IVU Traffic Technologies AG

Annual Report 2006

Letter to our shareholders

There is a saying that "Once doesn't count". Accordingly, many of you were sceptical whether IVU's first positive financial statement for 2005 after a number of negative years really marked a turning point. But 2006 has turned out better than 2005, so that we can now say: We have adopted the right approach, and the turnaround is stabilised. Once again we have generated a turnover of more than € 30 million, and more importantly we have achieved a considerable increase in the gross profits and EBIT. Another annual surplus has considerably improved our situation, so that we are looking optimistically into the future.

IVU is a healthy company again. Meanwhile we are providing for some 400 customers; our team is more effective than ever, and we have a stable order book situation. The objective now is to maintain this level, make further improvements, and gradually get back onto a course of growth.

In order to achieve this, we are concentrating in particular on two things: the development of our systems, and the access to new markets in other parts of the world. The demands placed on transport companies, and in consequence the demands on us and our systems, are becoming more and more complex. The aim here must be to keep up with the pace and to go onto the offensive with new solutions. In the coming years we will therefore continue to expand our IT-platform for public transport – and in addition to our planning tool MICROBUS we will also further develop and modernise our other systems for operational control, ticketing, passenger information, and performance monitoring to meet the standards of the future. At the same time we will be increasing our efforts in other continents. Currently, our interest is focused on South America and the Arab region, but also increasingly on Asia, where we see interesting opportunities.

We hope that you continue to place your trust in us as these developments unfold.

Yours sincerely

The Management Board

Berlin, March 2007

Management report

IVU and the market

Again in 2006 the market for IT-systems in public transport in Germany changed very little. Despite a general decline in funding from local and regional government, the transport utilities and transport groups are attaching increasing importance to providing a good range of transport services. Comprehensive information for passengers, even across various companies and boundaries of service providers, a unified system of tariffs and ticketing systems, as well as the reliability of connections are some of the topics that our customers are addressing with increasing frequency. At the same time, they hope to be able to provide these services more cost-effectively. Optimised planning of timetables and service rosters can make internal organisation and the deployment of vehicles and personnel more efficient. New driver information systems ease the work load for operational planners, and at the same time the personnel management can react more quickly and flexibly.

IVU targets its systems at operators caught up in this potential dilemma – wanting to increase efficiency while at the same time making services more attractive for their customers. As market leader for planning systems in Germany with a portfolio of attractive solutions for the operation of public transport systems, the sale of tickets, passenger information services, and also quality management and performance monitoring, our IT-platform for public transport sees us well positioned for the coming years.

The developments of the markets in other European countries are similar to those in Germany, although the Member States that have newly joined the European Union have some catching up to do. At the end of 2006 we were able to welcome the Hungarian State Railways MÁV (Magyar Államvasutak Rt.) as a new customer. MÁV will be using MICROBUS to modernise its transport operations.

Outside Europe, there is an even greater need to catch up, and currently we are concentrating on South America and the Arab region. In Asia we are also winning our first customers, and a trip around China last year has resulted in new contacts there too.

The markets for waste management logistics again showed differing trends in 2006. As was already the case in the previous year, there was no appreciable movement on the German market. In contrast, business in the Netherlands increased further. A particularly pleasing development was that we were able to gain new customers in Great Britain, including Bywaters, a waste management company which operates in the Greater London area. This confirms our estimate that there is considerable potential demand in Great Britain for IT systems for the planning and control of waste management fleets.

We expect to see a similar demand for the control of outdoor personnel. We have developed a solution here in cooperation with the Munich city utilities which is meanwhile proving its value on a daily basis in realistic operations. We believe that in the medium-term this solution will also find interesting applications with transport companies.

The demand for IT-solutions from the public sector remains undiminished. However, the daily rates offered for the development of good software are still often so low that we abstain even from putting in tenders in some cases. Instead we rely on the fact that public administrations and agencies will be prepared to pay an appropriate price for quality. The fact that adequate payments are possible for such projects is demonstrated by the order for Lika-Online, the Internet-based cadastral real estate register for the Federal State of Brandenburg, as well as the creation of a central Internet portal for the Federal Office for Migration and Refugees (BAMF).

Table: Distribution of sales in 2006:

	Sales	Fraction
Germany	€ 20.4 million	68 %
Austria and Switzerland	€ 3.7 million	12 %
Foreign subsidiaries	€ 3.1 million	10.5 %
Exports	€ 2.9 million	9.5 %
	€ 30.1 million	100 %

As a result of its good market position, particularly for planning systems, IVU is also well placed to also do good business in Germany in other sectors with its specialist products. However, further efforts are necessary in foreign countries in order not only to remain stable but also to achieve growth. The fact that foreign business now accounts for almost 32 % of total sales indicates that we have made progress internationally. Business in non-German-speaking countries currently generates around 20 % of total sales.

In order to be able to follow and judge market developments and future trends even better in future, IVU has set up an advisory board. This is made up of three established experts in the transport and traffic sector who are now at the side of the senior management to provide the benefit of their experience.

Highlights in 2006 in the field of Public Transport

... for planning systems

An outstanding success was the order placed by *Hungarian State Railways MÁV* (Magyar Államvasutak Rt.) for our planning system MICROBUS. IVU was able to win a bidding procedure in still another European country. Together with our partner SoRing Ltd., a software company in Budapest, we will now modernise the traction unit planning in Hungary. The focus will primarily be on the definition, expansion and optimisation of the existing processes.

At *Deutsche Bahn* we have gained further users for MICROBUS: in addition to 21 regional bus companies and the light-rail commuter services in Munich, Rhein-Neckar and Hamburg, the *S-Bahn RheinMain* and the *SüdOstbayernBahn* will in future also be using the successful planning system from IVU. This means that *Deutsche Bahn* has now become our largest customer. And we hope that our system will continue to generate new interest.

In addition, MICROBUS has been expanded for new applications which are highly specialised but which are frequently encountered: for example, a module was developed specially for coach tourism and charter services (MICROBUS-charter) which allows the planning and billing of coach trips over several days, together with a guide, requirements for coach fittings, and a plan of the trip.

... for ticketing systems

A highlight in 2006 was the introduction of the new i.box printer with touchscreen for the boat services of the *Schifffahrtsgesellschaft Vierwaldstätter See*. This new device for the sale of tickets, which we introduced in cooperation with ACS Solutions Switzerland, has a particularly user-friendly interface and is fitted with software which is able to cope with the extremely complex tariff system in Switzerland. And another new order quickly followed on its heels. The largest Swiss transport association, the *Zürcher Verkehrsverbund (ZVV)*, which brings together seven public transport operators, is also introducing the new on-board computers.

We have also been able to achieve further successes with the i.box printer. The *Stadtwerke Münster* is currently exchanging its old ticket equipment for the new generation of this on-board computer with ticketing function.

Another successful new development has been the ticketing software for use in combination with the mobile IT 3000 from Casio, which is a particular favourite with users. The *Stadtverkehr Lübeck* is currently testing this for the sale of tickets on its ferries; the *Usedomer Bäderbahn (UBB)* is making preparations to introduce the system on its trains.

... for operational control systems and passenger information

Our BON operational control system and the dynamic passenger information have been further developed within the framework of orders from our long-standing customers *Wiener Linien* and *üstra*, Hanover. Meanwhile, the new BON 5 is available with considerably improved functionality for implementation in large control centres. Its first operational use is planned for 2007.

As part of a project to unify the operational control in the three public transport utilities joined together in the *Kooperation östliches Ruhrgebiet* (KöR), IVU was commissioned by T-Systems to supply a new central data management system (BON.datamanager), the system for dynamic passenger information (BON.tip), together with some 550 i.box server on-board computers. For the first time in Germany this involves the implementation of the specifications of the VDV 423 for a trunked digital radio system.

