IVU Traffic Technologies AG

Annual Report 2005

Letter to our shareholders

Dear shareholders, Dear friends of IVU,

2005 was a year of transition for IVU, and the turnaround has been achieved. The financial statement demonstrates this, and the very good order situation for 2006 gives us reason to expect that the positive results for 2005 were not just a flash in the pan. On the contrary, the figures for 2006 will be considerably better.

The equity situation has not only improved due to the positive results, but also following the measures taken in mid-2005, namely the increase in the share capital and the reorganisation of loans, including the claim waived by a bank.

Our optimism after the difficult years behind us is based on three factors: Firstly, we have managed to restructure the *team* so that it is quantitatively smaller but at the same time qualitatively stronger. This was a difficult and also a painful process, but now we can look forward to the future strengthening of the team with further training and the recruitment of new highly-qualified coworkers. Secondly, we are continuously developing the functionality of our *products* and improving their quality. Thirdly, there are our *customers*, who remain loyal to us because we take care of them and provide a good service. In the customer survey that we commissioned last autumn, the market research institute pointed out room for improvement in project completion and support, but above all they concluded that we had a good image, in particular concerning the performance of our team and the benefit and quality of our products. The word then quickly spreads, and that helps us to gain new customers. The interaction of personnel, products and customers is bearing fruit.

In the hope that you continue to appreciate the work of IVU, we remain

Yours sincerely

<Signatures>
The Executive Board

Berlin, March 2006

Management report

IVU and the market

The market in Germany for IT systems in the public transport sector has hardly changed in 2005 compared to previous years, perhaps with the exception of a slight stimulus provided in the run-up to football's World Cup finals. It remains the case that a good public transport service is a high social priority in Germany, not only quantitatively in terms of regularity, but also qualitatively, for example with displays at the stops to keep passengers well informed, or the provision of information by internet or by text message to a mobile phone. This is not of direct economic benefit to the transport utility, but nevertheless even in times of budgetary constraints investments are being made in this information technology. The public transport is simply expected to have a good standard, as a service of general economic benefit, and as an important selling point in the competition between locations.

The situation is broadly similar throughout Europe, although the new member states of the European Union have some catching up to do. This is even more the case in some non-European countries. We are focusing our activities on South America and the Arab countries, where we see interesting opportunities, in particular with our fleet management products (BON, i.box).

In Germany, IVU has a large share of the market in the public transport sector, in particular for planning systems (MICROBUS), where we are market leaders. This provides a long-term basis for our German business.

The national markets for disposal logistics (waste management), where we are offering our Combitour system, vary considerably. The German market is still proving difficult: on the one hand it is characterised by project orders which are not particularly valuable but which nevertheless involve considerable work, and on the other hand there is a trend to the introduction of SAP solutions for disposal by the large operators and the municipal utilities. The situation is very different in the Netherlands, where our subsidiary is very successful with a healthy mixture of product sales and consultancy services. The first order for Combitour in England confirms our assessment that there is a considerable and growing need in Great Britain for IT systems for the planning and control of disposal fleets.

The demand for IT solutions from the public administrations (e-government) persists, although there is currently stiff price competition concerning daily rates, and we can only respond to a limited extent if we are to ensure that the necessary software quality can be maintained. We are confident that excellent quality will improve our opportunities when bidding for future tenders – because even for public bodies price is not the sole criterion on which decisions are based.

Despite the good order situation in Germany, particularly for public transport, increased efforts are necessary abroad in order to combine stability and growth. The proportion of foreign sales in the turnover for 2005 of more than 30 % shows that we are making good progress in our international business. This is also the case if one looks only at the non-German-speaking countries (21 %).

Germany	T€ 20 954		
Austria + Switzerland	T€ 3 709	79 %	
The rest of Europe	T€ 2 414		
Subsidiaries	T€ 3 115	21 %	*Non-German speaking countries*
Other countries	T€ 1 053		
Total 2005	**T€ 31 245**		

Highlights 2005

... for planning systems

An excellent success for our planning system MICROBUS was the order from the Berlin public transport utility *Berliner Verkehrsbetriebe (BVG)*, which we won after a neck-and-neck race with a competitor. MICROBUS will replace the previous system, which was developed as an individual solution more than a decade ago, also by IVU.

At the German rail operator *Deutsche Bahn*, MICROBUS is now standing up to the rigours of real daily operations, and it is already widely used, namely by 21 regional bus companies and the *S-Bahn* urban and regional rail services in Munich and Rhein-Neckar. An order has also been received from the S-Bahn Hamburg, which will go into operation with it in 2007. Further S-Bahn urban and regional rail operators are expected to follow suit.

ÖBB-Postbus, our long-standing customer in Austria is replacing its previous planning system. Already in 2006, the Postbus, familiar to all those taking holidays in Austria, will be drawing up its schedules with assistance from MICROBUS.

The mid-Norwegian company *Fjord1* has placed an order from a geographically impressive setting, and they will be using MICROBUS not only to plan their bus routes, but also their ferry schedules.

... for ticketing systems

Our new generation of on-board computers – the i.box family – is establishing itself on the market. With the i.box printer version – for printing and selling tickets on board, we have already been able to register satisfying progress, namely in *Lübeck* and *Wolfsburg*. There has been a particularly interesting development in *Klagenfurt*, where as a sign of things to come the e-ticketing has been combined with smart cards, and is being used not only for public transport but also for the lido at lake Wörthersee.

... for operational control systems and passenger information

Important further developments of our BON operational control system and the dynamic passenger information are being implemented for our long-standing customers *Wiener Linien* and *üstra,* Hannover. Their control centres have placed specially high demands, and meeting these will later also be of benefit to other customers.

We registered our greatest success in 2005 in the Netherlands. A nationwide e-ticketing system is being set up there which will allow travellers to travel anywhere in the country using a smart card, without having to bother about fares and tickets. It is being realised by a consortium made up of Thales, Accenture and the Dutch transport public transport service providers Vialis, and we are acting as its partner. IVU augments the e-ticketing with fleet management based on our BON-monitoring system and the software and hardware of our i.box on-board computers. The first customer to use this solution is *Connexxion*, the large regional bus operator, which runs services all over the Netherlands. Others are expected to follow.

