

Annual Report 2004



IVU Traffic Technologies AG



Business figures

Consolidated IFRS figures	2000 million €	2001 million €	2002 million €	2003 million €	2004 million €
Revenues	17.5	25.5	35.6	29.9	26.8
containing not yet billed revenues					1.0
Gross profit	19.1	28.0	32.0	24.9	22.3
Personnel costs	10.6	23.3	18.9	19.5	17.7
EBIT	1.9	(18.8)	0.8	(6.6)	(8.1) ¹
Year-end result	1.4	(37.1)	(3.4)	(7.4)	(8.7) ¹
Operating result				(2.2)	(0.4)

¹ The profit and loss account contains a one-time depreciation on goodwill of € 3.3 million.

The year-end financial statement and management report for IVU Traffic Technologies AG for the 2004 business year were audited by Ernst & Young auditors in Berlin and provided with an unqualified audit report. Without limiting this assessment, Ernst&Young made reference to the discussion of risk in this annual report, in particular the liquidity and equity capital risks.

Supervisory Board

Klaus-Gerd Kleversaat (Chairman)

Dr. Heinrich Ganseforth

Hans G. Kloß

Executive Board

Prof. Dr. Ernst Denert (Chairman)

Dr. Olaf Schemczyk

Dr. Gero Scholz

Letter to our shareholders

Dear shareholders, dear friends of IVU,

In the annual report for 2004, the figures show that we are still in the red – for the fourth year in a row. This news is as unpleasant for our shareholders as it is for the company itself, for the fact that we failed once again last year to meet our target – a definitive return to the black where operating result is concerned – has forced us to further reduce our workforce as an immediate cost-cutting counter-measure. This meant laying off a total of 38 employees in our Berlin and Aachen locations at the beginning of this year.

However, neither EBIT nor consolidated profit were the determining factors in this decision. Extremely high levels of depreciation from earlier activities, which have nothing to do with current business, will continue to reduce both key figures for some years to come. A more important indicator is operating result. It remained negative in 2004 – at (€ 0.4 million) – which brings us very close to the black. This clearly shows the success of our consolidation efforts, but does not go far enough.

By reducing personnel and other costs this year, we have laid a solid foundation on the liabilities side for turning earnings around in 2005. In addition, our development, project and sales activities over the past year have set the stage for good business in 2005. Our many prominent and satisfied customers, particularly in the public transport sector, give us reason for optimism. MICROBUS gained its 200th customer last year, and the system has also become the benchmark for planning systems. And the European market for large vehicle monitoring systems has revived to a large extent. Time and time again, we are told that our impressive list of references is a determining factor in placing orders. Over 300 public transport companies now rely on IVU systems – finally something that we can both be happy about this year.

Sincerely,
The Executive Board

Berlin, March 2005

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



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

Handwritten signatures in blue ink, corresponding to the names listed in the text above. The signatures are written in a cursive style.

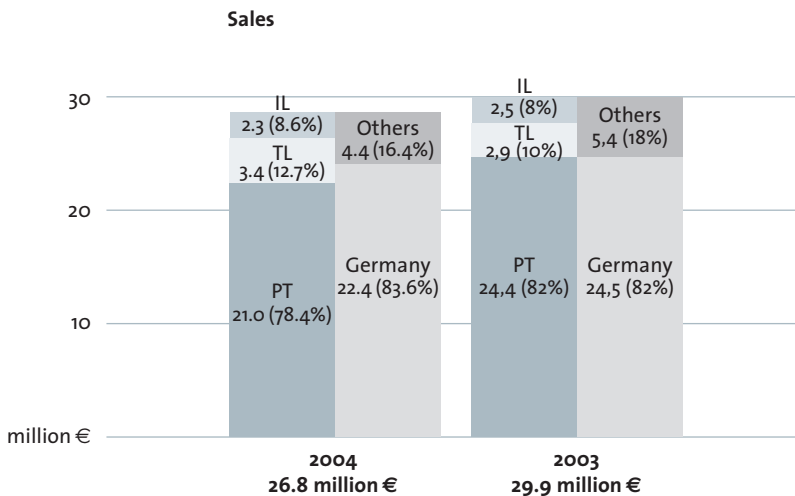
IVU and the market

At € 26.8 million, 2004 revenues are not only lower than expected, they are also 10% less than in the previous year (€ 29.9 million). Why is this? The answer lies partly with the market and partly with IVU itself. In a generally sluggish economy, and at times when the public sector – especially local governments – is short on cash, it comes as no surprise that IVU has to struggle as well. In this context, the revenues earned are indeed considerable, albeit unsatisfactory because of the shortfall.

