. All matters which were important for the decisions of the Supervisory Board were presented to us. A decision was taken in writing by circulation. The members of the Supervisory Board also maintained regular contact with the Management Board between its meetings.

Meetings

In 2007, four regular meetings were held, on 14 March, 7 May, 6 August and on 7 November 2007.

In accordance with the statutes, the Supervisory Board consists of three members, and therefore no sub-committees were formed. Within the scope of their activity, all members of the Supervisory Board have dealt with the entirety of the duties of the Supervisory Board.

All matters put before the Supervisory Board were discussed and decided on by the full Supervisory Board. After due consultation, the Supervisory Board approved of the business matters and developments for which there was a duty of presentation.

Key topics of consultation

Consultations and discussions focused on the economic situation of the company, its prospects, and the future orientation in a wider field of competition.

Further topics in the meetings were:

- Scrutiny and approval of the planning for 2007
- Examination of the planning results
- Liquidity planning
- Discussion of the results at the end of each quarter
- Personnel developments
- Presentation of projects by the heads of segments
- Preparation of the general meeting
- Recommendations of the Advisory Board

Changes to the Management Board

In the period covered by this report, the following changes were made to the Management Board:

In its meeting on 6 August 2007, the Supervisory Board took the decision to appoint Martin Müller-Elschner and Frank Kochanski as Members of the Management Board of IVU Traffic Technologies AG for five years with effect from 1 January 2008.

Dr. Olaf Schemczyk offered his resignation from the Management Board of IVU Traffic Technologies AG with effect from 10 September 2007. The Supervisory Board accepted his resignation.

Annual financial statement

The consolidated annual accounts presented by the Management Board for the financial year ending 31 December 2007 in conjunction with the Group Management Report and the annual financial statement with the balance sheet date of 31 December 2007 with the Management Report for IVU Traffic Technologies AG was audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, which awarded an unrestricted audit certificate. The auditor attended the consultations of the Supervisory Board at its meeting on 19 March 2008. The reports of the auditors and the Management Reports were handed out to all the members of the Supervisory Board in good time. The auditor reported at this opportunity about the audit in general and specific points of the examinations, and responded in detail to the questions of the Members of the Supervisory Board.

On the basis of our own examination of the documents presented to us by the Management Board and the auditors we raise no objections and concur with the financial statements prepared by the Management Board for IVU Traffic Technologies AG, which are thus adopted.

The Supervisory Board thanks Dr. Olaf Schemczyk for many years of valuable service for IVU Traffic Technologies AG.

We also thank the Management Board and the employees for their work throughout the financial year.

For the Supervisory Board

Klaus-Gerd Kleversaat
Chair of the Supervisory Board

Berlin, 19 March 2008

Supervisory Board

Klaus-Gerd Kleversaat (Chairman), Berlin
Chairman of quirin bank AG, Berlin;
Deputy Supervisory Board Chair of Ventegis Capital AG, Berlin;
Supervisory Board member of Euro Change Wechselstuben AG, Berlin;
Supervisory Board member of Stream Films AG, Berlin;
Supervisory Board member of Orbit Software AG, Berlin;
Supervisory Board member of Quirin business support AG, Leipzig.

Hans G. Kloß (Deputy Chairman), Berlin
Chair of the Supervisory Board Hansen & Hansen AG, Berlin;
Managing Director of BEROMAT Consulting GmbH, Berlin.

André Neiß, Hanover
Management Board Chair of üstra Hannoversche Verkehrsbetriebe AG, Hanover;
Supervisory Board Chair of intalliance AG, Hanover;
Advisory Board member of Hanover Region Grundstücksgesellschaft mbH HRG & Co. Passerelle KG, Hanover;
Supervisory Board member of Mitteldeutsche Verkehrsconsult GmbH, Magdeburg;
Member of the Advisory Board of Flughafen Hannover-Langenhagen GmbH, Hanover;
MD of Versorgungs- und Verkehrsgesellschaft Hannover mbH, Hanover.

The emoluments of the members of the Supervisory Board in the financial year 2007 amounted to € 37 500 (previous year € 37 500).

Management Board

Prof. Dr. Ernst Denert (Chairman)
Dr. Olaf Schemczyk (until 9 September 2007)

Frank Kochanski (from 1 January 2008)
Martin Müller-Elschner (from 1 January 2008)

In the financial year 2007 the members of the Management Board received emoluments amounting to € 598 000 (previous year € 784 000). The emoluments of the Management Board consist of a fixed and a variable portion. In the year covered by the report, the variable portion accounted for 13 % of the total sum received (2006: 21%).

Advisory Board

Dr. Heinrich Ganseforth, Hanover (Chairman)
Independent consultant

Prof. Dr. Manfred Boltze, Darmstadt
Head of the Section for Traffic Planning and Transport Technology at the Technische Universität Darmstadt

Volker Sparmann, Hofheim am Taunus
Managing Director of Rhein-Main-Verkehrsverbund GmbH

Imprint

Published by
IVU Traffic Technologies AG

The 2007 Annual Report and Unabridged Notes to the Financial Statement can be downloaded from www.ivu.de as a PDF file in German or English.

Contact
Renate Bader
Head of Corporate Communications
Phone: +49.30.85906-0
Fax: +49.30.85906-111
renate.bader@ivu.de

Layout
Studio Quitta, Munich

Picture source
Page 15: dpa

Printer
Ruksaldruck, Berlin

Financial calendar 2008

Wednesday, 19 March 2008	Publication of the Annual Report 2007
Wednesday, 21 May 2008	Three-monthly report through until 31.3.
Wednesday, 28 May 2008	General meeting
Wednesday, 30 July 2008	Six-monthly report through until 30.6.
Wednesday, 12 November 2008	Nine-monthly report through until 30.9.
November 2008	Analysts' conference in Frankfurt/Main

IVU Traffic Technologies AG

IVU Traffic Technologies AG
Bundesallee 88
12161 Berlin
Germany
Phone +49.30.8 59 06-0
Fax +49.30.8 59 06-111
E-Mail: ir@ivu.de
www.ivu.de

Consolidated notes

IVU Traffic Technologies AG, Berlin
through until 31 December 2007

A. General company information

(1) The parent company of the IVU Group is IVU Traffic Technologies AG (IVU AG) with its head office at Bundesallee 88, 12161 Berlin, Germany. It was founded on 4 August 1998 and is entered in the Commercial Register Berlin-Charlottenburg under the number HRB 69310.

(2) The Management Board prepared the Annual Report through until 31 December 2007 and the financial report for the financial year 2007 on 3 March 2008, and on 11 March 2007 approved this for presentation to the Supervisory Board. It is expected that this will be passed by the Supervisory Board at its meeting on 19 March 2008.

(3) The business operations of the IVU Group involve the development, production and marketing of software for planning, organisation and information processing for public administrations, transport companies and other public and private sector service providers; the activities include research, the formulation of experts' reports, consultancy, further training in these areas, as well as the management of and participation in companies in the technology sector. The average number of employees in the group was 292 in 2007, compared with 286 in 2006.

(4) The IVU Group is structured in two main segments: Public Transport, and Logistics.

(5) The main customers of the IVU Group are operators of public transport services in Germany and Europe. IVU AG is represented at its locations in Berlin and Aachen.

(6) The company is listed in the Prime Standard (Deutsche Börse AG) at the Frankfurt Börse.

B. The accounting policies

Basis for the preparation of the financial statement

(7) The financial statement of the IVU Group was prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as with the provisions of Section 315a Paragraph 1 of the German Commercial Code (HGB). The financial statement was prepared in euros. The abbreviations TEUR and T€ denote that these sums are expressed as multiples of one thousand (1000) euro.

(8) The financial statement of the IVU Group is prepared on the basis of the cost of purchase principle. Exceptions are financial assets which are available for sale, which are booked at the current fair value.

Changes to accounting policies

(9) The accounting policies used correspond to those applied in the previous year with the following exceptions. The IVU Group has adopted the new and revised standards which are binding for financial years beginning on or after 1 January 2007 and which are listed below. The adoption of these standards resulted in part in the inclusion of additional details in the Consolidated Notes and otherwise had no effects on the assets, finances and profit situation of the company.