... in Transport logistics

The further development of our tour planning system ContourWeb for the *Stadtwerke Munich* municipally utility has made good progress. It now also includes the software for the mobile end appliances, which can be used by the outdoor staff to review what they have to do (e.g. meter reading for electricity, gas, and water) and then to record the readings. This system has every chance of being used by other public utilities, and some contacts are already being processed.

... in e-government

The official final count of the German federal elections in *2005* was once again prepared using the election system of IVU. Everything ran smoothly on election night, and the only surprise was the outcome of the election itself.

For the Federal Ministry of Finance we are working together with ZEW, the renowned economic research institute in Mannheim, on a system for estimating tax revenues, and it is intended that this will make it possible for tax experts to prepare better predictions in a shorter time.

Deutsche Post is using the Filialinfo system, which we developed further in 2005 for its geomarketing, i.e. for its location optimisation and sales area planning.

... in the foreign subsidiaries

IVU Italia received an order from ATM Milan to equip the cities underground rail service with the MICROBUS Personnel Deployment system; this is used to plan the duty schedules for the drivers. IVU Benelux has achieved a very good result overall in 2005 and was particularly successful with piloting the implementation of telematics at AVR-Rotterdam, the largest Dutch waste disposal operator. IVU UK is on the verge of concluding projects with important customers which will then be able to serve as references. However, the public transport market in Great Britain remains a tough nut to crack. It is all the more pleasing that a first order has been acquired for the use of Combitour in waste management, in this case with the support of IVU Benelux.

... at trade fairs and conferences

The most important trade fair of 2005 took place within the framework of the UITP World Congress (*Union Internationale des Transports Publics*) in June in Rome. Our stand was very well visited, and considerable interest was shown in our products.

In addition to the annual user forum for the users of our public transport products, the IVU conference "IT in Public Transport" which we organise every two years for the decision makers in the transport companies provided a good opportunity in December 2005 to exchange views with important customers.

Project business and maintenance

On the whole, the business of IVU is conducted in the form of projects, i.e. our products (mainly software and to a lesser extent also hardware) are adapted to suit the special operating conditions of the customers within the framework of project work; the products cannot simply be sold off the shelf. This involves the analysis of requirements and following this special developments, data migration and preparation, system installation on site, providing training for users, etc. Each project has to be acquired starting from scratch, often by submitting offers in response to public calls for tenders.

The large number of systems which have already been installed leads to a growing base of steadily flowing revenue from maintenance work. In 2005 this accounted for € 5.1 million (against € 4.5 million in the previous year), this is 22 % (20 %) of gross profits, or one-fifth of our value creation. However, the greater part of our business will always lie in the project work, and the earning from software licences.

Products

All our products – software and hardware – are continually being developed further in order to satisfy the demands of our customers for new functions or in order to utilise the benefits offered by technological innovation. In addition, some more extensive development work is being carried out within the framework of on-going projects:

− A new personnel deployment component for our planning system *MICROBUS*, initiated by the large order from BVG,
− A fundamental extension of the *BON* operational monitoring system, initiated by *Wiener Linien* and *üstra*,
− A new generation of the ticketing machine *i.box printer*, with restructured hardware which has made it possible to reduce manufacturing costs,
− A new version of the tour planning system *ContourWeb*, with additional software for the mobile handheld appliances, *ContourMobile,* which can be used by outdoor representatives, as implemented for example by the municipal utilities such as Stadtwerke Munich.

Personnel

Personnel development

	31.12.2005	31.12.2004	Change
No. of personnel	279	292	- 4.5 %
Personnel capacity	226	252	- 10.1 %

Team strengthened

The numbers show the overall reduction of the personnel capacity, but do not adequately reflect the extent to which the team has been restructured. There were 51 departures, of which 38 were due to operationally necessary dismissals, and 29 new appointments. The latter were mostly highly-qualified computer scientists and software engineers. As a result the IVU team is now much stronger and has become more efficient in development work and project implementation. This is also reflected in the fact that the proportion of computer scientists has risen from 8 % in 2002 to 27 % (2005), and that the proportion of non-academics has been reduced from 39 % (2002) to 25 % (2005).

Agreement in Canada

A compensation agreement has been reached with former employees following the closure of the subsidiary Teleride Inc., Toronto, so that there is no further litigation risk.

Assets, financial situation and results

5-year comparison

	2001	2002	2003	2004	2005
	€ million	€ million	€ million	€ million	€ million
Revenue	25.5	35.6	29.9	26.8	31.2
.. of which performances as yet not invoiced				*1.0*	*1.4*
Gross profit	28.0	32.0	24.9	22.3	23.2
Personnel costs	23.3	18.9	19.5	17.7	15.2
EBIT	-18.8	0.8	-6.6	-8.1	1.0
Consolidated annual profit/loss	-37.1	-3.4	-7.4	-8.7	2.2
Operating result			-2.2	-0.4	1.3

Value creation

The value creation of the company, that is the performance resulting from the work of its employees, is given as the gross profit. Broadly speaking this is the revenue minus the costs for third-party performances and material. The most important indicator for the economic performance of IVU is the gross profit per employee, and this not only applies for the company as a whole, but also for the individual business units (segments, branches). The gross profit per employee is a simple but very reliable indicator of profitability: if it is above T€ 100 then the profitability of IVU is good. With a figure of T€ 103 in 2005, this level was exceeded for the first time.

Revenues and gross profits higher

The turnover in 2005 was € 31.2 million, which was 17 % higher than in the previous year. It was distributed across the lines of business as follows: Public Transport € 26.6 million (85 %), Transport Logistics € 2.2 million (7 %), and Information Logistics € 2.4 million (8 %). The gross profits have also increased, but only by 4 %, which is not as much as the increase in sales. The greater increase in turnover is the result of the marked growth of hardware business, that is the sale of on-board computers from the i.box family for operating and ticketing systems. This has led to an increase in the material costs and the performances obtained from hardware manufacturers. Performances which have not yet been invoiced have risen from € 1.0 million (in 2004) to € 1.4 million due to some larger projects which were started in 2005 but which can only be invoiced in 2006.