IVU systems have also been developed further for *Connexxion*, the largest Dutch operator of regional bus services. *Connexxion* places particularly high demands on the quality of its timetable data. This is currently uploaded twice every week. In order to keep travel times and passenger information even more up-to-date, it is intended in future to refresh the data every day. It will then be possible to respond rapidly to longer travel times, for example because of major building works or temporary road blocks, as well as to reductions in travel times because a road has been cleared again or re-opened – and that throughout the country.

A new application in the field of passenger information is the innovative *Tarifberater* mobility information system which has been in operation in Munich since the start of football's World Cup 2006. Passengers wishing to travel with the *Münchner Verkehrsverbund (MVV)* can not only obtain information about departure times and routes on the internet before starting out, but will also learn which ticket option offers them the best deal.

The internet passenger information system used by Berlin's public transport utility *BVG* (fahrinfo) is currently being upgraded. In the course of the coming months it will become much more user friendly. Above all it will comply with the requirements of the new government legislation for barrier-free information technology (BITV), helping to enhance access for passengers with restricted mobility.

... for quality management and performance monitoring

Qbase, our system for invoicing, contract controlling, and demand analysis, is finding more and more users. The number of public transport companies and operating organisations who are working with it has now increased to thirteen. The ease of use of the system is contributing to its growing success.

Further highlights in 2006

... in transport logistics

The further development of our trip planning system ContourWeb to a system for the control of outdoor personnel through the integration of ContourMobile is completed and entered into operation under real conditions in the Munich city utilities. *Stadtwerke München* is initially using it in its sectors Electricity, Gas, Water and District Heating, and in future it is also intended to ensure more efficient operations in other sectors of the company.

In addition, it is also suitable for uses in public transport companies, for example for the collection of money from ticket machines and their maintenance. We therefore anticipate other good market opportunities for the new system in addition to the public utilities.

After having fallen below expectations for a number of years, transport logistics business stabilised in the financial year 2006 – thanks not least to the new applications and the very positive development in Great Britain.

... in geomarketing

Deutsche Post used our geomarketing system *Filialinfo* also in 2006 for location optimisation and catchment area planning. In addition, the geomarketing system was also used for media planning and the allocation of postal delivery areas. In the foodstuffs sector, Filialinfo has been discovered as a tool for location planning and offer evaluation by *denree*, a retail chain for organic products. And *AIDA Cruises*, an organiser of cruise trips, is also working with the geomarketing expertise of IVU.

Filialinfo is finding increasing applications in other sectors. Within the framework of a Geo-marketing Benchmark test conducted by the Fraunhofer Institute for Intelligent Analysis and Information Systems (IAIS) at the end of November, the software was successful thanks to its broad spectrum of functions and the ease with which it can be integrated in existing IT-landscapes.

... in e-government

In 2006 we continued our involvement in the development of the Geodata Infrastructure Deutschland (GDI-DE). In August, the Minister of the Interior of Brandenburg, Jörg Schön-bohm, launched Lika-Online, the Internet-based cadastral land register, which now provides direct access to regional information for more than 3 million parcels of land, 1 million data-sets with entries in the land register, 44 million map segments, and 1 million survey excerpts.

Work was almost completed on the central Internet portal of the *Federal Office for Migration and Refugees (BAMF)*. This will in future provide access to all available information about courses and other measures for the integration of migrants and refugees in Germany. In March 2007 this will be presented for the first time at the CeBit trade fair.

... in the foreign subsidiaries

IVU Italia was again able to win new customers in 2006. With the transport company *SASA SpA-AG* in Bozen, *T.P.M. Trasporti Pubblici Monzesi SpA* in Monza, and *APT* in Carasco it gained three new MICROBUS users. In addition, the third-largest rail company in Italy, the *Ferrovie Emilia Romagna (FER)*, will in future be planning both it rail and bus services with MICROBUS. The *Region Emilia Romagna* will in future rely on infopool as the basis for the improvement of its internet timetable information service.

IVU Benelux returned a stable result in 2006. In addition to its existing customers, it gained a new Combitour customer – *BDR* – which has specialised in cleaning containers.

There was a particularly pleasing development of IVU UK., which moved into profit in 2006. In the Waste Management sector it won two new customers, one of which is *Bywaters*, a waste management company operating in Greater London. Good progress could also be made with the on-going introduction of MICROBUS, e.g. *Nottingham City Transport (NCT)* began to use additional modules.

... at trade fairs and conferences

The most important trade fair in 2006 was the InnoTrans in September. IVU took part for the sixth time in this leading international event for public transport held biennially in Berlin. Our stand was a point of attraction for many visitors, and there was considerable interest in our products – particularly among international visitors.

In February, users of our systems for public transport came together for our annual PT user forum. This serves to intensify customer dialogue. In 2006 there were some 250 participants – about the same number as in the previous year.

Project business and maintenance

Most of IVU's business is conducted in the form of projects. The products cannot simply be sold off the shelf. Mainly the software (and to a lesser extent hardware) is adapted to suit the special operating conditions of each customer. This involves the analysis of requirements and then afterwards special developments, data migration and preparation, training of users, and so on. Each order has to be newly acquired, often through submitting offers in response to a public calls for tenders.

The large number of installed systems led over recent years to a growing base of steadily flowing revenue from maintenance work. This remained stable in 2006 at € 5.4 million (compared with € 5.1 million in the previous year). This represents 22 % (22 %) of gross profits, or almost a quarter of our value creation. However, the large proportion of our business will continue to lie in project work and revenue will be generated by software licences.

Personnel

Personnel development

	2006	2005	Change
No. of personnel as of 31.12.	289	279	3.5 %
Personnel capacity[1] as annual mean	242	226	6.6 %

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

Further restructuring of our team

In the financial year 2006 the number of personnel increased slightly, due to the good order situation and the further consolidation of the company, which is gradually going onto a course of growth once again.

The slight increase in numbers in no way reflects the restructuring of the company which continued in 2006. In all, 27 new employees were recruited in Berlin and Aachen. These are for the most part highly qualified computer scientists and software engineers. The team of IVU has been further strengthened as a result.

In addition in 2006 there were further training measures. 28 software developers took part in in-house conferences developed by experienced software architects. There were also courses on new developments in computer science and software engineering. Additional offers included presentation techniques and time management, as well as language courses, from which more than 150 employees profited in 2006 – that is almost half the staff. The company leadership and selected junior managers were also instructed this year in particular in human resources management.

And meanwhile the increased level of qualification of the employees is also having an impact on the value-creation in the company – the gross profit increased markedly over the level of the previous year.

Assets, financial situation and results

Value creation

A key indicator for the value created by a company is the gross profit. It quantifies the performance that the company generates through the efforts of its co-workers. In the financial year 2006 performance increased further. This is demonstrated by the gross profit per employee, the most important parameter for the economic performance of IVU. Every month this is checked not only for the company as a whole but also for all the business units (segments and subsidiaries). It is a simple but reliable indicator of the profitability. If the gross profit per employee is above a level of T€ 100 then the company is profitable. After reaching T€ 103 in the financial year 2005, passing this mark for the first time, the level stabilised in 2006 and finished at T€ 102.

Markedly higher gross profits with slightly lower sales

The turnover and gross profits in 2006 could be further stabilised. Sales declined slightly to € 30.1 million, which is about 3.8 % down on the previous year.

The gross profit increased by € 1.4 million to € 24.6 million, which is 6.0 % higher than in 2005. This shows the increased value creation, which for a software house like IVU consists above all of project and development work and licences.

The difference between turnover and the gross profit is influenced primarily by third-party performances and material costs, which in the case of IVU do not signify any value creation but above all result from the purchase and resale of hardware components for the on-board computers of the i.box family.

Costs and amortisation

The costs have remained broadly stable:

- The *personnel expenses* increased by T€ 645. This moderate increase stands against a number of new employees who had to be recruited to strengthen the team for the planned growth of the company.