- IFRS 7 — Financial instruments: Disclosures
- Amendment to IAS 1 — Presentation of financial statements
- IFRIC 8 and 11 — Scope of IFRS 2
- IFRIC 9 — Reassessment of embedded derivatives
- IFRIC 10 — Interim financial reporting and impairment

(10) IFRS 7 *Financial instruments: Disclosures*

This standard requires disclosures which will allow the addressees of the financial statement to assess the significance of the financial instruments for the financial situation and the earning power of the company as well as the nature and the extent of risks arising from these financial instruments. The necessary new details are provided throughout the financial statement. The implementation has no effects on the assets, finances and profit situation of the Group. The necessary adaptations were made to comparative information.

(11) IAS 1 *Presentation of financial statements*

This alteration results in new details which allow the addressees of the financial statement to judge the goals, methods, and processes of the Group regarding capital management. This new information will be presented in the Annex under „Goals and Methods of Financial Risk Management.

(12) IFRIC 8 *Scope of IFRS 2*

This Interpretation requires the application of IFRS 2 for all transactions for which it is not possible to identify the specific goods or services received in return. The implementation has no effects on the assets, finances and profit situation of the Group.

(13) IFRIC 11 *Scope of IFRS 2*

According to this Interpretation, if an entity grants its employees rights to equity instruments of the company, the transaction should be accounted for as equity-settled if the company buys the equity instruments from another party or if the shareholders of the entity provide the equity instruments needed. The Interpretation had no effects on the assets, finances and profit situation of the Group.

(14) IFRIC 9 *Reassessment of embedded derivatives*

IFRIC 9 requires a company at the time of conclusion of a contract involving a structured instrument to examine whether this represents an embedded derivative. Reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flow. This Interpretation had no effects on the assets, finances and profit situation of the Group.

(15) IFRIC 10 *Interim financial reporting and impairment*

According to IFRIC 10, an entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This Interpretation had no effects on the assets, finances and profit situation of the Group.

Effects of new standards which are not yet effective for the current period

(16) The IASB and IFRIC have approved the following Standards and Interpretations, which were not yet obligatory for our financial year 2007 and which were not adopted voluntarily in advance:

- Revision of IAS 1 — Presentation of financial statements
- Revision of IAS 23 — Borrowing costs
- IFRS 8 — Operating segments
- IFRIC 12 — Service concession arrangements
- IFRIC 13 — Customer loyalty programmes
- IFRIC 14 — IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRS 8 is to be adopted for reporting periods beginning on or before 1 January 2009. The revision of IAS 1 and the amendments to IAS 23 take effect on 1 January 2009. IFRIC 12 and 14 are effective on 1 January 2008 and IFRIC 13 from 1 July 2008.

(17) The key alteration to IAS 23 is the elimination of the right to choose to register borrowing costs directly as expenses if they are attributable to the acquisition, construction or production of a qualifying asset. A qualified asset is defined in this context as an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The company is considering whether this alteration to the standard could affect the assets and profit situation and the information contained in the Annex, although no significant consequences are expected.

(18) No significant changes to the consolidated financial statements are expected to result from the interpretations of IFRIC, the application of IFRS 8 or the revision of IAS 1.

Application of IFRS in the financial year

(19) The IVU Group has not adopted the IFRS and IFRIC interpretations which were published but were obligatory because it was expected that these Standards und Interpretations were not materially relevant for the business operation of the IVU Group are that no additional information would result in the Consolidated Notes.

Key management judgements

(20) In the application of the accounting policies, the management has made no discretionary decisions which have a significant influence on the figures in the financial statement. The key assumptions relating to the future and other major causes of uncertainties on the balance sheet date according to which an appreciable risk exists that a significant alteration might be necessary to the carrying amounts or debts within the subsequent financial year are explained in the following.

(21) *Software development costs:* The IVU Group recognises software development costs, provided the criteria for intangible assets are fulfilled, and writes off the recognised software development costs over the useful life of the software in a planned manner. The recognised software development costs are tested for impairment on the basis of the future revenue for the software.

(22) *Impairment of non-current assets:* The IVU Group tests assets annually for impairment in accordance with the requirements of IAS 36. The basis for the impairment test is the future excess cash which could be obtained for an individual asset or a group of assets in a cash generating unit. Further details on the impairment test are provided in Annex C.1. The carrying amount of the tested non-current assets as of 31 December 2007 was TEUR 13 054 (previous year: TEUR 13 536).

(23) *Project evaluation:* The IVU Group recognises revenues on the basis of the estimated performance in the projects. Performance is estimated on the basis of an estimated quantity of hours or on the basis of contractually agreed milestones, and regularly updated. Further details on revenues from projects which have been recognised but not yet invoiced are provided in Annex C.5. Recognised revenues for the financial year through to 31 December 2007 amounted to TEUR 1 243 (previous year: TEUR 851).

(24) *Deferred tax assets:* Deferred tax assets are recognised for all unused tax losses carried

forward and for temporary differences to the extent that it is probable that or if there is substantial evidence that the taxable income will be available so that the loss carried forward can indeed be used. The level of the deferred tax asset depends on the estimate by the company management on the basis of the expected time of inflow and the level of the future taxable income and the future tax planning strategy (timing of tax events, allowances for tax risks, etc.). As of 31 December 2007 belief the delimited deferred tax assets on losses carried forward amounted to TEUR 704 (2006: TEUR 718) and the unused tax losses not set against deferred tax asset was TEUR 41 865 (2006: TEUR 43 701). Deferred tax assets arising from differences in the times entries were booked as of 31 December 2007 were TEUR 1 116 (2006: TEUR 1 165); the deferred tax liabilities were TEUR 1 116 (2006: TEUR 1 165). Further details are provided in Annex C. 13.

(25) *Pensions and other performances after termination of the working relationship:* The expenses for defined benefit plans on retirement are established on the basis of actuarial calculations. The actuarial evaluation is based on assumptions regarding the discounting rates, expected age of retirement, future wage and salary developments, the mortality and future increases in pensions. As a result of the long-term nature of these plans, such estimates are subject to considerable uncertainties. The provisions for pensions and similar obligations as of 31 December 2007 amounted to TEUR 2 463 (2006: TEUR 2 316). Further details are provided in Annex C. 9.

Principles of consolidation

a) Subsidiary companies

(26) The financial statement of the Group covers IVU AG and the companies controlled by it. This control is presumed to exist when IVU AG (the parent) owns, directly or indirectly, more than one half of the voting power of an enterprise and can influence the financial and business policies of the enterprise so that IVU AG profits from the activities.

(27) For the accounting of the acquisition of enterprises, the purchase method is used in accordance with IFRS 3. Companies which are purchased or sold in the course of the financial year are included in the consolidated financial statement from the date of purchase, or until the date of sale, respectively.

(28) The excess of the costs of purchase of an enterprise over the acquirer’s interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction is described as goodwill and recognised as an asset. The booked identifiable assets and liabilities are valued at their current value at the date of the exchange.

(29) The following companies are included in the financial statement as fully consolidated subsidiaries (the proportions of the holdings of IVU AG correspond exactly to the existing voting rights.):

	Holding %	Equity* as of 31 Dec. 2007 TEUR	Annual profit* 2007 TEUR
IVU - Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin (IVU GmbH)**	100	480	0**
IVU Traffic Technologies Italia s.r.l., Rome, Italy (IVU Italia)	100	310	5
IVU Traffic Technolgies UK Ltd., Birmingham, Great Britain (IVU UK)	100	171	105
IVU Benelux B.V., Veenendaal, The Netherlands (IVU Benelux)	100	979	23

* Value in accordance with IFRS before consolidation booking
** Values after contractual transfer of profits

(30) In the financial year 2007 there were no significant alterations with regard to the fully consolidated companies.

(31) In the financial year 2006 there were the following changes relating to the fully-consolidated companies:

With effect on 31 December 2006, the company IVU France was deregistered.

b) Consolidation measures and uniform Group measurement

(32) The financial statements of the subsidiaries integrated in the consolidated financial statement are based on uniform accounting standards and reporting periods and balance sheet dates.

(33) Intragroup balances and transaction and resulting intragroup gains and unrecognised gains and losses between consolidated companies and associated enterprises have been eliminated in full. Unrecognised losses were only eliminated to the extent that the transactions gave no substantial indication of an impairment of the transferred asset.