Costs and write-offs reduced

The costs have fallen in all key positions:

- The *personnel costs* have fallen by € 2.5 million. The dismissals which came into effect in early 2005 have led to a sustainable reduction in personnel costs. The reserves amounting to T€ 804 set aside to cover continued salary payments and compensations were exceeded by T€ 247. The personnel costs were increased by this sum in the financial year covered by the report. Furthermore, the reserves for the legal risks arising from litigation by former employees of the former Canadian subsidiary Teleride Inc. were consumed to the extent of T€ 380, with the remaining T€ 300 being released. Following the conclusion of the compensation agreement, legal risks no longer exist.
- The *write-offs of intangible assets* (third-party software) *and property, plant and equipment* has fallen by T€ 296. Due to the higher investments in previous years the depreciation is still markedly higher than the current investments (approx. T€ 300), so that in the coming years a further decline can be foreseen, even if replacement investments in the subsequent years will rise again to a certain extent.
- The same also applies for the *write-offs of internally-generated intangible assets*, which was T€ 684 lower than in 2004.
- After the extraordinary depreciation in 2004, the company *goodwill* was not reduced further.
- The *other operational costs* in 2005 were T€ 597 lower than in 2004 – a consequence of the general cost-cutting efforts.

Positive result

Due to the increased revenue and the lower costs, the annual result is positive. The earnings before interest and taxes (EBIT) were € 1.0 million, despite the fact that depreciation remained at a high level, and the earnings before taxes were € 2.5 million, also due in part to the one-off waiving of a claim by DZ-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 on long-term assets
+/- Relevant special effects

Relevant special effects in 2005 were: the release of Teleride reserves amounting to T€300, the consumption resulting from the personnel measures amounting to € 1.0 million, and a tax refund from the previous year of € 201 000.

The operating result for 2005 is EUR 1.3 million, which is EUR 1.7 million higher than in the previous year.

Despite a considerable loss carried forward, we have to pay corporation income tax for 2005, and this amounts to T€ 362. This is the consequence of our good results and therefore has a positive aspect. It also represents a small contribution towards improving the state finances, which are not unimportant for our business.

Assets situation improved

The capital measure carried out in July 2005, consisting of an increase in share capital and new bank financing has improved the equity by € 3.4 million. The increase in capital by üstra AG, Hannover, introduced € 1.5 million additional equity and the waiving of claims by the DZ Bank yielded € 1.9 million. The borrowed funds are now as follows:

Bank	Form	Volume in € million	Employed as of 31.12.2005 in € million	Duration until	Guarantor
Deutsche Bank	Loan[1]	1.9	0.9[2]	30.06.09	üstra AG, Hanover, Global transfer of receivables, Liquidity guarantee by board member, Pledging of claims
Deutsche Kreditbank	Loan[1]	1.9	1.9		
Deutsche Bank	Line of credit	1.5	0.2	30.06.09	Land Berlin, IVU founders
Deutsche Kreditbank	Line of credit	1.5	1.5		
Total		**6.8**	**4.5**		

[1]*Repayment in 2006 of T€ 400 per credit institute*

[2]*includes temporary special repayment in December 2005*

The share capital measure and the positive annual result led to an improvement in equity over the year covered by the report of € 3.7 million. Equity on 31 December 2005 was € 14.8 million (2004: € 11.1 million). A threat of over-indebtedness is thus averted. For the financial year 2006 we expect another positive result and thus a further increase in equity.

Short-term assets

In comparison with the previous financial year the liabilities from construction contracts for large-scale projects increased by T€ 874.

Liquidity

As of 31 December 2005, IVU held € 0.5 million in cash. The input of increased share capital by üstra AG of € 1.5 million served to redeem the DZ Bank loan in June 2005. Concomitant with the increase in turnover in comparison with the previous year, there was also an increase in receivables as of 31 December 2005 amounting to € 2.6 million. In view of this, and above all bearing in mind the good order book situation, it is foreseen that the liquidity for 2006 will be completely adequate. The lines of credit of € 3 million in total will not be drawn on in full at any time, and the loan repayments of T€ 800 can be made as planned. This repayment will in turn lead to a reduction in interest payable. The foreseeable bank sureties required to secure project deals can be deposited to the required levels.

Orders situation

The orders situation is very good. The level of orders, defined by signed contracts, amounted on 08 March 2006 to € 21.9 million (against € 16.6 million in the previous year), additional firmly promised orders have a volume of € 2 million. Together these make up almost 80 % of the targeted turnover, or gross profits. Furthermore, there are also open offers and deals of several million € under negotiation, which we conservatively value at € 3 million, so that the overall order situation for 2006 already almost covers the conservatively planned goals.

Prospects

The situation of IVU is very good. The financial statement for 2005 already indicates as much, and above all the order books already largely cover the goals planned for 2006. That is unusual at this early stage in the year. We expect to achieve a similar turnover to 2005, that is in excess of € 30 million. But more important is the gross profit, which is planned to be € 25 million, an increase of 9 %. That leads to a further appreciable increase in EBIT. We expect that this positive development will also continue in 2007.

The confidence that is expressed in these quantitative predictions has three roots: Firstly, we have managed in the recent difficult years to change the team so that it is quantitatively smaller but at the same time qualitatively stronger. An important point was that the key team members could be kept on board. Secondly, we have developed the functionality of a our core products further, and made improvement in the quality. And finally, we have taken good care of our existing customers and attracted a number of new ones. All these efforts are now bearing fruit.

Risks

Business risks

Most of IVU's customers are public-sector companies whose ability to pay is beyond doubt. However, they too are suffering under the tight budgetary situation currently affecting all the public sector. In particular, we can expect to see cutbacks in the subsidies for public transport companies from the German federal government and the European Union. This could also affect investments in IT systems and thus IVU's own business.

The project business of IVU is based almost exclusively on contract work. This naturally involves the risk that the actual work involved can turn 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 (swaps).

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 executive 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. On the basis of this critical scrutiny it was possible in a timely fashion to close down the subsidiary in France and to change the managing director in England.

Significant events after the balance sheet date

Since 31 December 2005 there have been no significant events which have affected the assets, financial situation and results.