- The *amortisation of intangible assets* (third-party software) and *property plant and equipment* has fallen again in 2006 by T€ 268. Due to the higher investments in previous years the depreciation is still markedly higher than the current investments, but by 2008 it will have approached the current investment level.
- The same also applies for the *amortisation of internally-generated intangible assets*, which was T€ 671 lower than in 2005.
- The other *operational costs*, adjusted for neutral effects (in particular the release of provisions in the previous year) remained more or less constant compared with the previous year.

Positive result, EBIT doubled

The marked increase in the gross profit was reflected in the EBIT. Not only was it positive, but at € 2.1 million it was more than double that for the previous year.

It should also be borne in mind that the earnings before taxes in 2005 had been boosted by a one-off waiving of a claim of € 1.9 million by a bank.

The economic performance of the company is expressed most clearly by the operating result, which is defined as follows

Operating result	=	*EBIT*
	+	*Financial result*
	+	*Depreciations of non-current assets*
	+/-	*Relevant special effects*

There were no special effects for the financial year 2006.

The operating result for 2006 is € 3.0 million, which is € 1.7 million higher than in the previous year.

Assets situation stabilised

The assets situation could be further stabilised, and it was possible to repay debts in a planned fashion. The positive annual result improved the equity in the financial year under consideration by € 1.4 million. As of 31.12.2006 it was € 16.2 million (2005: € 14.8 million). Due to the shift of invoicing into December there was a temporary accumulation of current liabilities on the balance sheet date, but in the following months this led to corresponding inflows of liquidity. As a result, lines of credit were drawn on with € 2.3 million (2005: € 1.7 million), which was more than in the previous financial year.

Liquidity

As of 31.12.2006, IVU held € 0.9 million in cash. At the same time there was an increase in receivables from deliveries and performances at the balance sheet date of € 2.3 million over the figure for the previous year. In view of these receivables and the good situation for orders, it is anticipated that there is adequate liquidity for 2007. 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.

Orders situation

The orders situation is good. The level of orders for 2007, defined in terms of signed contracts, amounted on 7 March 2007 to € 21 million (as against € 21.9 million in the previous year). These orders for the current year and orders already placed for the following years include € 5.2 million for performances which have not yet been invoiced. Firmly promised orders have a volume of € 2 million. In addition there are open offers and on-going negotiations which we conservatively value at € 5.6 million, so that the overall orders situation for 2007 already covers the planned goals to a considerable extent.

Prospects

The situation of IVU is stable. The second positive financial statement in series shows this, and the orders situation provides us with a good basis at the start of the financial year 2007. With this we can in any event achieve a similar turnover to 2006, i.e. something above € 30 million, with a gross profit of € 25 million, a correspondingly good EBIT and a further growth in equity. And if one or another of the major projects currently in the acquisition phase comes to finalisation, then an additional increase is possible.

Overall, we expect further stabilisation for the financial year 2007; at the same time we are making plans to move gradually into a phase of growth. The key for this is the advance we have meanwhile made in the quality and capability of our team, as well as our 30 years of experience with our products and markets, along with the fact that we will be strengthening our international activities.

Risks

Business risks

Most of IVU's customers are public sector companies whose ability to pay is beyond doubt. But we feel the impact of the general tightening of the budgetary situation in the public sector. In particular some reduction in the support for public transport companies is to be expected from the German government and the European Union. That can have affect investments in IT-systems and thus on IVU's own business.

In addition, it is becoming increasingly common for clients to expect advance performance from their suppliers and only make payments without guarantee towards the end of the project, so that the liquidity of the contractor is reduced.

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 it was underestimated or because there was a lack of efficiency when carrying out 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 this can lead directly to impairment of goodwill.

Risk management / Financial controlling

IVU conducts thorough risk minimisation under considerations of optimum economic efficiency in the following key points:

- Precise, bottom-up liquidity planning and control, i.e. planning of revenues and costs on the basis of current values;
- Optimisation of the inflow and outflow of liquidity when settling orders;
- Interest optimisation measures.

The risk management is based on monthly reports covering key parameters, which compares the company's monthly plan and the actual figures. These also include the expenses for the individual projects. The deviation analyses serve the Management Board as an instrument for managing the company.

Targets and actual figures are discussed regularly with the managers in the areas of revenue and cost development in order to provide the executive and supervisory boards with a complete picture of this development on a monthly basis and to take any necessary action.

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 carried out in euros. In order to avoid risks arising from interest rate fluctuations, interest security measures (swaps) are concluded for loans received.

There is permanent monitoring and control of the order budgets and resources by means of reporting systems and internal project controlling.

The subsidiaries are included in the internal reporting on a monthly basis and evaluated.

Follow-up report

Since 31 December 2006 there have been no events of significance which have affected the situation regarding earnings, finances, or assets.

IVU shares

Stabilisation at a realistic level

After a brief rise at the start of the year, the share price of IVU stabilised at a level which is realistic for the company. In February 2006 the publication of the provisional annual figures prompted a rise to € 1.62, and the official figures even pushed the share price up to € 1.95, but the shares settled down again in the following months. In April the share price began to drift downwards, and over the summer months, when sales are weaker, it settled in a band between € 1.20 and € 1.30. At the end of December the “Platow Börse” published a recommendation – with a positive effect on the share price, which reached a new 8-month high in January 2007. After this the share value fell back to a level around € 1.30. This relatively low value seems to indicate that investors are adopting a wait-and-see attitude. We expect that the new figures will convince them of the stability of the company and that the shares will reach a markedly higher value in 2007.

Obligation to report

In the financial year 2006 the company was informed of the following alteration in the holding structure: üstra Hannoversche Verkehrsbetriebe AG, Hanover has 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 is assigned 1.24 % of the voting rights in accordance with Section 22.1 WpHG. The company also was informed of a securities dealing which it is obliged to report under Section 15 WpHG (Securities Trading Act): in November 2006 the Chairman of the Supervisory Board of IVU Traffic Technologies AG, Klaus-Gerd Kleversaat, acquired 34,160 shares; as a result the proportion of the shares owned by the Supervisory Board rose from 4.0 % to 4.2 %.

Report of the Supervisory Board

In the financial year 2006, the Management Board kept us informed fully and without delay at our meetings and in written reports. We offered advice to the Management Board and continuously monitored the management of the business in accordance with our duties under law, company statutes and internal rules, while observing the recommendations of the German Corporate Governance Code.

Between the meetings of the Supervisory Board and in preparing for them, the Chairman was informed by the Chairman of the Management Board about all key topics. Significant business dealings, the strategic orientation of the company, the development of business, and the risk management were discussed in detail on the basis of the reports of the Management Board at the plenary meetings of the Supervisory Board.

Four meeting of the Supervisory Board were held in the course of the financial year covered by this report. At these meetings we examined current business developments and important specific business matters, as well as dealing with measures of the Management Board requiring our approval, which we provided in each case.

Topics of intensive consultations and discussion in the financial year 2006 included, among other things:

- Scrutiny and approval of the planning for 2006;
- Examination of the planning results (sales and orders);
- Liquidity planning;
- Discussion of the results at the end of each quarter;
- Preparation of the general meeting;
- Establishment of an Advisory Board;
- Discussions of surveys of customers and employees;
- Presentations on important projects and customers and by the heads of segments;
- Personnel development and Management Board affairs (in particular the extension of the contract of the CEO of IVU Traffic Technologies AG, Prof. Ernst Denert, until 31 December 2009);
- Emoluments for the Management Board and company executives and a success bonus for personnel from the operational profits of 2005.

Furthermore, the members of the Supervisory Board ensured that the Management Board had taken appropriate measures to identify in good time any developments that could threaten the continued existence of the company. In the opinion of the Supervisory Board, the financial controlling system which is in place meets the legal requirements, in order to allow a timely monitoring of the company.

We submitted a declaration of compliance with the German Corporate Governance Code for the financial year 2006 at the end of December 2005, and this was made available to shareholders on the company Website.