Foreign currency translations

(34) The financial statement of IVU AG is reported in euros, the operating and reporting currency of the Group. Every company within the group determines its own operating currency. The items contained in the financial statement of each company are valued in that operating currency. Foreign currency transactions are initially booked at the spot exchange rate on the day of the transaction between the operational currency and the foreign currency. Monetary assets and debts in a foreign currency are translated into the operational currency using the exchange rate on the balance sheet date. All currency differences are recognised in the financial statements.

The operational currency of IVU UK, Great Britain is the national currency (£ - pound sterling). On the balance sheet date the assets and liabilities of this subsidiary are converted into the reporting currency of IVU AG (euro) at the exchange rate on the balance sheet date (EUR/GBP = 0.737, previous year 0.672). Income and expense items are translated at the weighted average exchange rate for the financial year (EUR/GBP = 0.685). Exchange differences arising from the translation are recognised as separate elements of the equity.

Non-current assets

a) Intangible assets

(35) Intangible assets are measured initially at cost (of purchase or conversion). Intangible assets are recognised if it is probable that the future economic benefit from the asset will flow to the company and the costs of purchase or costs of conversion of the asset can be measured reliably. For the purposes of subsequent evaluation, intangible assets are recognised at their cost of purchase or cost of conversion minus accumulated depreciation and accumulated impairment losses (declared in the depreciations). Intangible assets (with the exception of goodwill) are written off linearly over their estimated useful life. The depreciation periods and depreciation methods are examined at the end of every financial year.

(36) The intangible assets include:

Goodwill

(37) Goodwill from a business combination is initially recognised as the cost of purchase, and is measured as the excess of the cost of acquisition of the business combination over the share of the IVU Group in the fair value of the acquired identifiable assets and liabilities and contingent liabilities. After the first initial evaluation the goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment at least once annually, or if there is any indication or change in circumstances suggesting that the carrying amount could be impaired. For the purposes of testing whether there is impairment, the goodwill acquired with a business combination must be assigned to a cash generating unit. If the recoverable amount of the cash generating unit is less than its carrying amount, then an impairment loss should be recognised. Write-downs are not reversed.

Commercial rights and licences, software

(38) Payments for the acquisition of commercial rights and licences are deducted and then written off linearly over the foreseeable useful life.

(39) The costs of purchase of new software are deducted and treated as intangible assets, to the extent that these costs are not an integral element of the associated hardware. Software is written off linearly over a period of three or five years.

(40) Costs which have been incurred in order to restore or preserve the future economic benefits which the company had originally anticipated are booked as expenses.

Deducted development costs for internally generated software

(41) Research costs are recognised as costs in the period in which they are incurred. An intangible asset which is developed within the framework of an individual project is only recognised when the IVU Group can demonstrate both the technical feasibility of the completion of the intangible asset, so that this is available for internal use or for sale, and also the intention to complete the intangible asset and to use or sell this. Furthermore, the Group must demonstrate the generation of a future economic benefit by the asset, the availability of resources for the completion of the asset, and the ability to determine reliably the expenditures relating to the intangible asset during its development. After recording for the first time the development costs, the costs of purchase model will be applied according to which the asset value will be assessed as costs of purchase minus accumulated depreciation and accumulated impairment losses. The sums recognised in previous years are written off over the period during which the sales revenues from the project in question are expected (linear depreciation over a period of 3 to 5 years). The recognised development cost is examined once annually for impairment if the asset is not yet being used, or whenever there are signs within the year that there has been impairment.

(42) The recognised costs for the internally created software products include only direct individual costs.

b) Fixed assets

(43) Fixed assets are recognised at their cost of purchase minus the accumulated depreciation and accumulated impairment losses. If fixed asset items are sold or disposed of, the corresponding costs of purchase and the accumulated depreciations are derecognised; a recognised gain or loss from the disposal is booked in the income statement.

(44) The cost of purchase or conversion of a fixed asset consists of the purchase price including import duties and other associated non-recoverable taxes as well as all other costs directly attributable to bringing the asset to its present place and operating condition. Subsequent costs such as maintenance and servicing costs which are incurred after the asset has been included in the inventory of the company are recognised as expenses in the period in which they are incurred. If it is probable that expenditure will result in future economic benefits flowing to the company in excess of the originally assessed standard of performance of the existing asset, such subsequent expenditure is recognised as additional costs of the asset.

(45) Depreciation is calculated linearly over the estimated useful life assuming a residual carrying amount of EUR 0. If an asset consists of several components which have useful lives of different lengths, then depreciation charges will be made separately for these components over their useful lives. For the various asset groups, the following estimates of the useful life are assumed:

(46)

Hardware:	3 years
Installations in rented property:	The residual duration of the tenancy agreement
Other office equipment:	3 - 15 years

(47) The useful life and the depreciation methods for fixed assets are examined periodically in order to ensure that the depreciation methods and the depreciation periods are in agreement with the expected useful life of the fixed asset items.

c) Impairment of non-current assets

(48) Non-current assets are examined for impairment if events or changes in circumstances indicate that the carrying amount of an asset could not be recovered. For the impairment testing, as a first step the *recoverable amount* should be determined for the individual asset item/the cash generating unit. This is defined as the greater of the two totals from fair value minus the costs to sell and from the value in use. The fair value minus the costs to sell is defined as the price which could be obtained in a sale at arm's-length of the asset or the cash generating unit between two knowledgeable and willing parties minus the costs of the sale itself. The value in use of an asset or a cash generating unit is determined by the cash value within the framework of the current use on the basis of the expected cash flow. In the financial years 2007 and 2006 no impairments of non-current assets were registered.

d) Financial assets

(49) Financial assets are classed in the following categories:

- Loans and claims outstanding,
- Financial instruments held to maturity ,
- Financial assets held for trading purposes
  (financial assets at fair value through profit or loss), and
- Financial assets available for sale.

The IVU Group as of 31 December 2007 and also as of 31 December 2006 only held loans and claims outstanding, financial assets held for trading purposes, and financial assets available for sale.

(50) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at initial recognition using the effective interest method. Profits and losses are recognised in the period results if the loans and receivable or written off or written down as well as within the framework of amortisation.

(51) Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified in one of the other three categories. After the first recognition, financial assets available for sale are evaluated at the fair value, and gain or loss are recognised in a separate position of the equity. At the time when the fi-

nancial investment is derecognised or when an impairment of the financial investment is determined, the previously accumulated gain or loss recognised in the equity will be recognised in the income statement. The fair value of financial investments which are traded on organised markets is determined on the basis of the bid price noted at the stock exchange on the date of the balance sheet. Market values were available for the financial assets held for sale by the IVU Group on 31 December 2007 and 31 December 2006.

(52) Financial assets are examined on every balance sheet date for impairment. If it is probable that if financial assets are carried forward at their cost of acquisition the company will not be able to bring in all contractually due sums from loans, liabilities or financial instruments to be held until maturity then an impairment loss will be recognised. The impairment loss is defined as the difference between the carrying amount of the financial asset and the cash value of the future cash flow evaluated using the effective interest method. The carrying value of the asset is reduced using an absorption account. The impairment loss is recognised in the income statement. A previously recognised reduction of value is corrected in the income statement if the subsequent partial recovery of value can be objectively attributed to an event arising after the original impairment. An increase in value is however only recognised to an extent which does not exceed the cost which would have been carried forward had the impairment not taken place. A financial asset is written off if this is classified as being irrecoverable.

(53) The IVU Group reached an interest swap agreement dated 13 July 2005 with Deutsche Bank AG to secure the interest risks arising from two new loans taken out with Deutsche Bank AG and DKB Deutsche Kreditbank AG in the financial year 2005 within the context of refinancing. This agreement had the following parameters :

Amount received:	EUR 3 835 000
Starting date:	15 July 2005
End date:	30 June 2009
Payment dates:	yearly on 30 March, 30 June, 30 September, and 30 December; from September 2005 to June 2009

The amount received will be reduced in analogy to the agreed regular servicing of the above-mentioned loans. IVU AG is payer of the fixed-rate sum with an interest rate of 2.69 %, whereas Deutsche Bank acts as payer of the variable sums on the basis of the 3-month EURIBOR.