Public transport remains a socio-political priority, not only in Germany, but throughout Europe and beyond, including many parts of the world such as the Middle East, Far East and South America. Everywhere, people are investing in public transport and the necessary IT infrastructure, even if subsidies are limited in Germany.

IVU is a leader in the German market, particularly where planning systems (MICROBUS) are concerned. This means we must intensify our efforts to develop our international business. Although this is working well in some areas, the results are still too weak overall, not least because the organisation is still insufficiently focused on the foreign markets. This is especially true for exports to countries where we do not maintain any branch offices.

In Germany, an interesting development is underway: The planning systems segment has achieved a certain level of saturation. However, demand has intensified for systems used in operations, particularly passenger information and ticketing systems, a segment that we serve primarily from our Aachen office (formerly TTi). Thus, the acquisition of TTi Systems AG in 2001, which had a serious impact on the balance sheet, is beginning to pay off.





Competition is stiff – as it is nearly everywhere. Although the number of our competitors is manageable even globally, we nevertheless occupy a niche of the IT market – albeit a large one. Customers are generally required to award contracts through a highly formal, public-sector process in which price is usually the determining factor. High customer expectations and the complex systems and projects required to satisfy them are frequently out of proportion to the price. Certain segments, particularly e-government, are engaged in a truly disastrous per diem price war, with some prices reaching a level that make us reluctant and unable to compete. This war is being fuelled by a number of large IT corporations who clearly want to make better use of capacities by offering dumping prices.



A determining factor in the ability to survive this competitive climate is efficiency, an area in which we must and can still make substantial improvements. Our revenue shortfall is due not only to the market situation, but also to the fact that both our product development and customised project work is not yet good enough. The best way to improve this situation and boost efficiency is to increase the qualifications of our team. To some extent, this can be done through continuing education, but mainly it will require hiring new highly qualified employees, particularly in software engineering. We already hired some of them in 2004 and will continue to do so this year.



At the same time, we need to lower our personnel costs, as required by profits and result. We will therefore lay off far more people than we hire. The layoffs will affect mainly people whose jobs have become redundant due to new market requirements or who are not qualified enough to meet the requirements of our highly specialised work, systems and projects.

Business segments

Public Transport

A system platform for every requirement

IVU offers its customers an IT platform consisting of hardware and software solutions for all public transport requirements, from planning and operations to financial management. These are systems that support public transport companies before their buses and trains leave the depot, while they are in service and after they return to the depot. Systems that can handle urban transport, regional transport and even rail service. None of our competitors can provide this kind of service platform, and often customers are choosing us because we can offer them all systems from a single source. So did Wolfsburger Verkehrsgesellschaft recently, which became our very first MICROBUS customer in 1986. In January 2005, the company bought vehicle monitoring and ticketing systems worth over € 1 million.

Making public transport companies competitive

The major structural changes facing the industry in the coming years mean that companies have to invest more money in software. This is needed to make public transport companies – most of which operate on the municipal level – able to compete with large foreign transport groups. A good example is the order that we received in December from the newly formed transport operating company meoline. The public transport companies of the cities of Mülheim, Essen and Oberhausen have bundled their transport operations for bus and light rail service in this company with the goal of bringing themselves in line with the competition and lowering costs for these cities. Specifically, this means serving existing timetables with as few vehicles and drivers as possible. Last year, our customer in Chemnitz demonstrated just how much can be gained by optimising service with MICROBUS. In the first year alone, the system helped the company save five percent of all costs.

MICROBUS gains its 200th customer

Last summer, ViP Potsdam became our 200th customer for MICROBUS. Since the 1980s, the system has become a successful product and now accounts for a substantial portion of IVU's revenues and profit. In recent years, it has set the standard for planning and scheduling systems in public transport and is now the market leader in Europe. We gained a number of new customers in 2004, including Olympia Light Rail in Athens, Grenoble in France, Savona, Imperia and Cagliari in Italy, Neuchatel in Switzerland, along with Koblenz, Chemnitz, Eisenhüttenstadt, Frankfurt/Oder, Fürstenwalde, Westfälische Verkehrsgesellschaft and the large transportation group Rhenus Keolis.