The auditors approved by the General Meeting on 24 May 2006 and commissioned by the Supervisory Board, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, has audited the consolidated financial statement with the balance sheet date of 31 December 2006 in conjunction with the Group Mangement Report, and the annual financial statement through until 31 December 2006 with the Management Report for IVU Traffic Technologies AG, and reaches the following assessment in its unqualified auditors' report:

"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 management report is concordant with the consolidated financial statement, provides overall an accurate picture of the position of Group's position, and accurately presents the opportunities and risks of future developments."

The full text of the auditors' report is available on the company Website.

Immediately after their completion, the financial statements, the reports on the situation of the company and the group, and the report of the auditors were handed out to all members of the Supervisory Board. At its meeting on 14 March 2007 these statements and reports were discussed and examined in detail in the presence of the auditors, who reported on the key aspects of their report. After the conclusion of our examination, we raise no objection to these financial statements, the report on the situation of IVU Traffic Technologies AG and of the group, or to the report of the auditors.

We therefore concur with the results of the audit and approve the financial statements prepared by the Management Board for IVU Traffic Technologies AG and the group through until 31 December 2006. The financial statements of the Group and IVU Traffic Technologies AG are thus adopted.

The Supervisory Board thanks all the co-workers for their conscientious and dedicated work over the financial year 2006.

Berlin, 14 March 2007

For the Supervisory Board

Klaus-Gerd Kleversaat
Chairman of the Supervisory Board

Members of the Supervisory Board and Management Board

Supervisory Board

Klaus-Gerd Kleversaat, Berlin (Chair)

Board member of quirin bank AG, Berlin;
Deputy Chair of the Supervisory Board 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 Getemed Medizin- und Informationstechnik AG, Teltow

Dr. Heinrich Ganseforth, Hanover (until 24 May 2006)

Consultant

André Neiß, Hanover (since 24 May 2006)

Chair of the Management Board of üstra Hannoversche Verkehrsbetriebe AG, Hanover;
Chair of the Supervisory Board intalliance AG, Hanover;
Advisor to Hannover Region Grundstücksgesellschaft mbH HRG & Co. Passerelle KG, Hanover;
Member of the Supervisory Board of Mitteldeutsche Verkehrsconsult GmbH, Magdeburg

Hans G. Kloß, Berlin

Chair of the Supervisory Board Hansen & Hansen AG, Berlin;
Managing Director of BEROMAT Consulting GmbH, Berlin

The emoluments of the members of the Supervisory Board in the financial year 2006 amounted to T€ 37.5 (Previous year T€ 37.5).

Management Board

Prof. Ernst Denert, Berlin (Chairman)
Dr. Olaf Schemczyk, Berlin
Dr. Gero Scholz, Bad Nauheim (until 31 January 2007)
The position vacated by the departed member of the Management Board will not be filled.

The members of the Management Board received emoluments in the financial year 2006 amounting to T€ 784 (Previous year T€ 786).

Advisory Board

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

Dr. Heinrich Ganseforth, Hanover
Consultant

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

Financial calendar 2007

Wednesday, 14 March 2007	Supervisory Board meeting and publication of the Annual Report 2006
Monday, 7 May 2007	Supervisory Board meeting and three-month report to 31 March.
Wednesday, 16. Mai 2007	General meeting
Wednesday, 25. July 2007	Supervisory Board meeting and six-month report to 30 June.
Wednesday, 7 November 2007	Supervisory Board meeting and nine-month report to 30 September.
Monday, 12 November 2007	Analysts conference in Frankfurt/Main

IVU Traffic Technologies AG, Berlin
Konzern-Mehrjahreskennzahlen

	2002	**2003**	**2004**	**2005**	**2006**	
	€ million	€ million	€ million	€ million	€ million	*Change in € million, 2005 to 2006*
Revenue	35.6	29.9	26.8	31.2	30.1	-1.1
of which performances not yet registered			*1.0*	*1.4*	*0.5*	-0.9
Gross profit	32.0	24.9	22.3	23.2	24.6	1.4
Personnel costs	18.9	19.5	17.7	15.2	15.9	0.7
EBIT	0.8	-6.6	-8.1	1.0	2.1	1.1
Consolidated annual profit/loss	-3.4	-7.4	-8.7	2.2	1.4	-0.8
Operating result		-2.2	-0.4	1.3	3.0	1.7

IVU Traffic Technologies AG, Berlin
Konzern-Gewinn- und Verlustrechnung nach IFRS für das Geschäftsjahr 2006

	2006	2005
	T€	T€
1. Earnings	**30,061**	**31,245**
of which performances not yet registered	*522*	*1,427*
2. Other operating revenues	732	878
3. Material costs	-6,169	-8,883
Gross profit	**24,624**	**23,240**
4. Personnel expenses	-15,869	-15,224
5. Depreciation of non-current assets	-1,282	-2,221
6. Other operating expenses	-5,379	-4,789
Operating result (EBIT)	**2,094**	**1,006**
7. Interest revenue	50	69
8. Interest payments	-468	-452
9. Revenue from waived loan repayment	0	1,900
10. Earnings before taxes	**1,676**	**2,523**
11. Taxes on income and earnings	-233	-362
12. Group annual profit	**1,443**	**2,161**

	2006	2005
	EUR	EUR
Earnings per share (diluted and undiluted)	0.08	0.13
Average number of shares in circulation (in thousands)	17,669	16,827

IVU Traffic Technologies AG, Berlin
Konzern-Kapitalflussrechnung nach IFRS für das Geschäftsjahr 2006

		1.1.2006 -31.12.2006	1.1.2005 -31.12.2005
	T€	T€	T€
1. Business activity			
Consolidated earnings before income taxes of the period		**1,676**	2,523
Depreciation of tangible assets	1,282		2,221
Changes to provisions	-150		-1,490
Differences from currency translation	26		-2
Earnings from dissolved special positions	-43		-52
Earnings from interest	418		383
Earnings from waived loan repayment	0		-1,900
Revenue from disposal of property, plant and equipment	69		-6
		3,278	**1,677**
Changes to items of current assets and current borrowed funds			
Inventories	152		-202
Receivables and other assets	-2,488		-2,615
Liabilities (without provisions)	-710		528
		232	**-612**
Interest payments	-419		-452
Income tax payments	-27		-19
Cash flow from current business activities		**-214**	**-1,083**
2. Investment activities			
Payments for investments in property, plant and equipment*)	-369		-350
Receipts from disposal of property, plant and equipment	53		38
Revenue from disposal of financial assets	0		26
Interest received	20		45
Cash flow from investment activity		**-296**	**-241**
3. Financing activities			
Receipts from increase in equity	0		1,500
Receipts from sale & leaseback dealings**)	181		0
Repayments of liabilities from sale & leaseback dealings**)	-23		0
Receipts from taking up financial loans	1,611		4,418
Repayment of financial liabilities	-858		-5,671
Cash flow from financing activities		**911**	**247**
4. Liquid funds			
Effective change in liquid funds		401	-1,077
Liquid funds at the beginning of period		542	1,619
Liquid funds at end of financial year		**943**	**542**

(+ =inflow of funds / - =outflow of funds)

*) This presentation of payments for investments in PPE for 2006 differs to that in 2005. 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.

**) The company has entered into Sale & Leaseback dealings for reasons of finance. These are hire-purchase contracts. Therefore the transaction is presented as a financing activity. Note the comments in the notes.