The conditions for the use of hedge accounting had not arisen by the date on the balance sheet, so that the fair value of the interest swap was recognised as of 31 December 2007 at TEUR 31 (2006: TEUR 54) under the financial instruments held for trading purposes. The evaluation was based on a generally accepted evaluation model (Black Scholes).

(54) The carrying amount of the financial assets and liabilities correspond essentially as in the previous year to the fair value.

Goals and Methods of Financial Risk Management

(55) The key financial instruments of the company in addition to receivables from deliveries and performances consist of liquid funds and bank liabilities. The purpose of the financial instruments is to finance the operative business. The key risks have the form of credit risk and liquidity risks. Exchange rate risks only have a minor significance because of the subordinate role of foreign currency assets and liabilities. Current value risks arise solely in connection with financial assets held for sale and also have a minor significance.

a) Credit and liquidity risks

(56) Credit risks, or the risks that a contractual partner will not meet obligations to pay, are controlled by means of the use of lines of credit and control measures. Where it seems appropriate, the company seeks securities. The IVU Group does not experience a considerable concentration of credit risks with one single contractual partner or a group of contract partners with similar characteristics. The maximum credit risk is at the level of the recognised carrying amounts of the financial assets.

(57) Liquidity risks arise from the fact that the customer may not be in a position to fulfil their obligations towards the company within the agreed framework conditions.

(58) In general, the IVU Group endeavours to have available sufficient means of payment and equivalents, or corresponding lines of credit in order to be able to fulfil its own future obligations.

(59) As of 31 December 2007 financial liabilities were due as follows:

	Due now TEUR	Due within 1 year TEUR	Due after more than 1 year TEUR	Total TEUR
Liabilities from deliveries and performances	350	1 762	0	2 112
Other liabilities	0	4 899	355	5 254
Financial liabilities	0	3 310	635	3 945
	350	9 971	990	11 311

(60) As of 31 December 2006 financial liabilities were due as follows: :

	Due now	Due within 1 year	Due after more than 1 year	Total
	TEUR	TEUR	TEUR	TEUR
Liabilities from deliveries and performances	440	1.387	0	1.827
Other liabilities	0	4.335	180	4.515
Financial liabilities	0	3.578	1.835	5.413
	440	9.300	2.015	11.755

Current assets

a) Inventories

(61) Inventories are measured at the lower of cost or net realisable value. (The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.)

b) Liquid assets

(62) Liquid assets consist of cash assets, fixed-term deposits and sight deposits. The means of payment equivalents are short-term, liquid financial investments of three months or less, which are only subject to negligible value fluctuation risks.

Equity

(63) The equity consists of the subscribed capital, the capital reserves, the collected results, and the reserves for currency translations.

(64) Capital reserves are made up of the premium payments made in the course of the flotation of IVU AG less the stock exchange admission fees and the value of non-cash shares in *IVU – Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH,* Berlin (TEUR 10 363), which were also introduced.

(65) In the reserves for currency translations, the unrealised gains and losses from currency translations are recognised. The reserves for currency translations developed as follows in the financial year, taking taxation effects into account:

	31.12.2007 TEUR	Changes 2007 TEUR	31.12.2006 TEUR
Currency translation	113	6	107

Pension provisions

(66) The IVU Group has three defined benefit pension plans. The net pension obligations (pension obligations minus plan assets) are evaluated annually by certified, independent actuaries. The expenses for the provisions under each plan are determined using the projected unit credit method. Actuarial gains and losses are recognised as expenses or revenues if the balance of the accumulated, non-recognised actuarial gains and losses for each individual plan at the end of the previous financial year had exceeded 10 % of the benefit-oriented obligations at this point in time. The actuarial gains or losses are distributed over time on the basis of the anticipated average length of future service of the co-worker. The past service cost is distributed linearly over the average period until the benefit rights become vested.

Current liabilities

a) Other provisions

(67) A provision (reserve) is only recognised if the company has a present (legal or constructive) obligation as a result of past events which make it probable that the fulfilment of the obligation will lead to an outflow of resources embodying economic benefits, and when a reliable estimate can be made of the amount of the obligation. Provisions are examined (annually) on the balance sheet date and adapted to the current best estimate. If the corresponding interest effect is significant, the provision sum corresponds to the cash value of the expenditures probably required to fulfil the obligation. In the event of discounting, the increase in the provision reflecting the time schedule is recognised as borrowing costs.

b) Financial liabilities

(68) Financial liabilities are categorised as follows:

- Financial liabilities held for trading
- Other financial liabilities.

The financial liabilities recognised in the financial statement of the IVU Group were classified as other financial liabilities.

(69) A financial liability is initially recognised at the cost of purchase, which corresponds to the current value of counter-performance; transaction costs are included. Financial liabilities from usual sales and purchases are recognised as of the day of trading.

(70) Financial liabilities are no longer recognised when the obligations specified in the contract have been settled, set aside, or have expired.

Contingent liabilities and assets

(71) Contingent liabilities are not itemised in the financial statement. They are included in the Annex, except if the possibility of an outflow of resources of economic benefit is very unlikely.

(72) Contingent assets are not itemised in the financial statement. However, they will be included in the Annex if the inflow of economic benefit is probable.

Government grants

(73) Government grants are recognised only when there is reasonable assurance that the company will comply with the conditions attached to them. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Grants received for the acquisition of property, plant, and equipment are recognised as accrued revenues in the form of a deferred income. The income realised in connection with the grant is recognised as other operating income in the income statement.

(74) The grants received by the company from various bodies as investment supplements are contingent on future conditions being met. The investment subsidies received from the Financial Office are linked to a guarantee that the subsidised economic goods in question will remain in place. On the basis of its planning, the IVU Group presumes that these conditions will be met in full.

(75) In 2007 IVU AG received government grants within the framework of various projects of the German federal government for the further development of software applications amounting to TEUR 561 and recognised these as revenues (previous year: TEUR 279). These sums are recognised under other revenues.

Borrowing costs

(76) Borrowing costs are recognised as an expense in the period in which they are incurred.

Research and development costs

(77) Research and development costs in the financial year 2007 amounted to TEUR 1 154 (2006: TEUR 516).

Leasing

(78) Whether an agreement constitutes or contains a lease is determined on the basis of the substance of the contract and involves estimating whether the completion of the contractual agreement is dependent on the use of an asset or assets and whether the agreement conveys the right to use the asset.

(79) A lease is classified as an operating lease for which basically all risks and opportunities associated with the property remain with the lessor. Leasing payments within an operating lease agreement are recognised as expenses linearly over the duration of the lease agreement.

(80) The IVU Group has primarily entered into leasing agreements for motor vehicles. The leasing duration of these operating lease agreements is as a rule three to four years.

(81) In 2007 investments amounting to TEUR 224 were made within the framework of hire-purchase agreements. These related primarily to hardware (work stations, servers and infrastructure). The leasing duration of the finance leasing agreements is four years.

Conclusion of sales and realisation of revenues

(82) The IVU Group generates most of its sales from project business. It enters into contracts with its customers on the development / production of software and its adaptation. Revenues are also generated by the sale of hardware and services, e.g. installation, consultancy, training, maintenance, and the sale of licences.

a) Project business

(83) For long-term project contracts which fulfil the preconditions for the application of the percentage of completion method, the revenues from the development and marketing of software products are determined and recognised in accordance with their percentage of completion, which is calculated on the basis of the ratio of the costs incurred to the overall planned costs. Payments received from the customer are booked neutrally against the corresponding receivables. Alterations in the project conditions can lead to adaptations of the originally recognised costs and sales for individual projects. The changes are recognised in the period in which these changes are established, which is the case when follow-up agreements are reached between the company and its customer. In addition, reserves for potential losses from pending deals are formed in the period in which these losses are determined, and booked against the receivables from the project.

b) Sales of licences

(84) The IVU Group recognises its revenues on the basis of a corresponding contract as soon as a licence has been delivered, the sale price is agreed or can be determined, and no significant obligations exist towards the customer, and it is viewed as probable that the sum in question will be received.

c) Maintenance, consultancy, and training

(85) Revenues from maintenance contracts are recognised linearly on the basis of past experience over the contract period. Revenues from consultancy and training are recognised as soon as the service has been provided.

d) Delivery of hardware

(86) Revenue from the sale of goods (project-related hardware deliveries) is recognised as soon as the delivery has been made and the risks and opportunities have been transferred to the purchaser.

e) Multi-component contracts

(87) If a contract consists of various partial performances, the revenue from this contract is recognised on the basis of IAS 18. To the extent that these have differing risk structures, the individual components of the contract are examined for completion of the relevant criteria in each case for recognition of the revenue. To the extent that the fair value of each component of the contract can be determined, the revenue is recognised on delivery of each relevant component.

f) Recognition of interest revenues

(88) Interest is recognised time proportionally, taking into account the effective rate of interest for the asset.