Real-time passenger information systems are setting the trend

Now that we are seeing a high level of market penetration in the German planning systems segment, our focus in the future will be on developing new modules, versions and other products for existing customers. There is also a great deal of potential for MICROBUS in other European countries and beyond. We have welcomed the renewed demand for vehicle monitoring systems over this past year. This has a lot to do with a trend that we've observed among our customers: More and more public transport companies want to offer their customers passenger information in real time – that is, not only information about the timetable, but also the actual travel situation, including delays.



Checking delays right from your mobile

In 2004, IVU implemented the DAISY system for Berliner Verkehrsbetriebe (BVG), which provides real-time operating data for each of the over 9,500 bus and light rail stops in the German capital. This means that the actual departure data of all bus and light rail stops can be viewed not only via the usual display panels, but can also be retrieved by SMS. The system is also available on the Internet.

Innovative solutions

Like in the Berlin solution, real-time passenger information is usually based on a vehicle monitoring system that continuously detects and tracks the positions of all buses or trains and also organises the exchange of data between the control centre and the vehicles. However, some customers are reluctant to make such a large investment. IVU therefore developed a smaller innovative solution for Bonn's public works department and installed only BON.tip, a passenger information system that provides the actual timetables for the city's central bus and light rail stops in real-time. To determine the actual departure times, the vehicles transmit signals that are received by receivers at the stops. The IVU system evaluates the data, compares it to the timetable and passes it on to the passengers. There is no need for a complete vehicle monitoring system and control centre.



In the future, the meoline transport operating company will use MICROBUS to plan and optimise bus and light rail service for the cities of Mülheim, Essen and Oberhausen in Germany's Ruhr region.



In 2004, the Potsdam city transport company became our 200th customer for the MICROBUS system. Prof. Dr. Ernst Denert (3rd from right) bestowed the honour on Managing Director Martin Weis (2nd from right).



For the past year, passengers have been able to retrieve the actual departure times of each of Berlin's 9,500 bus and light rail stops in real-time: via information displays, the Internet or directly to a mobile phone through SMS.

Success for the i.box printer

Last year, we were able to report successful business with our i.box printer, the most advanced on-board computer with integrated ticket printer available on the market. IVU has developed it in recent years and tested it for user-friendliness in conjunction with pilot customer SWEG Südwestdeutsche Verkehrs-Aktiengesellschaft in Lahr, Germany. In the buses, the system handles all on-board computer functions – in other words, it communicates continuously with the control centre and controls all equipment connected in the bus. The i.box printer also prints tickets and cashes in earnings. IVU sold over 300 of these computers in 2004, most recently in Lucerne (Switzerland), Wolfsburg and for Klagenfurt's electronic customer card system. This city's public works department will also introduce the AFAB system for cashing in earnings from transport ticket sales.

Clearing the way for MICROBUS

We continue to see substantial market potential for rail service. Following two major projects for S-Bahn München and the new company S-Bahn Rhein-Neckar, IVU has further developed the MICROBUS system in recent years and added specific functions for rail service. In 2004, Stockholm's Citypendeln became the third railway company to buy MB-rail, as we call the MICROBUS system for rail service. This sale is also the first international success for the new system. We are particularly pleased with the fact that we won out against all major suppliers of railway planning systems in the international bid.

SBB project completed

In the fall, we successfully completed the PIPER project with the Swiss Federal Railways (SBB), which was aimed at tailoring MB-rail to SBB's specific requirements and introducing it as the planning system for all of SBB's locomotive drivers and train staff. The system, which includes the duty scheduling, rostering, personnel scheduling and time management components, is designed to allow freight and passenger service to be planned independently. SBB's users are satisfied and want to expand the system's user base in Switzerland.

Reliable figures for orderers and operators

Our Qbase system is a tool for the liberalised public transport market in which the people who order transportation services (the state and local governments) must meet with public transport companies and reach agreements on how fully transportation contracts are fulfilled as well as set quality standards. A well prepared database that is acceptable to both sides is essential. Qbase makes this possible, one example being used by the new Rhein-Neckar light rail system, which went into service on 14 December 2003. The special problem in this project is that DB Regio, the light rail operator, must serve three different customers: the states of Baden-Württemberg, Hesse and Rhineland-Palatinate. This means that every single train must be divided between the three ordering parties, each of whom wants to be billed separately. Quality criteria, such as punctuality, must also be clearly defined with input from all three managers.