ASSETS	31 Dec. 2006	31 Dec. 2005
	T€	T€
A. Current assets		
1. Liquid funds	943	542
2. Trade receivables	11,981	9,666
3. Current receivables from construction contracts	3,004	2,220
4. Inventories	718	870
5. Other current assets	1,734	2,345
Total current assets	18,380	15,643
B. Non-current assets		
1. Fixed assets (PPE)	955	1,212
2. Intangible assets	12,581	13,275
3. Financial instruments held for trading purposes	54	24
4. Deferred tax assets	1,165	1,079
Total non-current assets	14,755	15,590
	33,135	**31,233**

LIABILITIES		
A. Current liabilities		
1. Current loans and current portions of long-term loans	3,578	2,625
2. Trade payables	1,827	1,347
3. Obligations arising from construction contracts	475	1,967
4. Provisions	560	833
5. Tax provisions	549	343
6. Other current liabilities	4,335	3,945
Total current liabilities	11,324	11,060
B. Non-current liabilities		
1. Long-term loans	1,835	2,035
2. Deferred tax liabilities	1,165	1,079
3. Pension provisions	2,316	2,154
4. Additional line-items for investment grants and investment subsidies	90	133
5. Other non-current assets	180	16
Total non-current liabilities	5,586	5,417
C. Equity		
1. Subscribed capital	17,669	17,669
2. Capital reserves	46,456	46,456
3. Consolidated balance sheet loss	-48,007	-49,450
4. Currency translation	107	81
Total equity	16,225	14,756
	33,135	**31,233**

IVU Traffic Technologies AG, Berlin
Entwicklung der immateriellen Vermögenswerte und des Sachanlagevermögens 2006 (IFRS)

Consolidated Group Assets 2006 (IFRS)

	Historical purchase/production costs				Write-offs					Residual value	
	as of 1 Jan. 2006	Additions	Disposals	as of 31 Dec. 2006	as of 1 Jan. 2006	planned Additions	unplanned Additions	Disposals	as of 31 Dec. 2006	as of 31 Dec. 2006	as of 31 Dec. 2005
	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€	T€
I. Intangible assets											
1. Commercial copyrights and software licences	4,759	165	0	4,924	3,803	321	0	0	4,124	800	956
2. Goodwill	14,626	0	0	14,626	3,277	0	0	0	3,277	11,349	11,349
3. Original intangible assets	15,505	0	0	15,505	14,535	538	0	0	15,073	432	970
	34,890	**165**	**0**	**35,055**	**21,615**	**859**	**0**	**0**	**22,474**	**12,581**	**13,275**
II. Fixed assets											
1. Technical equipment and machinery	2,524	216	70	2,670	2,234	189	0	66	2,357	313	290
2. Other equipment, factory and office equipment	4,044	72	413	3,703	3,122	234	0	295	3,061	642	922
	6,568	**288**	**483**	**6,373**	**5,356**	**423**	**0**	**361**	**5,418**	**955**	**1,212**
	41,458	**453**	**483**	**41,428**	**26,971**	**1,282**	**0**	**361**	**27,892**	**13,536**	**14,487**

Consolidated companies	Holding	Equity as of 31 Dec. 2006	Annual result** 2006
	%	TEUR	TEUR
IVU - Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin	100	480	0*
IVU Traffic Technologies Italia s.r.l., Rom, Italy	100	75	9
IVU Traffic Technologies UK Ltd., Birmingham, United Kingdom	100	60	155
IVU Benelux, B.V., Veenendaal, Netherlands	100	956	56
* *after profit-pooling by IVU AG*			
**In accordance with IFRS before consolidation			

IVU Traffic Technologies AG, Berlin
Konzern-Eigenkapitalveränderungsrechnung nach IFRS für die Geschäftsjahre 2006 und 2005

	Share capital	Capital reserves	Foreign exchange rate changes	Balance sheet loss	Total
	T€	T€	T€	T€	T€
As of 1 January 2005	16,169	46,456	83	-51,611	11,097
Increase in equity with Commercial Register entry 22 July 2005	1,500	0	0	0	1,500
Differences from currency translations (losses not included in consolidated income statement)	0	0	-2	0	-2
Consolidated annual profit 2005	0	0	0	2,161	2,161
As of 31 December 2005	**17,669**	**46,456**	**81**	**-49,450**	**14,756**
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**

Consolidated notes

IVU Traffic Technologies AG, Berlin
through until 31 December 2006

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 2006 and the financial report for the financial year 2006 on 1 March 2007, and on 7 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 14 March 2007.

(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 286 in 2006, compared with 268 in 2005.

(4) The IVU Group is now structured in two main segments: Public Transport, and Logistics.
Alterations in the sector of our customers in *Transport Logistics*, primarily the partial global consolidation in the cement sector, have led us to restructure and combine together the segments *Transport Logistics* and *Information Logistics*. In future, what we refer to as *non - Public Transport* activities will be grouped in a single "Logistics" segment.

(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. The IVU Group has adopted the new and revised standards which are binding for financial years beginning on or after 1 January 2006 and which are listed below. Significant alterations for the current financial year did not result, with the exceptions of additional information:

- IAS 19 Amendment – Employee benefits
- IAS 39 Amendment – Financial instruments: Recognition and measurement
- IAS 21 The effects of changes in foreign exchange rates
- IFRIC 4 Determining whether an arrangement contains a lease
- IFRIC 6 Liabilities arising from participating in a specific market – Waste electrical and electronic equipment

(10) IAS *19 Employee benefits*

The IVU Group has applied the amendments to IAS 19 for the first time beginning on 1 January 2006. In consequence, additional disclosures are made which contain information about trends in connection with the obligations from the defined benefit plans and the assumptions on which the elements costs for the defined benefit plans are based. The application of the new IAS 19 only results in the additional disclosures for the financial years 2006 and 2005. It does not lead to an alteration to the accounting policies, because the Group has decided not to apply the new option to register the actuarial profits and losses outside the income statement.

(11) IAS 39 *Financial instruments: Recognition and measurement*

Financial guarantee accounting (published in August 2005) – Amendments to the Scope of IAS 39. Financial guarantees which are not insurance contracts are recognised initially at fair value and subsequently at the higher of the amount determined in accordance with IAS 37 “Provisions, contingent liabilities, and contingent assets” and the amount initially recognised less the cumulative amortisation, (recognised in accordance with IAS 18 “Revenue”). The application of this amendment had no effect on the consolidated financial statement.

Fair Value Option (published in June 2005) – This amendment to IAS 39 restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through profit and loss (the 'fair value option'). Since the IVU Group does not apply the Fair Value Option, this amendment to IAS 39 had not effect on the consolidated financial statement.

(12) IAS 21 *The effects of changes in foreign exchange rates*

Monetary positions (assets and liabilities) between a Group subsidiary and foreign operations can represent a part of the holding of the Group in these foreign operations. Therefore profits and losses from the currency translation are recognised as equity if the repayment of the credit is not planned or its receipt in the foreseeable future is unlikely. The application of this amendment had no effect on the consolidated financial statement.

(13) IFRIC 4 *Determining whether an arrangement contains a lease*

The IVU Group has applied IFRIC 4 for the first time as of 1 January 2006. This interpretation contains guidelines to determine whether an arrangement contains a lease that should be accounted for in accordance with the accounting standards for leases. This alteration in accounting policies had no significant influence on the situation of the Group regarding assets, finances, and yields as of 31 December 2006 or as of 31 December 2005.

(14) IFRIC 6 *Liabilities arising from participating in a specific market ((– Waste electrical and electronic equipment))*

The IVU Group has applied IFRIC 6 for the first time as of 1 January 2006. This interpretation regulates the accounting of a liability for the disposal of waste electrical and electronic equipment in accordance with the European Union Directive on Waste Electrical and Electronic Equipment. The application of this EU-Directive had no effects on the situation concerning assets and finances in the consolidated statement through to 31 December 2005 and to 31 December 2006.

Key management judgements

(15) In the application of the accounting policies, the management has made the following judgements which have the most significant influence on the figures in the financial statement. Decisions are not taken into consideration which involve estimates:

(16) *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.

(17) *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.

(18) *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.

(19) The most important future-related assumptions and other key sources of estimation uncertainty existing on the balance sheet date due to which an appreciable risk exists that within the next financial year a significant amendment of the carrying amounts of assets or liabilities would be necessary are explained in the comments on the non-current and current

assets and the pension provisions.