Income taxes

(89) The current tax assets and tax liabilities for the current and prior periods should be recognised in the level of the refund expected from or the payment due to the tax authority. The calculation of the sum is based on the taxation tariffs and law valid on the balance sheet date or soon to become valid.

(90) The deferred taxes are recognised using the liability method through to the balance sheet date for all deductible temporary differences between the carrying amount of an asset or liability in the balance sheet and the tax base. Deferred tax liabilities are recognised for all taxable temporary differences, but with the following exceptions:

- The deferred tax liability arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither the accounting profit nor the taxable profit shall not be recognised.

- The deferred tax liability from deductible temporary differences which are related to holdings in subsidiaries, associated companies, and interests in joint ventures may not be recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(91) Deferred tax assets are to be recognised for all deductible temporary differences, tax losses that can be carried forward, or unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, tax losses that can be carried forward, or unused tax credits can be utilised. There are the following exceptions:

- Deferred tax assets from deductible temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither the accounting profit nor taxable profit or loss shall not be recognised.

- Deferred tax assets from deductible temporary differences which are associated with investments in subsidiaries, associated companies, and interests in joint ventures shall only be recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of the deferred tax assets is reassessed on the balance sheet date and written off to the extent that it is no longer probable that sufficient taxable income will be available against which the deferred tax asset can be at least partially recovered. Non-recognised deferred tax assets are checked on the balance sheet date and recognised to the extent that it has become probable that a future taxable event will allow the recovery of the deferred tax asset.

(92) Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Income taxes that apply to the items that are directly recognised in equity are recognised as such and not in the income statement.

(93) Deferred tax assets and liabilities are offset if the enterprise has a legally enforceable right to set off the current tax assets and current liabilities and these relate to income tax for the same taxable entity levied by the same taxation authority.

(94) *Value-added tax*

Sales revenues, expenses and assets are recognised net of value-added tax, with the following exceptions:

- If the value-added tax incurred during the purchase of an asset or service cannot be claimed from the tax authorities, then the value-added tax is recognised as part of the cost of production of the asset or as part of the expenses.

- Receivables and debts are recognised together with the sum of value-added tax contained.

The value-added tax which is refunded by the tax authorities or which is paid to this is included in the consolidated financial statement under receivables or debts, respectively.

Segment reporting

a) Operational segments

(95) For operational purposes the IVU Group has been organised since January 2006 in two main segments:

- Public Transport
- Logistics

(96) These segments form the basis on which the IVU Group presents its segment information. The financial information about the organisational segments and geographical segments are presented in Annex F and in a special Annex to these Notes.

b) Transactions between the operational segments

(97) Segment revenue and costs and the segment results contain only negligible transfers between operational segments. Such transfers are recognised at market prices as charged to non-associated customers for similar services. These transfers are eliminated by the consolidation

C. Details concerning the consolidated financial statement

<u>Non-current assets</u>

1 Intangible assets and fixed assets

(98) Concerning the development of the non-current assets in the financial year ending 31 December 2007, reference is made to the attached Annex to these Notes on the Development of intangible assets and fixed assets (plant, property and equipment).

(99) The IVU Group carried out impairment tests on 31 December 2007 and 31 December 2006 for non-current assets. The impairment test based on the following cash generating units and their carrying amounts for the goodwill:

Cash generating unit	31.12.2006 TEUR	31.12.2007 TEUR
Public Transport	8 980	8 980
Logistics	2 369	2 369
	11 349	11 349

The impairment test was based on the cash flow plans for the individual cash generating units over a period of five years. Beyond the planning horizon further cash flows were included on the assumption of declining growth. The recognised cash flows were derived from past information and contracted orders for the financial year 2007. The assumptions made by the management about the business development trends in the software sector correspond to the expectation of experts and market observers. The software sector is expected to experience a moderate growth rate. In order to achieve long-term growth further new investments are necessary. A discounting rate of 6.3 % was used. Before bringing together the segments, an impairment test was carried out for the individual segments which showed no impairment loss for the segments Public Transport, Transport Logistics, and Information Logistics.

(100) IVU AG entered into finance leasing contracts for hardware and software in the financial year under review with a volume TEUR 224 (2006: TEUR 89). The contracts have a duration of four years. The present value of the leasing liabilities at the date of the balance sheet was TEUR 172 (2006: TEUR 84).

2 Financial instruments held for trading

(101) In the financial year, the interest swap is recognised with a market value of TEUR 31 (2006: TEUR 54) under “Financial instruments held for trading”

<u>Current assets</u>

3 Inventories

	2007 TEUR	2006 TEUR
Goods (valued at cost of purchase)	979	668
Down-payments	96	50
	1 075	718

(102) In the financial year there were no impairments of inventories..

4 Receivables from deliveries and performances, net

	2007 TEUR	2006 TEUR
Receivables from deliveries and performances, gross	12 013	12 374
Individual value adjustments	-348	-393
	11 665	11 981

(103) Receivables from deliveries and performances are not interest-bearing and are due within 0 – 90 days. The individual value adjustments have developed as follows:

	2007 TEUR	2006 TEUR
As of 1 January	393	116
Allocation recognised as an expense	148	277
Availment	0	0
Dissolution recognised as earnings	-193	0
As of 31 December	348	393

(104) As of 31 December the age structure of the receivables from deliveries and performances was as follows:

	2007 TEUR	2006 TEUR
Neither overdue nor impaired	7 956	9 062
Overdue, not impaired		
< 30 days	1 517	1 374
31 – 60 days	1 285	954
61 – 90 days	481	199
> 90 days	426	392
	3 709	2 919
As of 31 December	11 665	11 981

5 Current receivables from construction orders

(105) Receivables in accordance with the percentage-of-completion method accrue when sales revenue is recognised but this could not yet be invoiced due to the conditions of the contract. These sums are measured on the basis of various performance criteria, e.g. reaching a specific milestone, and the ratio of the incurred costs to the overall planned costs (cost-to-cost method). Directly attributable individual costs are included (personnel costs and third-party performances) as well as overheads to an appropriate extent.

(106) Receivables measured in accordance with the Percentage of Completion method consist of:

	2007 TEUR	2006 TEUR
Costs arising	5.661	2.517
Profit share	1.243	851
Contract revenue	6 904	3 368
Advances received	-2 560	-839
Receivables from non-current construction contracts	4 904	3 004
Liabilities from non-current construction contracts	560	475

In the liabilities from non-current construction contracts, received payments are recognised which exceed the corresponding receivables from non-current contract work.

6 Other current assets

	2007 TEUR	2006 TEUR
Overnight money to secure sureties	786	1.152
Value-added tax on payments received	393	208
Receivables from government grants and allowances	145	76
Receivables from tax credits (VAT)	32	100
Others	398	198
	1 754	1 734

(107) The overnight money is deposited to secure a guarantee and is not freely available.

7 Liquid funds

	2007 TEUR	2006 TEUR
Deposits at financial institutions	832	939
Cash in hand	4	4
	836	943

8 Equity

(108) With regard to the development of the equity situation, attention is drawn to the details relating to the changes in Group equity.

a) Authorised and conditional capital

(109) The fully paid-in share capital entered in the Commercial Register amounted on the balance sheet date to EUR 17 669 160 (2006: EUR 17 669 160). The share capital is divided into a total of 17 669 160 no-par shares (2006: 17 669 160).