IVU shares

Marked recovery

At the beginning of the year the development of IVU shares was initially quiet. After a short recovery at the end of January its value swung until the beginning of March between € 0.70 and € 0.80. After presentation of the Annual Report there was at first a positive development. Unfortunately this was not stable. It was only after the presentation of the Q1 report that it was recognised that the company was continuing on a successful course, and the shares stabilised at a higher level. From June onwards this pleasing development strengthened. The publication of an analysts study led to a noticeable increase in interested buyers and the share price rose to € 1.27, stabilising later in the year at around € 1.40. After an ad-hoc report in the beginning of 2006 about the financial year 2005, the shares increased further to €1.60. Our results justify this sustained positive development. We expect that this trend will be continued in the next quarters.

Obligation to report

In the financial year 2005, the company was informed of a securities dealing which it is obliged to report under Section 21 WpHG (Securities Trading Act): üstra Hannoversche Verkehrsbetriebe AG acquired the stock increase for the increase in share capital in July 2005 so that its holding exceeds five percent.

REPORT OF THE SUPERVISORY BOARD ON THE FINANCIAL YEAR 2005

In four meetings, the Supervisory Board was extensively informed by the Executive Board of IVU Traffic Technologies AG about the development of the company in the financial year 2005. In the course of these meetings, important principles and specific details of the business policies were discussed. Decisions were taken after careful consideration and in a continuous dialogue between the Executive Board and the Supervisory Board. The Supervisory Board has discharged its duties in accordance with the law and the company's statutes. A focal point of the consultations was the economic situation of the company. Further topics of the regular discussions included the prospects of the individual lines of business and the strategic orientation of the company associated with this.

The Supervisory Board has made sure that the Executive Board of IVU Traffic Technologies AG has taken appropriate measures and maintained a monitoring system in order to identify in good time developments which could endanger the continued existing of the company. The existing risk monitoring system, in the opinion of the Supervisory Board, meets the legal requirements of monitoring the company in a timely fashion. In addition to the presentations of the Executive Board in the meetings, the Supervisory Board also receives a monthly report with detailed operating figures, the order situation, capacity utilisation, and state of liquidity of the company.

The consolidated financial statement prepared by the Executive Board in accordance with the requirements of the German Commercial Code (HGB) and the IFRS for the financial year 2005 and the management report for IVU Traffic Technologies AG were audited by the auditors appointed by the General Meeting held on 15 June 2005, Ernst & Young Auditors, Berlin, and were provided with an unqualified audit report. At its meeting on 15 March 2006, the Supervisory Board discussed the financial statement and the Management Report with the Executive Board and the auditors and accepted it, so that the consolidated financial statement has been adopted.

The Supervisory Board thanks the executive board and the employees for their conscientious and successful work over the past year.

Berlin, 15 March 2006

Klaus-Gerd Kleversaat
Chairman of the Supervisory Board

Consolidated financial statement in a	2001	2002	2003	2004	2005
	€ million	€ million	€ million	€ million	€ million
Sales	25.5	35.6	29.9	26.8	31.2
of which not yet invoiced				*1.0*	*1.4*
Gross profit	28.0	32.0	24.9	22.3	23.2
Personnel expenses	23.3	18.9	19.5	17.7	15.2
(EBIT)	-18.8	0.8	-6.6	-8.1	1.0
Group net annual result	-37.1	-3.4	-7.4	-8.7	2.2
operating result			-2.2	-0.4	1.3
Personnel development				31.12.2004	31.12.2005
No. of coworkers				292	279
Personnel capacity				252	226

Consolidated profit and loss account in accordance with IFRS for the finanacial year 2005			
		2005	**2004**
		TEUR	TEUR
1.	**Earnings**	**31,245**	**26,752**
	of which performances not yet registered	*1,427*	*986*
2.	Other operating revenues	878	1,064
3.	Material costs	-8,883	-5,536
	Gross profit	**23,240**	**22,280**
4.	Personnel expenses	-15,224	-17,669
5.	Depreciation of long-term assets	-2,221	-7,305
6.	Other operating expenses	-4,789	-5,386
	Operating result (EBIT)	**1,006**	**-8,080**
7.	Interest revenues	69	24
8.	Interest payments	-452	-645
9.	Revenue from loan write-off	1,900	0
10.	**Earnings before tax**	**2,523**	**-8,701**
11.	Taxes on income and earnings	-362	-19
12.	**Group net annual result**	**2,161**	**-8,720**
		2005	**2004**
		EUR	EUR
	Earnings per share (undiluted and diluted)	0.13	-0.54
	Average number of shares in circulation	16,827	16,169
	(in multiples of one thousand shares)		

Consolidated cash flow statement in accordance with IFRS for the financial year 2005

		1.1.2005 -31.12.2005	1.1.2004 -31.12.2004
	TEUR	TEUR	TEUR
1. Business activity			
Consolidated annual earnings before income taxes of the period		**2,523**	-8,701
Depreciation of tangible assets	2,221		7,305
Change of provisions	-1,490		1,476
Differences from currency translation	-2		6
Earnings from dissolving special positions	-52		-78
Earnings from interest	383		621
Earnings from loan write-off	-1,900		
Revenue from disposal of property, plant and equipment	-6		-7
		1,677	**622**
Changes to items of current assets and the short-term borrowed funds			
Inventories	-202		337
Receivables and other assets	-2,615		1,336
Liabilities (without provisions)	528		-39
		-612	**2,256**
Interest payments	-452		-645
Income tax payments	-19		-19
Cash flow from business activities		**-1,083**	**1,592**
2. Investment activities			
Payments for investments in inventories	-350		-475
Receipts from disposal of property, plant and equipment assets	38		9
Receipts from disposal of financial assets	26		0
Interest earned	45		24
Cash flow from investment activities		**-241**	**-442**
3. Financing activities			
Receipts from increase in share capital	1,500		0
Receipts from taking up financial loans	4,418		0
Repayment of financial liabilities	-5,671		-2,598
Cash flow from financing activities		**247**	**-2,598**
4. Liquid funds at the end of the period			
Change in liquid funds		-1,077	-1,448
Liquid funds at beginning of period		1,619	3,067
Liquid funds at end of period		**542**	**1,619**
(+ = inflow of funds / - = outflow of funds)			