An important new order for the system came from the city of Kiel in 2004: LVS Landesweite Verkehrsservicegesellschaft mbH is building a new database that uses Qbase. The database will handle service billing, passenger demand analysis and quality management functions. A total of six companies operate the local rail service in Schleswig-Holstein. Qbase is used to substantially reduce billing and financial management as well as quality management costs for the state's regional transport service.



Consulting services in demand

The demand for consulting services is growing among public transport companies and the towns, districts and states they serve. One reason is the growing competitive pressure to manage operations more efficiently. In addition, the European Court of Justice has issued clear rules of interpretation on the conditions under which subsidies to public transport companies are not considered unlawful assistance. This means that future public subsidies will be allowed only if payments are related to performance and prices are competitive. Yet how high should competitive costs be to meet non-profit obligations? Because IVU has many years of experience in calculating the costs of transport services, we have developed special methods that allow us to precisely calculate the individual costs of specific transport tasks in every region, taking local parameters into account. In the future, we will offer our customers consulting services for all areas of public transport business.

Attracting interest at Innotrans

In September, the many visitors to our booth at Innotrans, the world's leading trade show for the public transport industry, demonstrated the enormous interest that our solutions generate among public transport companies. Over 46,000 visitors from around the world and 1,362 exhibitors from 35 countries attended the trade show in Berlin – more than ever before. IVU presented its software and hardware solutions for public transport planning, operations and financial management with a focus on both road and rail-borne traffic. We are very pleased with the outcome of the trade show. The number of visitors who expressed an interest in our systems has risen substantially over the past two years. We strengthened many ties to existing customers and convinced numerous potential new customers of the advantages that our solutions have to offer.



In 2004, IVU sold over 300 i.box printers, the most advanced on-board computer with integrated ticket printer available on the market, most recently to the Lake Lucerne Navigation Company in Switzerland.



LVS Kiel is using Qbase to build a reliable database for operators and buyers that will handle service billing, passenger demand analysis and quality management for local rail service in Schleswig-Holstein.



IVU presented its software and hardware solutions in September at Innotrans, the world's leading trade show for public transport. The number of visitors who expressed an interest in our systems has risen substantially over the past two years.

Transport Logistics

Confusion surrounding the highway levy

Our Transport Logistics division, which develops systems for scheduling, controlling and monitoring large lorry fleets, was intensely aware last year of how much the confusion surrounding the imposition of the highway levy has unsettled motor carriers and kept them from making investments. Nevertheless, we are still optimistic about the prospects for this business segment, as our Contour Web system is currently the only one on the market that supports real-time order scheduling and optimisation of an entire fleet. We believe that motor carriers ultimately would like to use the installed levy infrastructure to organise their logistical processes more effectively and economically with the help of additional software. Contour Web gives them the opportunity to plan and control their fleets more efficiently, manage orders online and avoid empty runs.

Public works offer new market potential

We are happy to report that our Transport Logistics division has managed to access a completely new market segment. The Munich public works department will use the Contour Web system to automatically manage over a thousand field service employees, giving them one of the most advanced logistics systems in Germany for this application. Munich is breaking new ground in Germany, and other public works have already begun monitoring the project with interest. The public works expect their investment to pay off in terms of better customer service as well as substantial improvements in their organisational and order handling processes. The Munich public works department has a service area that covers the city and district for Munich with a total of 1.3 million customers. Field service employees maintain and repair the supply network as well as measure consumption directly on the customers' premises, read meters and render accounts. To do this work, all employees receive a mobile device that displays their jobs and work locations. They can also enter meter readings, job status and additional job results directly into the system. A GPRS link connects employees to the system, which processes all data automatically.



Uncertainty in the waste management sector

An important issue facing waste management companies today is load optimisation, which involves finding more effective ways to deploy vehicles and personnel. This trend is being fuelled mainly by changes in waste management laws, which in the future will require the pre-treatment of roughly fifteen million tons of residential waste per year that is currently stored untreated in landfills. As a result, waste management companies are facing enormous challenges where load organisation is concerned. We view this trend as an enormous opportunity for our Combitour system, which is the European market leader in the waste management logistics sector. Nevertheless, problems abound in the German market, where a strong concentration movement is underway and companies face stiff competition with other system suppliers. At the same time, our Combitour system is enjoying considerable success in the Netherlands and, more recently, in Belgium as well.