(110) In the financial year 2006, the board member Dr. Gero Scholz had exercised the right to subscribe to shares accorded under Section 4.5 of the statutes of up to EUR 150 000 (conditional capital, see also below c)) for an amount of EUR 50 000. This sum was paid into a bank account of IVU AG on 23 November 2006. The increase in capital was entered in the Commercial Register on 31 January 2007.

(111) At the General Meeting of IVU AG on 18 June 2002 the Management Board was empowered to increase the share capital with the approval of the Supervisory Board by 18 June 2007 once or several times by up to a total of EUR 3 000 000 by issuing up to 3 million new individual bearer shares against cash or deposits in kind, and to determine the conditions of the issue of shares and to exclude the subscription rights of the shareholders. The change in the company statutes was entered in the Commercial Register on 30 September 2002. The entry of the authorised capital in the Commercial Register followed on 8 October 2002. After the increase of capital in February 2003 and July 2005 the authorised capital on 31 December 2006 was EUR 960.000,00 and as of 31 December 2007 was EUR 0.

b) Increase in equity

(112) By a decision of the Management Board on 24 June 2005 and with the approval of the Supervisory Board, IVU AG increased its equity capital from the authorised capital. The share capital was increased by EUR 1 500 000 by issuing 1 500 000 individual bearer shares at an issue price of EUR 1.00 per share against cash contributions. The increase in capital was entered in the Commercial Register on 22 July 2005.

c) Conditional capital

(113) The share capital of the company was increased conditionally by a decision of the General Meeting on 2 June 2004 by up to € 150 000 by the issue of up to 150 000 registered shares (conditional capital 2004/I). The new shares take part in the profits of the company from the beginning of the financial year in which they are issued. The Supervisory Board is empowered until 30 April 2009 to issue up to 150 000 subscription rights for shares, valid for up to five years. The subscription rights are exclusively awarded to the member of the management board of the company, Dr. Gero Scholz. After exercising the subscription rights in the financial year 2006 (entry in the Commercial Register on 31 January 2007), the conditional capital amounts to T€ 100.

The authorised and conditional capital is as follows:

	2007 TEUR	2006 TEUR
Authorised capital (GK)		
- GK 2002/I (until 18 June 2007)	0	960
Conditional capital (BK)		
- BK 2004/I (until 30 April 2009)	100	150
	100	1 110

<u>Non-current liabilities</u>

9 Pension provisions

(114) Pension provisions are formed to meet obligations (retirement and invalidity pensions), and surviving dependent undertaking (widows and orphans) from accrued benefits and current services to active and former co-workers of the IVU Group or their surviving dependents.

(115) The level of the pension obligations (cash value of the accrued benefits) was calculated using actuarial methods on the basis of the following assumptions:

	2007 %	2006 %
Discounting rate factor	5.50	4.25
Income trend	0.00 - 2.50	0.00 - 2.50
Pensions trend	2.00	2.00
Fluctuation	0.00	0.00

(116) The income trend includes expected future income increases, which are estimated annually taking into account inflation and the length of service in the company, among other things.

(117) The net pension expenses are as follows:

	2007 TEUR	2006 TEUR
Service cost	29	29
Interest costs	180	171
Anticipated income from plan assets	-53	-50
Recognised actuarial losses / gains	21	48
Period expenses	177	198

(118) The following overview shows the pension liability:

	2007 TEUR	2006 TEUR
Pension obligations	3 664	4 261
Fair value of plan assets	-1 365	-1 332
Unrecognised actuarial losses	164	-613
Pension liability	2 463	2 316

(119) The following overview shows the development of the pension obligation:

	2007 TEUR	2006 TEUR
Cash value of the pension obligation, start of period	4 261	4 269
Service cost	29	29
Interest costs	180	171
Pension payments	-51	-19
Unrecognised actuarial gains / losses	-755	-189
Pension obligation, end of period	3 664	4 261

(120) The following overview shows the development of the plan assets:

	2007 TEUR	2006 TEUR
Fair value of plan assets, start of period	1 332	1 254
Expected income from plan assets	53	50
Payments into the plan assets	0	17
Payments out of the plan assets	-21	
Unrecognised actuarial gains / losses	1	11
Plan assets, end of period	1 365	1 332

(121) The actuarial revenues result from the increase in the rate of discounting.

(122) The following table shows the alterations of the cash value of the pensions obligations, the fair value of the plan assets, and the revenue from the plan assets for the financial years 2002 to 2005:

	Cash value of the pension obligations TEUR	Fair value of the plan assets TEUR	Revenue from the plan assets TEUR
2002	2 733	931	49
2003	2 934	1 129	47
2004	3 299	1 188	45
2005	4 269	1 254	47

(123) The anticipated revenues from the plan assets base on the expected return of 4%. In the next twelve months it is not expected that payments will be made to the plan.

(124) The adaptation of the plan liabilities on the basis of experience for the report period amounts to TEUR 31.

(125) The anticipated payment structure for the years 2008 to 2012 is as follows:

	TEUR
Pension payments made	
2006	19
2007	51
Anticipated pension payments	
2008	59
2009	64
2010	155
2011	179
2012	227

(126) Defined contribution obligations exist only for the obligatory contributions of IVU AG to the state pension scheme. The employer’s contributions in the financial year totalled TEUR 1 071 (2006: TEUR 1.045).

10 Non-current loans

(127) The loans from Deutsche Bank AG and DKB Deutsche Kreditbank AG, in each case amounting to EUR 1 917 500 reach maturity on 30 June 2009. The interest rate is variable and is oriented on the 3-month EURIBOR of the interest period in question. The following arrangements were agreed for the repayment:

2007: four instalments, each of TEUR 150 at the end of the quarter
2008: four instalments, each of TEUR 150 at the end of the quarter
2009: two instalments, namely TEUR 150 on 30 March and TEUR 167.5 on 30 June.
.
Additional special repayments are also possible at any time.

(128) On the balance sheet date, the loan obligations of the of IVU AG were as follows:

	Drawn on TEUR	Line of credit TEUR
Loan, Deutsche Bank AG	418	1 918
Loan, DKB Deutsche Kreditbank AG	917	1 918
Current account credit Deutsche Bank AG	1 159	1 500
Current account credit DKB Deutsche Kreditbank AG	1 451	1 500
	3 945	6 836
Of which current	3 310	
Non-current loans	635	

(129) The loans from the Deutsche Bank AG and the DKB Deutsche Kreditbank AG are secured by a guarantee from the üstra Hannoversche Verkehrsbetriebe AG amounting to TEUR 3 835, and by the blanket assignment of receivables from goods deliveries and performances.

Current liabilities

11 Financial liabilities

(130) As of 31 December 2007 and 2006, the current loans and current shares of non-current loans consisted of current account credits, lines of credit, and loans. Revocable lines of credit with Deutsche Bank AG and DKB Deutsche Kreditbank AG, each of TEUR 1 500 are secured by the blanket assignment of receivables from goods deliveries and performances and from the issuing of licenses.

(131) *Land* Berlin approved a Federal State guarantee amounting to 70 % of the deficiency of loan repayments for the total of TEUR 2 250. The guarantee by the Federal State represents “de minimis” aid in accordance with the Competition Rules of the European Union, with a subsidy value of TEUR 10 500. In addition, active and former members of the Management Board and Supervisory Board have pledged bank credits amounting to TEUR 300 as security for the lines of credit.

(132) The expenses for interest in the financial year 2007 amounted to TEUR 376 (2006: TEUR 468).

12 Provisions

(133) The provisions have developed as follows:

	As of 1.1. 2007 TEUR	Consumed TEUR	Dissolved TEUR	Added TEUR	As of 31.12. 2007 TEUR
Performances outstanding	486	306	94	150	236
Other provisions	74	3	71	0	0
	560	309	165	150	236
of which current	560				236

(134) The provisions for performances outstanding relate to work still required on projects which have already been concluded. The provisions do not contain any interest.

13 Other current liabilities

	2007 TEUR	2006 TEUR
Personnel-related liabilities	2 097	1 647
Liabilities from taxes (VAT, tax on salaries and wages)	1 203	1 078
Liabilities from outstanding invoices	776	507
Liabilities relating to social security	97	46
Others	726	1 057
	4 899	4 335

(135) The personnel-related liabilities consist mainly of outstanding holiday, overtime, and special payments.