Consolidated balance sheet in accordance with IFRS until 31December 2005				
			31.12.05	31.12.04
			TEUR	TEUR
Assets				
A.	**Short-term assets**			
	1.	Liquid funds	542	1,619
	2.	Trade receivables	9,666	8,514
	3.	Current receivables from construction contracts	2,220	1,346
	4.	Inventories	870	668
	5.	Other current assets	2,345	1,750
Total current assets			15,643	13,897
B.	**Long-term assets**			
	1.	Fixed assets (PPE)	1,212	1,604
	2.	Intangible assets	13,275	14,786
	3.	Other financial assets	0	26
	4.	Financial instruments held for trading purposes	24	0
	5.	Deferred tax assets	1,079	1,085
Total non-current assets			15,590	17,501
Assets			**31,233**	**31,398**
Liabilities				
A.	**Short-term liabilities**			
	1.	Short-term loans and short-term portions of long-term loans	2,625	3,813
	2.	Trade payables	1,347	1,981
	3.	Obligations arising from construction contracts	1,967	601
	4.	Provisions	833	2,681
	5.	Tax provisions	343	0
	6.	Other current liabilities	3,945	4,141
Total current liabilities			11,060	13,217
B.	**Long-term liabilities**			
	1.	Long-term loans	2,035	4,000
	2.	Deferred taxes	1,079	1,085
	3.	Pension reserves	2,154	1,796
	4.	off-line item investment grants and investment subsidies	133	185
	5.	Others	16	18
Total non-current liabilities			5,417	7,084
C.	**Equity**			
	1.	Subscribed capital	17,669	16,169
	2.	Capital reserves	46,456	46,456
	3.	Consolidated balance sheet loss	-49,450	-51,611
	4.	Currency translation	81	83
Total equity			14,756	11,097
Liabilities			**31,233**	**31,398**

Consolidated group assets 2005 (IFRS)

Overview of assets	Historical purchase / production costs				Write-offs					Residual value	
	as of 01.01.05	Additions	Disposals	as of 31.12.05	as of 01.01.05	planned Additions	unplanned Additions	Disposals	as of 31.12.05	as of 31.12.05	as of 31.12.04
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
I. Intangible assets											
1. Commercial copyrights and softare licences	4,691	71	3	4,759	3,368	438	0	3	3,803	956	1,323
2. Goodwill	14,560	66	0	14,626	3,277	0	0	0	3,277	11,349	11,283
3. Original intangible assets	15,505	0	0	15,505	13,325	1,106	104	0	14,535	970	2,180
	34,756	**137**	**3**	**34,890**	**19,970**	**1,544**	**104**	**3**	**21,615**	**13,275**	**14,786**
II. Fixed assets											
1. Technical equipment and machinery	2,419	172	67	2,524	2,028	272	0	66	2,234	290	391
2. Other equipment, factory and office equipment	4,161	41	158	4,044	2,948	301	0	127	3,122	922	1,213
	6,580	**213**	**225**	**6,568**	**4,976**	**573**	**0**	**193**	**5,356**	**1,212**	**1,604**
Total	**41,336**	**350**	**228**	**41,458**	**24,946**	**2,117**	**104**	**196**	**26,971**	**14,487**	**16,390**

Consolidated companies	Holding	Equity as of 31.12.2005*	Annual result 2005*
	%	TEUR	TEUR
IVU - Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin (''IVU GmbH'')	100	480	0**
IVU Traffic Technologies Italia s.r.l., Rome (''IVU Italia'')	100	66	4
IVU Traffic Technologies France SAS, Paris (''IVU France'')	100	6	-18
IVU Traffic Technologies UK Ltd., Birmingham (''IVU UK'')	100	-121	23
IVU Benelux, B.V., Veenendaal (''IVU Benelux'')	100	900	-33

** according to IFRS before consolidation*
*** according to profit-pooling contract*

Group equity change account in accordance with IFRS for the financial years 2004 and 2005	Share capital	Capital reserves	Foreign exchange rate changes	Consolidated balance sheet loss	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 January 2004	**16,169**	**46,456**	**77**	**-42,891**	**19,811**
Differences from currency translation (profits not included in consolidated profit and loss account)	0	0	6	0	6
Consolidated annual loss 2004	0	0	0	-8,720	-8,720
As of 31 December 2004	**16,169**	**46,456**	**83**	**-51,611**	**11,097**
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 translation (profits not included in consolidated profit and loss account)	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**

Consolidated notes

IVU Traffic Technologies AG, Berlin
through until 31 December 2005

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 2005 and the financial report for the financial year 2005 on 1 March 2006 and on 8 March 2006 approved this for presentation to the Supervisory Board. It is expected that this will be passed by the Supervisory Board at its meeting on 15 March 2006.

(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 268 in 2005, compared with 296 in 2004.

(4) The IVU Group is structured in three segments: Transport Logistics, Public Transport, und Information Logistics.

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

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

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 the 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. No alterations have arisen for the IVU Group in the financial year from the application of new or revised standards which are to be applied in the financial year beginning on or after 1 January 2005.

Key management judgements

(10) 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:

(11) 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.

(12) 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.

(13) 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.

(14) 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 following IFRS and IFRIC interpretations, which were 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 6 Exploration and evaluation of mineral resources,
- IFRS 7 Financial instruments: Disclosures
- IAS 19 Employee benefits – Actuarial gains and losses, Group plans and disclosures (augmented 2004),
- IAS 21 The effects of changes in foreign exchange rates
- IAS 39 Financial instruments: Recognition and measurement (augmented 2005),
- IFRIC 4 Determining whether an arrangement contains a lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities relating to electronic waste
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.

The IVU Group acts on the assumption that the application of the changes as described above when first used will not have any material influence on the financial statement of the IVU Group. The provisions of IFRS 7, IAS 19 (augmented 2004) and IAS 39 (augmented 2005) will lead to extended details in the Annexes.

Principles of consolidation

a) Subsidiary companies

(15) 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.

(16) 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.

(17) 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.

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

	Holding %	Equity* as of 31 Dec 2005 TEUR	Annual profit* 2005 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	66	4
IVU Traffic Technologies France SAS, Paris, France ('IVU France')	100	6	-18
IVU Traffic Technolgies UK Ltd., Birmingham, UK ('IVU UK')	100	-121	23
IVU Benelux B.V., Veenendaal, The Netherlands ('IVU Benelux')	100.0	900	-33

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

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

(20) 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.