Application of IFRS in the financial year

The IVU Group has not applied the IFRS and IFRIC interpretations which have been published but are not yet obligatory, because it is expected that these standards and interpretations are not materially relevant for the business activities of the IVU Group:

- IFRS 7 Financial instruments: Disclosure

IVU Group assumes that the application for the first time of the amendment described above will have no material effect on the consolidated financial statement of the IVU Group. The regulations of IFRS 7 will lead to extended information in the Annex.

Principles of consolidation

a) Subsidiary companies

(20) 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.

(21) 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.

(22) 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. Minority interests are included on the balance sheet at the corresponding proportion of the current value for the minority holder.

(23) 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 2006 TEUR	Annual profit* 2006 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	75	9
IVU Traffic Technolgies UK Ltd., Birmingham, UK ('IVU UK')	100	60	155

IVU Benelux B.V., Veenendaal, The Netherlands ('IVU Benelux')	100	956	56

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

(24) In the financial year 2005 there were the following changes relating to the fully-consolidated companies:

(25) Regarding the retrospective amendment of the purchase price for the acquisition of shares in IVU Benelux by IVU AG with effect on 31 December 2004, it was necessary to increase the amendment of the price by TEUR 66.

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

(27) With effect on 31 December 2006, IVU France was taken off the register.

b) Consolidation measures and uniform Group measurement

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

(29) 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

(30) 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 = 0.672; previous year 0.688). Income and expense items are translated at the weighted average exchange rate for the financial year (EUR/GBP = 0.682). Exchange differences arising from the translation are recognised a separate elements of the equity.

Non-current assets

a) Intangible assets

(31) 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 are written off linearly over their estimated useful life. The depreciation periods and depreciation methods are examined at the end of every financial year.

(32) The intangible assets include:

Goodwill

(33) 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.

Commercial rights and licences, software

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

(35) 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.

(36) 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.

Development costs for internally generated software

(37) 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.

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

b) Fixed assets

(39) 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 recognised in the income statement.

(40) 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 their 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.

(41) 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:

(42)

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

(43) 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

(44) 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.

d) Financial assets

(45) Receivables from deliveries and performances and other current assets are recognised at the time of the counter-performance and carried forward at their cost after the formation of corresponding value corrections. Value corrections are made if there are indications that an item will probably not be received. The receivables from deliveries and performances have been due on average for 30 days.

(46) A financial asset or a part of financial asset is derecognised when the IVU Group loses the control of contractual rights from which the asset arises.

(47) 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 booked at TEUR 54 under the financial instruments held for trading purposes.

e) Risk management for financial instruments

(48) In addition to receivables from deliveries and performances, the key financial instruments of the company are cash assets and bank loans. The purpose of these financial instruments is to finance the operative business. The major risks arise from credit risks, liquidity risks, exchange rate fluctuations, and current value risks.

ea) Credit and liquidity risks

(49) 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 in the level of the recognised carrying amounts of the financial assets.

(50) 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.

(51) 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.

eb) Exchange rate risks

(52) Because the companies in the Group mainly carry out business deals concluded in euros, there are no appreciable exchange rate risks. Corresponding hedge transactions were therefore not entered into.

ec) Current value risks

(53) The financial instruments of the IVU Group that are not booked at fair value include primarily means of payment, receivables from deliveries and performances, other current assets, other non-current assets, liabilities from deliveries and services, and other liabilities.

(54) The carrying amount of the means of payment corresponds to its fair value because of the short periods of these financial instruments. In the case of receivables and payables based on normal trading credit conditions the carrying amount resting on historical costs of purchase also corresponds to the fair value. The market values of financial instruments held for trading purposes are determined on the balance sheet date.

Current assets

a) Inventories

(55) 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

(56) 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

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

(58) 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.

(59) 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:

	31.12.2006 TEUR	Changes 2006 TEUR	31.12.2005 TEUR
Currency translation	107	26	81

Non-current liabilities /Pension provisions

(60) 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. To the extent that benefits are already vested immediately following the introduction of or changes to a pension plan, past service costs are to be recognised immediately.

Current liabilities

a) Other provisions

(61) 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

(62) Financial liabilities are divided into the following categories:

- 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.

(63) 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.

(64) 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

(65) 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.

(66) 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

(67) 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.

(68) 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.

(69) In 2006, 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 279 and recognised these as revenues (previous year: TEUR 83). These sums are recognised under other revenues.

Borrowing costs

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

Leasing

(71) 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.

(72) 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.

(73) 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.

(74) In 2006 investments amounting to TEUR 89 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.

(75) In addition, in 2006 fixed assets with residual value of TEUR 137, which were already carried by IVU AG, were sold within the framework of hire-purchase agreements and leased back over a period of 4 years (Sale-and-lease back). The transaction is to be classified as finance leasing.

Conclusion of sales and realisation of revenues

(76) 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

(77) 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) Sale of licences

(78) 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

(79) 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

(80) 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

(81) 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

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

Income taxes

(83) 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.

(84) The recognition of deferred taxes 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 difference, 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.

(85) 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 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 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.

(86) 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.

(87) 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.

(88) *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.

Segment reporting

a) Operational segments

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

- Public Transport
- Logistics

(90) IVU AG has combined the segments Transport Logistics and Information Logistics since the 1 January 2006 in the new segment Logistics. The background for this combination is the changes of key customers of IVU AG in the segment Transport Logistics.

(91) 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

(92) 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

Non-current assets

1 Intangible assets and fixed assets

(93) Concerning the development of the non-current assets in the financial year ending 31 December 2006, reference is made to the attached Annex to these Notes on the Development of intangible assets and fixed assets (plant, property and equipment).

- With comparison to the goodwill as of 1 January 2005 the historical costs of purchase and conversion with the accumulated depreciation are reduced by TEUR 22 822. The presentation meant that as of 31 December 2005 the adjustments of value of goodwill is only recorded as those adjustments which would have arisen within the framework of the provisions of IFRS 3 and IAS 36 (amended 2003).

(94) The IVU Group carried out impairment tests on 31 December 2006 and 31 December 2005 for non-current assets. The impairment test based on the following cash generating units and their carrying amounts for the goodwill:

Cash generating unit	31.12.2005 TEUR	Transfer TEUR	31.12.2006 TEUR
Public Transport	8,980		8,980
Logistics		2,369	2,369
Transport Logistics	1,692	-1,692	
Information Logistics	677	-677	
	11,349	0	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 2006. 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 depreciation rate of 12.7 % (before tax) was used. Before brining 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 und Information Logistics.

(95) In the financial year covered by this report, the company conducted Sale & Leaseback transactions with a volume of TEUR 181. These involved items of plant, property and equipment (principally computer hardware) which had already been recognised in the IVU AG accounts and which were sold to a leasing company within the framework of a Sale & Leaseback arrangement. This involved hire-purchase contracts which envisage a transfer of ownership to IVU AG at the end of the four-year contract period. Since this is economically a loan transaction, it is not recognised under in the fixed assets. In the cash flow statement the corresponding payments are presented under finances (see Annex 4). The present value of the leasing liabilities at the date of the balance sheet was TEUR 158.

(96) In addition to the transaction discussed under (94) above, in the financial year IVU AG entered into finance leasing contracts for hardware and software with a volume of TEUR 89. The

contracts have a duration of 4 years. The present value of the leasing liabilities at the date of the balance sheet was TEUR 84.

2 Financial instruments held for trading

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

Current assets

3 Inventories

	2006 TEUR	2005 TEUR
Goods (valued at costs of purchase)	668	663
Down-payments	50	207
	718	870

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

4 Receivables from deliveries and performances, net

	2006 TEUR	2005 TEUR
Receivables from deliveries and performances, gross	12 374	9 782
Individual value adjustments	-393	-116
	11 981	9 666

5 Current receivables from construction orders

(99) Receivables in accordance with the percentage-of-completion method accrue when sales revenue is recognised but these 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.