While the German market for waste management logistics is experiencing hard times, our Combitour system enjoys enormous success in the Netherlands and Belgium.



Although the highway levy made transport companies reluctant to invest money in 2004, interest in supplementary levy services is nevertheless likely to soar.



The Combitour route planning system has helped Hamburg's municipal sanitation company improve customer service for bulky rubbish collection service in the Hansa city. Bulky rubbish is now collected on schedule within a guaranteed two-hour window.

Information Logistics

A glimpse of the public sector

In 2004, our E-Government unit once again attracted a great deal of public attention, mainly due to the election system that IVU implemented for the European Parliament. The results of the European elections on 13 June went online for the first time, where they could be accessed and used anywhere in Europe as early as Election Night. IVU had set up the official Web portal for presenting the European election, which provided information on the election in twenty languages. On Election Night, an IT system developed by IVU and located in Brussels first collected and evaluated the results from all EU countries, then transmitted them to computer centres in Paris and Berlin. From there, the results were made available to the 450 million citizens of the European Union. The German Federal Election Commissioner also used IVU's software during the European election to determine and present the results from Germany. For this purpose, IVU installed the same system that was developed in close cooperation with the German Federal Office of Statistics for the German parliamentary elections in 2002.

The fastest elections of all time

The regional elections in the German state of Saarland, which took place on 5 September, may very well have been the fastest elections ever held in Germany. As early as 8:10 p.m., the preliminary results of all 52 municipalities had been submitted to the State Election Commissioner, and the distribution of seats in the new regional parliament had been determined. IVU's newly installed automatic election processing system, which the state of Saarland used for the first time for regional elections, made this possible. The system was customised and enhanced so that its can be used to conduct all future elections in Saarland. A new feature also was that the local authorities could use the system directly. The local election officers could enter the counted results via the Internet directly into the server of the State Statistical Office.

Bringing the government to the people

Berlin's Interior Senator Dr Erhart Körting did indeed bring the government to the people when he publicly launched the Berlin Mobile Citizen Services – the first of its kind in the world – at a well attended press conference in February 2004. The senator described the technology, which was developed under the aegis of IVU, as a giant step forward in making government more effective and accessible to the people. The Mobile Citizen Services project, which received the German E-Government Prize in 2003, is the only one of its kind anywhere in the world. The service is aimed at combining all administrative tasks of many different Berlin agencies into a standard platform and making them available not only online in the public offices, but also through mobile communications. To accomplish this, agents are equipped with mobile devices that they can use to administer public services locally wherever the people need them.



Public agencies go online

The Information Portal for Citizen Services is another e-government project that was developed for the Berlin Senate Department of the Interior and has been available on the Internet since the fall. It gives citizens access to the complete range of information available from Berlin government authorities directly from their home PCs. This Web system is based on the same database as the information system that IVU has developed in recent years for public sector employees. All transactions, workflows, forms and information can be accessed online through a standard information pool at every workstation in sixteen public offices. The advantage for citizens is that they only have to go to one office to complete all transactions.

New opportunities for geo-marketing

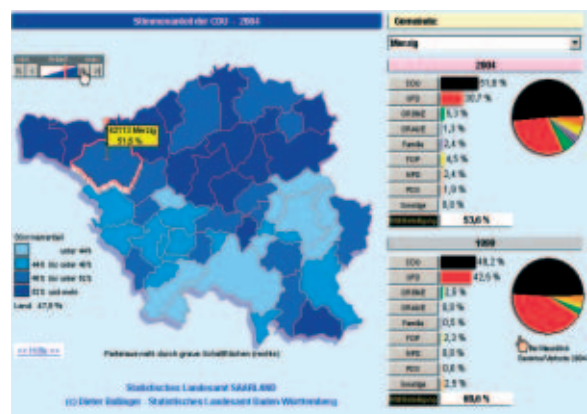
The second business unit in our Information Logistics division launched the Filialinfo travel solution at ITB, the world's largest tourism trade show, which took place in Berlin in March. Cooperation with Travel BASys, the leading system supplier in this market segment and a subsidiary of tourism group TUI, guarantees users an integrated process flow. By linking customer, sales an market data, travel agents and tour operators can determine how to match the right offer with the right customer. The user group will mainly consist of managers who specialise in product and location planning as well as sales and marketing departments. The response from the trade press and leading tourism companies was positive. Deutsche Post, which has used an IVU system to plan the locations of all 13,000 post office branches, remained a strong customer last year.