(21) In the financial year 2004 there were the following changes relating to the fully-consolidated companies:

(22) With effect on 31 December 2004 there was a retrospective increase in the purchase price for the acquisition of the shares in IVU Benelux by IVU AG of T€ 200.

b) Consolidation measures and uniform Group measurement

(23) 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.

(24) 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

(25) 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 = 0.688; previous year 0.709). Income and expense items are translated at the weighted average exchange rate for the financial year (EUR/GBP = 0.684). Exchange differences arising from the translation are recognised a separate elements of the equity.

Non-current assets

a) Intangible assets

(26) 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.

(27) The intangible assets include:

Goodwill

(28) 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

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

(30) 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.

(31) 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

(32) 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 sue 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.

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

b) Fixed assets

(34) 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.

(35) 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.

(36) 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:

(37)

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

(38) 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

(39) 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 the value in use. The fair value minus the costs to sell is defined as the price which could be obtained in a sale at arm’s-length of the asset or the cash generating unit between two knowledgeable and willing parties minus the costs of the sale itself. The value in use of an asset or a cash generating unit is determined by the cash value within the framework of the current use on the basis of the expected cash flow. In the financial year 2005, the impairment losses of non-current assets amounted to TEUR 104. In the previous year, an impairment loss of goodwill amounting to TEUR 3 277 was recorded.

d) Financial assets

(40) 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.

(41) 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.

(42) 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 24 under the Financial instruments held for trading purposes.

e) Risk management for financial instruments

(43) 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

(44) Credit risks, or the risks that a contractual partner will not meet obligations to pay, or controlled by means of the use of lines of credit and control measures. Where it seems appropriate, the companies 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.

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

(46) 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

(47) 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

(48) 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.

(49) 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 pay-

ables based on 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

(50) 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

(51) 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

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

(53) 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.

(54) 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:

	31.12.2005 TEUR	Changes 2005 TEUR	31.12.2004 TEUR
Currency translation	81	-2	83

Non-current liabilities /Pension provisions

(55) 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 al-

ready 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

(56) 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

(57) 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.

(58) 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.

(59) 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

(60) 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.

(61) 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

(62) 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.

(63) 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.

(64) In 2005, IVU AG received government grants within the framework of various projects of the German federal government for the further development of software amounting to TEUR 83 and recognised these as revenues (2004: TEUR 391). These sums are recognised under other revenues.

Borrowing costs

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

Leasing

(66) 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.

(67) 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.

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

Conclusion of sales and realisation of revenues

(69) 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

(70) For long-term project contracts which fulfil the preconditions for the application of the percentage of completion method, then revenue 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 ration 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

(71) 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

(72) 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

(73) 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

(74) 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

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

Income taxes

(76) 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.

(77) 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.

(78) 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.

(79) 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.

(80) 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.

Segment reporting

a) Operational segments

(81) For operational purposes the IVU Group is organised in three main segments:

- Public Transport
- Transport Logistics
- Information Logistics

(82) These 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

(83) 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

(84) Concerning the development of the non-current assets in the financial year ending 31 December 2005, reference is made to the attached Annex to these Notes on the Development of intangible assets and fixed assets (plant, property and equipment).

- Relative to the goodwill recognised as of 1 January 2005 the historical costs (for acquisition and construction) and the accumulated depreciation are reduced by TEUR 22 822. This meant that led as of 31 December 2005, only corrections to the goodwill will be recognised which would have results within the framework of the requirements of IFRS 3 and IAS 36 (revised 2003).

(85) The IVU Group carried out impairment tests on 31 December 2005 and 31 December 2004 for non-current assets. The impairment test based on the following cash generating units and their carrying amounts for the goodwill:

Cash generating unit	Carrying amount TEUR
Public Transport	8 980
Transport Logistics	1 692
Information Logistics	677
	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 10.3 % (before tax) was used.

2 Other financial investments

(86) The cooperative shares recognised at the beginning of the year under Other Financial Instruments were sold in 2005.

3 Financial instruments held for trading

(87) In the financial year, the interest swap is recognised with TEUR 24 under “Financial instruments held for trading”.

<u>Current assets</u>

4 Inventories

	2005 TEUR	2004 TEUR
Goods (valued at costs of purchase)	663	421
Down-payments	207	247
	870	668

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

5 Receivables from deliveries and performances, net

	2005 TEUR	2004 TEUR
Receivables from deliveries and performances, gross	9 782	9 435
Individual value adjustments	-116	-921
	9 666	8 514

6 Current receivables from construction orders

(89) 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.

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

	2005 TEUR	2004 TEUR
Costs arising	2 131	1 210
Profit share	751	195
Contract revenue	2 882	1 405
Advances received	-2 629	-660
Receivables from long-term construction contracts	2 220	1 346
Liabilities from long-term construction contracts	1 967	601

7 Other current assets

	2005 TEUR	2004 TEUR
Overnight money to secure sureties	1 587	959
Value-added tax on payments received	405	136
Grants from tax credits (VAT)	100	250
Government grants and allowances	22	75
Others	231	330
	2 345	1 750

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

8 Liquid funds

	2005 TEUR	2004 TEUR
Deposits at financial institutions	538	1.616
Cash in hand	4	3
	542	1.619

9 Equity

(92) 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

(93) The fully paid in share capital entered in the Commercial Register amounted on the balance sheet date to EUR 17 669 160 (2004: EUR 16 169 160). The share capital is divided into 17 669 160 no-par shares (2004: 16 169 160).

(94) At the General Meeting of IVU AG on 18 June 2002 the Executive Board was empowered to increase the share capital with the approval of the Supervisory Board by 18 June 2007 once or several time 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

(95) By a decision of the Executive Boards 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

(96) By a decision of the General Meeting on 2 June 2004 and entry in the Commercial Register on 7 September 2004, the statutes were altered in Section 4 Para. 5 (Conditional Capital 2004/I), Section 10 Para. 1 (Supervisory Board). The provisions of the statutes in Section 4 Paras. 5 and 6 regarding conditional capital (2000/I, 2001/I) and Section 13 Para. 2 are revoked.
The authorised and conditional capital is as follows:

	2005 TEUR	2004 TEUR
Authorised capital (GK)		
- GK 2002/I (until 18 June 2007)	960	2 460
Conditional capital (BK)		
- BK 2004/I (until 30 April 2009)	150	150
	1 110	2 610

Non-current liabilities

10 Pension provisions

(97) 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.