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

	2006 TEUR	2005 TEUR
Costs arising	2 517	2 131
Profit share	851	751
Contract revenue	3 368	2 882
Advances received	-839	-2 629
Receivables from long-term construction contracts	3 004	2 220
Liabilities from long-term construction contracts	475	1 967

6 Other current assets

	2006 TEUR	2005 TEUR
Overnight money to secure sureties	1 152	1 587
Value-added tax on payments received	208	405
Receivables from tax credits (VAT)	100	100
Receivables from government grants and allowances	76	22
Others	198	231
	1 734	2 345

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

7 Liquid funds

	2006 TEUR	2005 TEUR
Deposits at financial institutions	939	538
Cash in hand	4	4
	943	542

8 Equity

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

a) Authorised and conditional capital

(103) The fully paid-in share capital entered in the Commercial Register amounted on the balance sheet date to EUR 17 669 160 (2005: EUR 17 669 160). The share capital is divided into a

total of 17 669 160 no-par shares (2005: 17 669 160).

(104) In the financial year 2006, the board member Dr. Gero Scholz 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.

(105) 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 July 2005 the authorised capital on the balance sheet date was EUR 960 000.

b) Increase in equity

(106) 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

(107) 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.

The authorised and conditional capital is as follows:

	2006 TEUR	2005 TEUR
Authorised capital (GK)		
- GK 2002/I (until 18 June 2007)	960	960
Conditional capital (BK)		
- BK 2004/I (until 30 April 2009)	150	150
	1 110	1 110

Non-current liabilities

9 Pension provisions

(108) 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.

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

	2006 %	2005 %
Interest rate factor	4.00	4.00
Income trend	0.00 – 2.50	0.00 – 2.50
Pensions trend	2.00	2.00
Fluctuation	0.00	0.00

(110) 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.

(111) The net pension expenses are as follows:

	2006 TEUR	2005 TEUR
Service cost	29	23
Interest costs	171	175
Anticipated income from plan assets	-50	-47
Recognised actuarial losses / gains	48	16
Past service cost	0	207
Period expenses	198	374

(112) The following overview shows the pension liability:

	2006 TEUR	2005 TEUR
Pension obligations	4 261	4 269
Fair value of plan assets	-1 332	-1 254
Unrecognised actuarial losses	-613	-861
Pension liability	2 316	2 154

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

	2006 TEUR	2005 TEUR
Cash value of the pension obligation, start of period	4 269	3 299
Service cost	29	23
Interest costs	171	175
Pension payments	-19	0
Past service cost	0	207
Unrecognised actuarial gains / losses	-189	565
Pension obligation, end of period	4 261	4 269

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

	2006 TEUR	2005 TEUR
Fair value of plan assets, start of period	1 254	1 188
Expected income from plan assets	50	47
Payments into the plan assets	17	17
Unrecognised actuarial gains / losses	11	2
Plan assets, end of period	1 332	1 254

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

(116) 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 2004:

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

(117) The anticipated revenues from the plan assets base on the expected return of 4%. In the next twelve months it is expected that payments amounting to TEUR 16 will be made to the plan.

(118) 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 1 045.

10 Non-current loans

(119) In July 2005, refinancing was carried out from the DZ Bank AG to Deutsche Bank AG and DKB Deutsche Kreditbank AG. Within the framework of a redemption agreement, DZ Bank AG irrevocably waived a part of the sum repayable to it amounting to TEUR 1 900. By means of an increase in share capital by üstra Hannoversche Verkehrsbetriebe AG, Hanover, amounting to TEUR 1 500 and new loans taken out at Deutsche Bank AG and DKB Deutsche Kreditbank AG, all liabilities from loans and current account credits at DZ Bank AG could be repaid.

(120) The new 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:

2006: four instalments, each of TEUR 100 at the end of the quarter
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. .

(121) 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	1 518	1 918
Loan, DKB Deutsche Kreditbank AG *)	1 617	1 918
Current account credit Deutsche Bank AG	832	1 500
Current account credit DKB Deutsche Kreditbank AG	1 446	1 500
	5 413	6 836
Of which current	3 578	
Non-current loans	1 835	

*) The 4th instalment for 2006 was credited by Deutsche Kreditbank only on 2 January 2007. This shift meant that Deutsche Kreditbank was only credited with 3 repayment instalments in 2006.

(122) The new 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, by the blanket assignment of receivables from goods deliveries and performances, and a liquidity guarantee for TEUR 300 given by a member of the Management Board, limited until 31 December 2006.

Current liabilities

11 Financial liabilities

(123) As of 31 December 2006 and 2005, 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.

(124) *Land* Berlin approved a Federal State guarantee amounting to 70 % of the deficiency of loan repayments for the total of TEUR 3 000. 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.

(125) The expenses for interest in the financial year 2006 amounted to TEUR 468 (2005: TEUR 452). The sum of TEUR 39 relates to interest payments which are expected to be required in relationship to the conclusions of a review by the tax authorities.

12 Provisions

(126) The provisions have developed as follows:

	As of 1.1. 2006	Consumed	Dissolved	Added	As of 31.12. 2006
	TEUR	TEUR	TEUR	TEUR	TEUR
Performances outstanding	733	-436	-57	246	486
Other provisions	100	-25	0	0	74
	833	-462	-57	246	560
- of which current	833				560

(127) The provisions for performances outstanding relate to work still required on projects which have already been concluded.

13 Other current liabilities

	2006	2005
	TEUR	TEUR
Personnel-related liabilities	1 647	1 704
Liabilities from taxes (VAT, tax on salaries and wages)	1 078	963
Liabilities from outstanding invoices	507	197
Liabilities relating to social security	46	368
Others	1 057	713
	4 335	4 141

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

14 Deferred taxes/Income taxes

(129) The German trade income tax is levied on the taxable income of the IVU Group, corrected to remove certain income which is not subject to trade income tax, and including certain expenses which cannot be deducted for tax purposes. 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 2006 and 2005 was approx. 16.5 %. The trade income tax can be set off against the corporation income tax. The rate of corporation income tax is 25 %. An additional solidarity charge of 5.5 % is levied on the corporation income tax paid.

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

	2006 TEUR	2005 TEUR
Current tax expense *)		
• Financial year	127	362
Deferred tax income /expense		
• Change to the tax losses carried forward	-45	148
• Tax-deductible goodwill depreciation	187	187
• Changes to non-current order construction	73	126
• Changes to flat-rate value adjustment	6	6
• Depreciation of internally generated software	-188	-332
• Changes in pension provisions	-32	-154
• Changes to other assets	12	9
• Changes to other provisions	-9	12
• Changes to other liabilities	-4	-2
	0	0
Expense from income taxes - adjusted *)	127	19

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

	2006 TEUR	2005 TEUR
Earnings before taxes	1 676	2 523
Theoretical income tax expense (39 %)	654	984
Depreciation of goodwill	-187	-187
Consumption of tax losses carried forward	-340	-435
Current tax expense – adjusted *)	127	362

*) The tax expense 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).

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

	2006 TEUR	change TEUR	2005 TEUR
Deferred tax assets			
• Tax loss carried forward and deductible goodwill depreciation	718	45	673
• Pension provisions	405	32	373
• Other provisions	42	9	33
	1 165	86	1 079
Deferred tax liabilities			
• Receivables from non-current construction contracts	-411	-73	-338
• Recognition of internally generated software	-347	188	-535
• Tax-deductible goodwill depreciation	-374	-187	-187
• Changes to flat-rate value adjustments	-12	-6	-6
• Other assets	-21	-12	-9
• Other liabilities	0	4	-4
	-1 165	-86	-1 079
Deferred tax liabilities, net	0	0	0
- of which affecting the income situation	0		0
- of which equity changes	0		0
Summary			
• Recognised deferred taxes	1 165		1 079
• Deferred tax liabilities	-1 165		-1 079

(133) The IVU Group recognises a total tax loss carried forward of TEUR 41 793 (Previous year: TEUR 41 793) and of this total TEUR 41 432 (Previous year TEUR 41 963) relates to Germany. The domestic losses carried forward do not lapse.