14 Deferred taxes/Income taxes

(136) The German trade income tax is levied on the taxable trade income. The effective rate of trade income tax depends on the locality from which the IVU Group is operating. The average rate of trade income tax for 2007 and 2006 was approx. 16.5 %. The trade income tax can be set off against the corporation income tax for the period under review. The rate of corporation income tax is 25 %. An additional solidarity charge of 5.5 % is levied on the corporation income tax paid.

(137) For future years the trade income tax rate will be reduced to 15 %. But at the same time this may no longer be classed as an operating expense. Furthermore, the trade tax index has been reduced by the legislators. This means that as of 31 December 2007 the effective rate of taxation for deferred tax balances will therefore be 30.79 %.

(138) The income tax expenses for the financial year were as follows:

	2007 TEUR	2006 TEUR
Current tax expense - adjusted*), **)		
• Financial year	65	127
Deferred tax income/-expense		
• Change to the tax losses carried forward	14	-45
• Tax-deductible goodwill depreciation	79	187
• Changes to non-current order construction	66	73
• Changes to flat-rate value adjustment	-12	6
• Depreciation of internally generated software	-171	-188
• Changes to pension provisions	74	-32
• Changes to other assets	-11	12
• Changes to other provisions	-39	-9
• Changes to other liabilities	0	-4
	0	0
Expense from income taxes - adjusted*), **)	65	127

The deferred tax expenses due to changes in the tax rates contained in the positions above amounts to TEUR 146.

(139) A reconciliation of the tax expenses / income is provided by the following overview:

	2007 TEUR	2006 TEUR
Earnings before taxes	1.926	1.676
Theoretical income tax expense (39 %)	751	654
Different tax treatment of specific expenses	28	16
Use of tax loss carried forward	-546	-522
Additional activation of tax German losses carried forward	-156	0
Others	-12	-21
Current tax expense - adjusted*), **)	65	127

*) The tax expense in 2006 given in Position 11 of the consolidated income statement contains the amount of TEUR 106 not attributable to the period (envisaged tax charges on the basis of financial audits for previous years) .

**) The tax expense in 2007 given in Position 11 of the consolidated income statement contains the amount of TEUR 26 not attributable to the period (envisaged tax charges on the basis of financial audits for previous years) .

(140) The deferred taxes recognised in the IVU Group financial statement are made up of the following:

	2007 TEUR	Change TEUR	2006 TEUR
Deferred tax assets			
• Tax loss carried forward	704	-14	718
• Pension provisions	331	-74	405
• Other provisions	81	39	42
	1.116	-49	1.165
Deferred tax liabilities			
• Receivables from non-current construction contracts	-487	-66	-411
• Recognition of internally generated software	-176	171	-347
• Tax-deductible goodwill depreciation	-443	-79	-374
• Changes to flat-rate value adjustments	0	12	-12
• Other assets	-10	11	-21
• Other liabilities	0	0	0
	-1.116	49	-1.165
Deferred tax liabilities, net	0	0	0
- of which affecting the income situation	0		0
- of which equity changes	0		0
Summary			
• Deferred tax assets	1 116		1 165
• Deferred tax liabilities	-1 116		-1 165

(141) The IVU Group carries the following tax losses forward:

	2007 TEUR	2006 TEUR
Loss carried forward – domestic trade tax	40 342	41 432
Loss carried forward – domestic corporation income tax	44 152	45 181

Foreign losses carried forward amount to TEUR 233 (2006: TEUR 361). The domestic losses carried forward do not lapse.

D. Notes on the Group income statement

(142) The income statement is drawn up using the expense method.

15 Sales earnings

	2007 TEUR	2006 TEUR
Deliveries/Services/Works contracts	19 .938	18 210
Licenses	5 659	6 482
Maintenance	5 827	5 369
	31 424	30 061

16 Other operational earnings

	2007 TEUR	2006 TEUR
Government grants	561	279
Release of provisions	99	0
Release of the special provision for investment subsidies	32	43
Rent receipts	27	36
Other	307	374
	1 026	732

17 Material expenses

	2007 TEUR	2006 TEUR
Expenses for third-party performances	2 120	2 633
Expenses for goods purchased	5 575	3 536
	7 695	6 169

18 Personnel expenditure

	2007 TEUR	2006 TEUR
Wages and salaries	14 007	13 270
Social security payments and expenses for pensions and support	2 471	2.599
	16 478	15 869

19 Depreciation of non-current assets

	2007 TEUR	2006 TEUR
- on intangible assets and plant, property, and equipment	611	744
- of recognised development costs	359	538
Depreciation of fixed assets	970	1 282

20 Other operational expenses

	2007 TEUR	2006 TEUR
Marketing	1 683	1 673
Operational costs	1 441	1 478
Administration	781	966
Others	1 118	1 262
	5 023	5 379

21 Earnings per share

(143) In accordance with IAS 33, the undiluted earnings per share were determined by dividing the Group earnings by the weighted number of shares.

	2007	2006
Period result (TEUR)	1 887	1 443
No. of ordinary shares as of 1 January	17 669	17 669
Share capital increase (entry dated 31 January 2007)	50	0
No. of ordinary shares as of 31 December	17 719	17 669
No. of weighted shares (x 1000)	17 719	17 669
Undiluted earnings per share (euro/share)	0.11	0.08

(144) To calculate the undiluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all potentially dilutive ordinary shares, originating through the exercise of stock rights. For this purpose the number of ordinary shares to be taken into account corresponds to the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would have been issued assuming the conversion of all potentially dilutive ordinary shares into ordinary shares. The conversion of share options into ordinary shares is valid on the day of issue. As of 31 December 2007 and 2006 there were no dilutive effects from issued share options.

E. Notes on the Group cash flow statement

The recognised liquidity is not subject to any limiting control by third-parties. Interest payments and income tax payments are recognised, and no dividend was paid. The composition of the cash funds are shown in C.7.

The repayment of financial liabilities contains the payments made to pay back loans.

F. Note on segment reporting

(145) The IVU Group uses segment reporting in accordance with IAS 14. This standard contains requirements about the reporting of information about industry segments and geographical segments. The IVU Group is organised in two operative segments - Public Transport, and Logistics.

(146) The segment reporting is attached as an annex to these Notes. .

Public Transport

(147) This segment develops software solutions for customers from transport utilities and companies, and the associations, and local or regional authorities who order their services, with the goal of optimising the planning and operation of transport services. In the financial year there were no transactions in which an individual customer reached a volume of more than 10 % of the overall sales.

Logistics

(148) For the market segment waste service logistics, building materials and rentals, software products are employed to provide integrated presentations of business processes and to optimise transport procedures. For our customer groups Deutsche Post, Deutsche Telekom, and Viag Interkom, internet-based products are developed on the Xi-platform. In the financial year there were no transactions in which an individual customer reached a volume of more than 10 % of the overall sales.

Reconciliation of segment assets and liabilities

(149) The segment assets or the segment liabilities are reconciled as follows with the gross assets or gross liabilities:

	2007 TEUR	2006 TEUR
Gross assets according to the balance sheet	34 435	33 135
- Deducted deferred taxes	-1 116	-1 165
Segment assets	33 319	31 970

	2007 TEUR	2006 TEUR
Gross liabilities according to the balance sheet	16 267	16 910
- Tax provisions	-523	-549
- Non-deducted deferred taxes	-1 116	-1 165
Segment liabilities	14 628	15 196

G. Other details

Other financial obligations and contingent liabilities

Rental and leasing contracts

(150) Within the framework of operating-leasing contracts, office equipment and other equipment was leased. Leasing and maintenance costs in 2007 amounted to TEUR 190 (2006: TEUR 163).

(151) Within the framework of finance leasing agreements, leasing fees in 2007 amounted to TEUR 16 (2006: TEUR 5) for software, TEUR 101 (2006: TEUR 28) for hardware, and TEUR 5 (2006: TEUR 5) for office equipment.