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

	2005 %	2004 %
Interest rate factor	4.00	5.25
Income trend	0.00 – 2.50	1.00
Pensions trend	2.00	2.00
Fluctuation	0.00	0.00 – 3.00

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

(100) The net pension expenses are as follows:

	2005 TEUR	2004 TEUR
Service cost	23	72
Interest costs	175	180
Anticipated income from plan assets	-47	-45
Recognised actuarial losses / gains	16	-12
Past service cost	207	0
Period expenses	374	195

(101) The following overview shows the pension liability:

	2005 TEUR	2004 TEUR
Pension obligations	4 269	3 299
Fair value of plan assets	-1 254	-1 188
Unrecognised actuarial losses	-861	-315
Pension liability	2 154	1 796

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

	2005 TEUR	2004 TEUR
Cash value of the pension obligation, start of period	3 299	2 729
Service cost	23	72
Interest costs	175	180
Past service cost	207	0
Unrecognised actuarial gains / losses	565	318
Pension obligation, end of period	4 269	3 299

(103) The following overview shoes the development of the plan assets:

	2005 TEUR	2004 TEUR
Fair value of plan assets, start of period	1 188	1 129
Expected income from plan assets	47	45
Payments into the plan assets	17	17
Unrecognised actuarial gains / losses	2	-3
Plan assets, end of period	1 254	1 188

(104) The actuarial losses that led to an increase in the accrued benefits of the pension provisions in the financial year result essentially form the use of the current version of Prof. Heubeck's mortality tables and the reduction of the rate of discounting.

(105) 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 1 003.

11 Non-current loans

(106) 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 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.

(107) 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. In December 2005 a special repayment was made of TEUR 1 000 to the Deutsche Bank AG.

(108) 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	918	1 918
Loan, DKB Deutsche Kreditbank AG	1 918	1 918
Current account credit Deutsche Bank AG	1 486	1 500
Current account credit DKB Deutsche Kreditbank AG	221	1 500
	4 543	6 836
Of which current	2 508	
Non-current loans	2 035	

In addition, on the balance sheet date there was an outstanding obligation from the final repayment instalment of the loan obligation to the DZ Bank AG amounting to TEUR 101, which was repaid on 2 January 2006.

The subsidiary IVU UK recognised a current loan of TEUR 16 on the balance sheet date.

(109) 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, a liquidity guarantee in excess of TEUR 300 given by a member of the Executive Board, and by pledging.

Current liabilities

12 Financial liabilities

(110) As of 31 December 2005 and 2004, 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 by the issuing of licenses.

(111) *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 minimise” 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 Executive Board and Supervisory Board have pledged bank credits amounting to TEUR 300 as security for the lines of credit.

(112) The expenses for interest in the financial year 2005 amounted to TEUR 452 (2004: TEUR 645).

13 Provisions

(113) The provisions have developed as follows:

	As of 1.1. 2005 TEUR	Con-sumed TEUR	Dissolved TEUR	Added TEUR	As of 31.12. 2005 TEUR
Restructuring	1 000	-938	0	0	62
Performances outstanding	963	-442	-63	275	733
Other provisions	718	-380	-300	0	38
	2 681	-1 760	-363	275	833
- of which current	2 681				833

(114) The restructuring measures decided on for the end of the reporting year 2004 were implemented according to plan, and the provision made were to a large extent consumed.

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

(116) The other provisions as of 31 December 2004 were made to cover litigation risks, and following an agreement reached with the opposing party these were in part consumed and a further part could be dissolved. The sum remaining as of 31 December 2005 is a provision against anticipated costs for the legal completion.

14 Other current liabilities

	2005 TEUR	2004 TEUR
Personnel-related liabilities	1 704	1 294
Liabilities from taxes (VAT, tax on salaries and wages)	963	1 204
Liabilities relating to social security	368	379
Liabilities from outstanding invoices	197	411
Others	713	853
	3 945	4 141

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

15

Deferred taxes/Income taxes

(118) 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 2005 and 2004 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.

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

	2005 TEUR	2004 TEUR
Current tax expense		
• Financial year	362	19
Deferred tax income /expense		
• Change to the tax losses carried forward	148	383
• Tax-deductible goodwill depreciation	187	0
• Changes to non-current order construction	126	212
• Changes to flat-rate value adjustment	6	0
• Depreciation of internally generated software	-332	-595
• Changes in pension provisions	-154	-540
• Changes to other assets	9	429
• Changes to other provisions	12	-7
• Changes to other liabilities	-2	118
	0	0
Expense from income taxes	362	19

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

	2005 TEUR	2004 TEUR
Earnings before taxes	2 523	-8 701
Theoretical income tax expense (39 %)	984	-3 393
Depreciation of goodwill	-187	1 641
Omitted recognition of tax losses carried forward and depreciation of losses carried forward in previous years	0	1 771
Consumption of tax losses carried forward	-435	0
Current tax expense	362	19

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

	2005 TEUR	change TEUR	2004 TEUR
Deferred tax assets			
• Tax loss carried forward and deductible goodwill depreciation	673	-148	821
• Pension provisions	373	154	219
• Other provisions	33	-12	45
	1 079	-6	1 085
Deferred tax liabilities			
• Receivables from non-current construction contracts	-338	-126	-212
• Recognition of internally generated software	-535	332	-867
• Tax-deductible goodwill depreciation	-187	-187	0
• Changes to flat-rate value adjustments	-6	-6	0
• Other assets	-9	-9	0
• Other liabilities	-4	2	-6
	-1 079	-6	-1 085
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	1 079		1 085
• Deferred tax liabilities	-1 079		-1 085

(122) The IVU Group recognises a total tax loss carried forward of TEUR 43 204, and of this total TEUR 42 793 relates to Germany. The domestic losses carried forward do not lapse.