D. Notes on the Group income statement

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

15 Sales earnings

	2006 TEUR	2005 TEUR
Deliveries/Services/Works contracts	18 210	18 210
Licenses	6 482	4 219
Maintenance	5 369	5 120
	30 061	31 245

16 Material expenses

	2006 TEUR	2005 TEUR
Expenses for third-party performances	2 633	2 083
Expenses for goods purchased	3 536	6 800
	6 169	8 883

17 Personnel expenses

	2006 TEUR	2005 TEUR
Wages and salaries	13 270	12 732
Social security payments and expenses for pensions and support	2 599	2 492
	15 869	15 224

18 Depreciation of non-current assets

	2006 TEUR	2005 TEUR
- on intangible assets and plant, property, and equipment	744	1 011
- of recognised development costs	538	1 210
Depreciation of fixed assets	1 282	2 221

19 Other operational expenses

	2006 TEUR	2005 TEUR
Marketing	1 673	1 589
Operational costs	1 478	1 450
Administration	966	1 151
Others	1 262	599
	5 379	4 789

20 Earnings per share

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

	2006	2005
Period result (TEUR)	1 443	2 161
No. of ordinary shares as of 1 January (x 1000)	17 669	16 169
Share capital increase (TEUR)	0	1 500
No. of ordinary shares as of 31 December (x 1000)	17 719	17 669
No. of weighted shares (x 1000)	17 669	16 827
Undiluted earnings per share (euro/share)	0.08	0.13

(136) 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 die 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 2006 and 2005 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, no dividend was paid.

The entries as repayments of loans contain solely the amounts used to pay of the loan.

F. Note on segment reporting

(137) 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 has been organised since 1 January 2006 in two operative segments - Public Transport, and Logistics. The two segments Transport Logistics and Information Logistics were merged into a single segment. The cause for this reorganisation is

the changes in the in the sector of our customers in *Transport Logistics*, primarily the partial global consolidation in the cement sector.

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

Public Transport

(139) 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

(140) For the market segment waste service logistics, building materials and rentals, software products provide integrated presentations of business processes and to optimise transport procedures. For our customer groups Deutsche Post, Deutsche Telekom, 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

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

	2006 TEUR	2005 TEUR
Gross assets	33 135	31 233
- Deducted deferred taxes	-1 165	-1 079
Segment assets	31 970	30 154

	2006 TEUR	2005 TEUR
Gross liabilities	16 860	16 477
- Tax provisions	-549	-343
- Non-deducted deferred taxes	-1 165	-1.079
Segment liabilities	15 146	15 055

G. Other details

Other financial obligations and contingent liabilities

Rental and leasing contracts

(142) Within the framework of operating-leasing contracts, office equipment and other equipment was leased. Leasing costs in 2006 amounted to TEUR 66.

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

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

Residual period	up to 1 year TEUR	1 to 5 years TEUR	Total TEUR
Liabilities	79	198	277
Interest portion	17	18	35
Present value	62	180	242

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

	Rent payments TEUR	Lease payments TEUR	Total TEUR
2007	932	183	1 115
2008	928	157	1 085
2009	928	127	1 055
2010	208	72	280
2011	52	53	105
2012 and later	49	41	41
Total	3 048	633	3 681

Guarantees of bills of exchange

(146) Various insurance companies and financial institutes had taken on guarantees of bills of exchange amounting to TEUR 1 152 (2005: TEUR 1 587) for IVU AG at the balance sheet date.

Personnel

(147) The average number of personnel in the IVU Group in the financial year was 286 (2005: 268 personnel).

Auditing fees

(148) The fees of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft for the auditing of the IVU AG, the IVU consolidated financial statement amount to TEUR 107. In addition, tax consultancy services were provided by Ernst & Young in 2006 amounting to TEUR 8.

Relationships to related parties (enterprises and individuals)

(149) 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

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

(151) 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

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

Management Board members of IVU AG

Prof. Ernst Denert (Chair)
Dr. Olaf Schemczyk
Dr. Gero Scholz (until 31 January 2007)

Supervisory Board members of IVU AG

Klaus-Gerd Kleversaat (Chair), Berlin
Management Board member of quirin bank AG, Berlin
Deputy Chair of Supervisory Board of Ventegis Capital AG, Berlin,
Member of Supervisory Board of Euro Change Wechselstuben AG, Berlin,
Member of Supervisory Board of Stream Films AG, Berlin,
Member of Supervisory Board of Orbit Software AG, Berlin,
Member of Supervisory Board of Getemed Medizin- und Informationstechnik AG, Teltow

Dr. Heinrich Ganseforth, Hanover (until 24 May 2006)
Consultant

Hans G. Kloss (Deputy Chair of Board), Berlin
Chair of Supervisory Board of Hansen & Heinrich AG, Berlin
Managing director of BEROMAT Consulting GmbH, Berlin,

André Neiß, Hanover (since 24 May 2006)
Chair of Management Board of üstra Hannoversche Verkehrsbetriebe AG, Hanover,
Chair of the Supervisory Board of intalliance AG, Hannover,
Member of the Advisory Board of Hannover Region Grundstücksgesellschaft mbH HRG & Co. Passerelle KG, Hanover,
Member of the Supervisory Board of Mitteldeutsche Verkehrsconsult GmbH, Magdeburg.

(153) In the financial year 2006, it was reported in accordance with Section 15 of the WpHG (Securities Trading Act) that the Chair of the Supervisory Board of IVU AG, Klaus-Gerd Kleversaat, acquired in November 2006 34 160 shares. With this, the total proportion of shares held by (members of) the supervisory board increased from 4.0% to 4.2%.

Transactions with related individuals

(154) In the reporting period, as in the previous year, there were no business transactions between related individuals and the IVU Group.

Emoluments for Management Board and Supervisory Board members

(155) In the financial year 2006, the Management Board of IVU AG received emoluments totalling TEUR 784. The payments to the Management Board members consisted of a fixed portion and a variable portion. In the financial year covered by this report the variable portion was approximately 21 % of the total emoluments (2005: 24 %). For the Management Board member Dr. Olaf Schemczyk a pension commitment has been made which on the balance sheet date was recognised at TEUR 271.

(156) Pension provisions are set aside for former office holders of TEUR 1 258 (2005: TEUR 1 186).

(157) The Supervisory Board have received emoluments in 2006 of TEUR 37.5 (2005: TEUR 37.5).

(158) 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	1 248 055
Supervisory Board members	
Hans G. Kloß	598 217
Klaus-Gerd Kleversaat	136 000

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

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

üstra Hannoversche Verkehrsbetriebe AG, Hanover has 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 is assigned 1.24 % of the voting rights in accordance with Section 22.1 WpHG.

In the financial year 2005 the company was informed of the following in the holding structure:

üstra Hannoversche Verkehrsbetriebe AG, Hanover informed the company in accordance with Section 21.1 WpHG that it had exceeded the threshold of 5 % and held 11.12 % of the voting rights of IVU AG. Of these the üstra Hannoversche Verkehrsbetriebe AG is assigned 2.66 % of the voting rights in accordance with Section 22.1 WpHG.

Note on the German “Corporate Governance Code”

(160) 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 2007

Prof. Ernst Denert	Dr. Olaf Schemczyk	Dr. Gero Scholz

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, profit and loss statement, statement of changes of equity, cash flow statement, annexed notes, segment reports, and the consolidated management report for the financial year from 1 January to 31 December 2006. 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 of 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, 7 March 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Schepers Auditor	Wendt Auditor