(152) On the balance sheet date, there were the following present values and residual periods for the liabilities for finance leasing arrangements:

Residual period	up to 1 year TEUR	1 to 5 years TEUR	Total TEUR
Liabilities	145	274	419
Interest portion	26	21	47
Present value	119	253	372

(153) The following payments result from rental and leasing contracts:

	Rent payments TEUR	Leasing payments TEUR	Total TEUR
2008	976	321	1 297
2009	961	290	1 251
2010	976	235	1 211
2011	643	59	702
2012 and later	1 771	122	1 893
Total	5 327	1 027	6 354

Guarantees of bills of exchange

(154) Various financial institutions had taken on guarantees of bills of exchange amounting to TEUR 1.189 (2006: TEUR 1 152) for IVU AG at the balance sheet date.

Personnel

(155) The average number of personnel in the IVU Group in the financial year was 292 (2006: 286 personnel). The distribution of personnel in terms of function was as follows:

	2007	2006
Production / Software development	86	85
Administration	27	28
Project work / Sales	179	173
Total	292	286

Auditing fees

(156) The fees of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft for the auditing of the IVU AG, the IVU consolidated financial statement for the financial year 2007 amount to TEUR 104. In addition, tax consultancy services were provided by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft in 2007 amount to TEUR 49.

Relationships to related parties (enterprises and individuals)

(157) Related parties are enterprises or individuals which have the ability to control the IVU Group or exercise significant influence over its financial and operating decisions. When determining significant influence exerted by the party related to the IVU Group over the financial and operating decisions, the existence of relationships of trust are also taken into consideration in addition to relationships of control.

Related enterprises

(158) The connected enterprises included in the financial statement are to be regarded as related enterprises. There are no further related enterprises.

(159) Between IVU AG and its subsidiaries there were performance relationships within the framework of passing on license revenues, which were eliminated in the course of consolidation.

Related party disclosures

(160) The following persons are to be regarded as related parties:

Members of the Management Board of IVU AG

Prof. Ernst Denert (Chairman)
Dr. Olaf Schemczyk (until 10 September 2007)
Dr. Gero Scholz (until 31 January 2007)

Martin-Müller Elschner (from 1 January 2008)
Frank Kochanski (from 1 January 2008)

Supervisory Board members of IVU AG

Klaus-Gerd Kleversaat (Chairman), Berlin
Chairman of quirin bank AG, Berlin;
Deputy Supervisory Board Chair of Ventegis Capital AG, Berlin;
Supervisory Board member of Euro Change Wechselstuben AG, Berlin;
Supervisory Board member of Stream Films AG, Berlin;
Supervisory Board member of Orbit Software AG, Berlin;
Supervisory Board member of Quirin business support AG, Leipzig

Hans G. Kloß (Deputy Chairman), Berlin
Chair of the Supervisory Board Hansen & Hansen AG, Berlin;
Managing Director of BEROMAT Consulting GmbH, Berlin

André Neiß, Hanover
Management Board Chair of üstra Hannoversche Verkehrsbetriebe AG, Hanover;
Supervisory Board Chair of intalliance AG, Hanover;
Advisory Board member of Hanover Region Grundstücksgesellschaft mbH HRG & Co. Passerelle KG, Hanover;
Supervisory Board member of Mitteldeutsche Verkehrsconsult GmbH, Magdeburg
Member of the Advisory Board of Flughafen Hannover-Langenhagen GmbH,
MD of Versorgungs- und Verkehrsgesellschaft Hannover mbH.

Transactions with related individuals

(161) In the reporting period, as in the previous year, there were, with the exception of those noted below, no further business transactions between related individuals and the IVU Group.

Emoluments for Management Board and Supervisory Board members

(162) The Management Board of IVU AG received in the financial year 2007 emoluments of TEUR 598. These emoluments consisted of a fixed and a variable portion. In the reporting period the variable portion amounted to 13% (2006: 21 %) of the total emoluments. The general meeting on 24 May 2006 decided to free the company of the obligation to publish the emoluments of individual members of the Management Board. In the financial year under review the amount of TEUR 480 was set aside as a settlement payment for a former member of the Management Board.

(163) Pension provisions are set aside for former office holders of TEUR 1 620 (2006: TEUR 1 258). In addition, pension payments were made for retired members of the Management Board amounting to TEUR 21.

(164) The Supervisory Board have received emoluments in 2007 of TEUR 37.5 (2006: TEUR 37.5).

(165) The following shares are held by the members of the Management Board and the Supervisory Board:

	Shares Units
Management Board	
Prof. Ernst Denert	1 808 132
Dr. Olaf Schemczyk (until 10 September 2007)	1 233 055
Supervisory Board members	
Hans G. Kloß	598 217
Klaus-Gerd Kleversaat	139 000

Holdings for which reports must be made in accordance with Section 160.1 No. 8 AktG

(166) In the financial year 2007 the company was not informed of any alteration to the holding structure.

In the financial year 2006 the company was informed of the following alteration in the holding structure:

üstra Hannoversche Verkehrsbetriebe AG, Hanover informed the company in accordance with Section 21.1 WpHG that it was below the threshold of 10 % and held 9.74 % of the voting rights for IVU AG. Of these the üstra Hannoversche Verkehrsbetriebe AG was assigned 1.24 % of the voting rights in accordance with Section 22.1 WpHG.

Note on the German “Corporate Governance Code”

(167) The declaration of compliance was made by the Management Board and the Supervisory Board and is permanently available to shareholders on the website of IVU AG (www.ivu.de) under the menu item Investor Relations.

Berlin, March 2008

Prof. Ernst Denert Frank Kochanski Martin Müller-Elschner

G. AUDITORS’ REPORT

We have drawn up the following auditors’ report for the consolidated financial statements and consolidated management report:

> “We have audited the consolidated financial statements of IVU Traffic Technologies AG, Berlin, consisting of the balance sheet, income statement, annexed notes, cash flow statement, the statement of changes of equity, as well as segment reports, and the consolidated management report for the financial year from 1 January to 31 December 2007. The accounting and preparation of the consolidated financial statements and the management report in accordance with the EU adopted IFRS standards, and additionally in accordance with the commercial regulations applicable under Section 315a Para. 1 of the German Commercial Code (HGB), are the responsibility of the legal representatives of the company. Our remit is to provide an assessment of the consolidated financial statements and the consolidated management report based on the audit that we have performed.
>
> “We have conducted our audit in accordance with Section 317 HGB taking into account the accepted German principles for the auditing of financial statements established by the *Institut der Wirtschaftsprüfer* (IDW). These standards require that the audit shall be so planned and conducted that inaccuracies and contraventions which have substantial effects on the consolidated financial statements in the light of the applicable accounting regulations and on the presentation of the situation in the group regarding assets, finances and revenues would be identified with reasonable assurance. When determining the auditing procedures, the knowledge of the line of business and the economic and legal situation of the group, as well as the expectation of possible errors are taken into account. Within the framework of the audit, the effectiveness of the internal control systems relating to accounting and the documentation of the figures in the consolidated financial statements and the consolidated management report are generally examined on the basis of random samples. The audit includes an assessment of the financial statements of

the companies covered by the consolidated financial statement, the limitation of the scope of consolidation, the principles of accounting and consolidation applied, and the key estimates made by the legal representatives as well as an evaluation of the overall presentation of the consolidated financial statement and the consolidated management report. In our opinion, our audit provides a sufficiently reliable basis for our assessment.

“Our audit did not give rise to any reservations.

“According to our assessment on the basis of the results of our audit, the consolidated financial statement is in accordance with the EU-adopted IFRS, and the additional applicable commercial requirements in accordance with Section 315a Para. 1 German Commercial Code (HGB), and it provides in accordance with these requirements a true and accurate picture of the Group’s position regarding assets, finances and profits. The consolidated financial statement is concordant with the consolidated management report, provides overall an accurate picture of the position of Group’s position, and accurately presents the opportunities and risks of future developments.”

Berlin, 11 March 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Eckehard Schepers Auditor	Christian Wendt Auditor

Balance sheet oath

We assure that, to the best of our knowledge and in accordance with the applied principles for correct consolidated reporting, this consolidated report provides an accurate presentation of the situation of the company relating to assets, finances and revenues, that the consolidated report presents the course of business including the business results and the situation of the company in a way which corresponds to the actual conditions, and that the key opportunities and risks of the probable development of the company are described.

Berlin, in March 2008

Prof. Ernst Denert Frank Kochanski Martin Müller-Elschner