D. Notes on the Group income statement

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

16 Sales earnings

	2005 TEUR	2004 TEUR
Deliveries/Services/Works contracts	21 906	16 171
Licenses	4 219	6 051
Maintenance	5 120	4 530
	31 245	26 752

17 Material expenses

	2005 TEUR	2004 TEUR
Expenses for third-party performances	2 083	2 498
Expenses for goods purchased	6 800	3 038
	8 883	5 536

18 Personnel expenses

	2005 TEUR	2004 TEUR
Wages and salaries	12 732	15 015
Social security payments and expenses for pensions and support	2 492	2 654
	15 224	17 669

19 Depreciation of non-current assets

	2005 TEUR	2004 TEUR
- on intangible assets and plant, property, and equipment	1 011	5 515
- of recognised development costs	1 210	1 790
Depreciation of fixed assets	2 221	7 305

20 Other operational expenses

	2005 TEUR	2004 TEUR
Marketing	1 589	1 541
Operational costs	1 450	1 688
Administration	1 151	1 361
Others	599	796
	4 789	5 386

21 Earnings per share

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

	2005	2004
Period result (TEUR)	2 161	-8 720
No. of ordinary shares as of 1 January 2005 (x 1000)	16 169	16 169
Effect of share capital increase (22 July 2005) (x 1000)	1 500	0
No. of ordinary shares as of 31 December 2005 (x 1000es)	17 669	16 169
No. of weighted shares (x 1000)	16 827	16 169
Undiluted earnings per share (euro/share)	0.13	-0.54

(125) 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 2005 and 2004 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 irrevocable waiving of a loan by DZ Bank AG amounting to TEUR 1 900 was recognised in the cash flow from current business as a non-cash item in the cash flow from ordinary activities. The entries as repayments of loans contain solely the amounts used to pay of the loan.

F. Note on segment reporting

(126) 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.

(127) The IVU Group is organised in three operative segments - Public Transport, Transport logistics and Information logistics.

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

Public Transport

(129) 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 a volume of more than 10 % of the overall sales.

Transport Logistics

(130) Software products are developed and marketed for the market segments Disposal logistics, Building materials, and Rentals. The products help to provide integrated presentations of business processes and to optimise transport procedures. In the financial year there were no transactions in which an individual customer a volume of more than 10 % of the overall sales.

Information Logistics

(131) In this segment, internet-based products are developed on the Xi-platform. Customer groups are the major service providers such as Deutsche Post, Deutsche Telekom, Viag Interkom. In the financial year there were no transactions in which an individual customer a volume of more than 10 % of the overall sales.

Reconciliation of segment assets and liabilities

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

	2005 TEUR	2004 TEUR
Gross assets	31 233	31 398
- Deducted deferred taxes	-1 079	-1 085
Segment assets	30 154	30 313

	2005 TEUR	2004 TEUR
Gross liabilities	16 477	20 301
- Tax provisions	-343	0
- Non-deducted deferred taxes	-1 079	-1.085
Segment liabilities	15 055	19 216

G. Other details

Other financial obligations and contingent liabilities

Rental and leasing contracts

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

	Rent payments TEUR	Lease payments TEUR	Total TEUR
2006	1 107	212	1 319
2007	982	188	1 170
2008	924	86	1 010
2009	194	59	253
2010	194	10	204
2011 and later	49	4	53
Total	3 450	559	4 009

Guarantees of bills of exchange

(134) Various insurance companies and financial institutes had taken on guarantees of bills of exchange amounting to TEUR 1 587 (2004: TEUR 986) for IVU AG at the balance sheet date.

Personnel

(135) The average number of personnel in the IVU Group in the financial year was 268 (2004: 296 personnel).

Auditing fees

(136) The fees for the auditing of the IVU AG, the IVU financial statement and of all the key subsidiaries of the IVU Group amount to TEUR 94. In addition, tax consultancy services were provided by Ernst & Young in 2005 amounting to TEUR 21.

Relationships to related parties (enterprises and individuals)

(137) 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

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

Related party disclosures

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

Executive Board members of IVU AG

Prof. Dr. Ernst Denert (Chair)
Olaf Schemczyk
Gero Scholz

Supervisory Board members of IVU AG

Klaus-Gerd Kleversaat (Chair), Krummensee
Executive Board member of Consors Capital Bank AG,
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
Chair of Executive Board of üstra Hannoversche Verkehrsbetriebe AG (until 30 June 2005),
Chair of Supervisory Board of intalliance AG, Hanover (until 30 June 2005),
Advisory committee of Hannover Region Grundstücksgesellschaft mbH HRG & Co. - Passerelle - KG, Hanover (until 30 June 2005)

Hans G. Kloß (Deputy Chair of Board), Berlin
Managing director of BEROMAT Consulting GmbH, Berlin,

(140) In the financial year 2005, the üstra Hannoversche Verkehrsbetriebe AG, Hanover reported in accordance with Section 21 Para. 1 WpHG (Securities Trading Act) that it had exceeded the threshold of 5 % and held 11.14 % of the voting rights in IVU AG. Of these, 2.66 % of the voting rights were assigned to üstra Hannoversche Verkehrsbetriebe AG in accordance with Section 22 Para. 1 WpHG.

Transactions with related individuals

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

Emoluments for Executive Board and Supervisory Board members

(142) In the financial year 2005, the Executive Board of IVU AG received emoluments totalling TEUR 786. The payments to the Executive Board members consisted of a fixed portion and a variable portion. For the Executive Board member Dr. Olaf Schemczyk a pension commitment has been made which on the balance sheet date was recognised at TEUR 252.

(143) Pension provisions are set aside for former office holders of TEUR 1 186 (2004: TEUR 1 186).

(144) The Supervisory Board have received emoluments of TEUR 37.5 (2004: TEUR 52).

(145) The following shares are held by the members of the Executive Board and the Supervisory Board:

	Shares Units
Executive Board	
Prof. Dr. Ernst Denert	1 808 132
Dr. Olaf Schemczyk	1 248 055
Supervisory Board members	
Hans G. Kloß	598 217
Klaus-Gerd Kleversaat	101 840

Note on the German "Corporate Governance Code"

(146) The required declaration was made by the Executive 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 2006

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

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 2005. 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, 8 March 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Eckehard Schepers Auditor	Christian Wendt Auditor