The results of the European Election on 13 June could be accessed and used online as early as Election Night – thanks to a system from IVU.



In February, Berlin's Interior Senator Dr. Ehrhart Körting publicly launched our mobile citizen's services at a well attended press conference held on IVU's premises.



Votes in the Saarland regional election on 5 September were fully counted and analysed as early as 8:10 p.m., made possible by IVU's election processing system, which was used for the first time in a regional election.

Foreign companies	Revenues million €	Number of employees
IVU Benelux	1.6	8
IVU Italia	1.2	7
IVU UK	0.3	4
IVU France	0.1	3
Together	3.2	22

International business

Export Business

International business potential

IVU has a leading position in Germany on the market for IT solutions for public transport, which means that future potential will come mainly from abroad. This is as true for our regional companies in the United Kingdom, the Benelux countries and Italy as it is for classic export business. Recently, a number of long-standing customers – such as Wiener Linien and the Swiss Federal Railways – have been joined by companies in more or less exotic locations: Dubai, Kuala Lumpur and Bangkok. Since last year, we have been expanding our international sales organisation to open up new markets. But this does not necessarily mean founding new branch establishments. After all, the examples of Dubai and Switzerland demonstrate how successful international business with partners can be. In both cases we were able to build upon reliable sales partners who know local customers and smooth the way for our products. We therefore plan to further expand our partner network and penetrate farther into Asia and perhaps South America as well as Spain, Portugal and the new EU member states.

A successful project in Poland

One export market lies practically at IVU's own doorstep – just eighty kilometres from Berlin. Just a few weeks before Poland joined the European Union, MKP Poznan – the public transport company in the western Polish city of the same name – placed the last few functions of the BON vehicle monitoring system into service. In the future, a radio link will give the control centre a continuous overview of the positions of all buses and light rail trains in the city. The system receives all planning data from MICROBUS, which MKP has

been using for the past three years. All systems in Poznan run Polish versions – even MICROBUS printouts are prepared in Polish. MKP Poznan is one of the largest municipal public transport companies in Poland. Very soon after Poland's shift to democracy, the company began modernising its vehicles and systems as a way to offer customers reliable and comfortable public transport service. IVU's Poznan project serves as an excellent reference for business in Poland, one that no other competitor can match. We see this as a good starting point for operating in this new, attractive market and expect to receive additional orders this year.

Foreign Subsidiaries

IVU Benelux

Our regional company IVU Benelux B.V. in the Netherlands, which is also responsible for Belgium and Luxemburg, continues to report success with Combitour, our waste management system. In 2004, our colleagues won a bid against high-profile competitors and gained a new customer in IMOG, a sanitation company that serves multiple cities in southern Belgium. This success was largely due to the good reference that IVU Benelux can demonstrate with Rotterdam-based AVR, the largest sanitation company in the Netherlands. With over fifty subsidiaries and sixty locations in the Netherlands, Belgium and Ireland, AVR plans to add another 290 vehicles to the IVU system. Other new customers for Combitour in 2004 included Gemeente Breda and AfZbak in Wateringen. In the future, IVU Benelux will market not only waste management solutions, but also IVU's entire product range in the Benelux countries.



IVU UK

After its new start and change of management in 2003, our British company IVU Traffic Technologies UK Ltd. has not yet achieved its targeted level of success. IVU UK performed below expectation in 2004, mainly because of delayed depreciations that shows future promise for our business. One of the success stories was the deal with Nottingham City Transport, which introduced the new MICROBUS Version 7 in early July. At the same time, the public transport company in this city in central England placed the personnel scheduling module in service in its first depots of Trent Bridge and Gotham. Other successful MICROBUS projects in the United Kingdom and Ireland include TWM Birmingham and Dublin Bus. We remain firm in our belief that the public transport market in the United Kingdom, where we will invest a great deal of money over the next few years, has enormous opportunities to offer, especially since our current customers in this country are good references. We expect 2005 to bring to a substantial sales increase in the U.K. In the future, IVU UK will market the Combitour system for waste management companies in addition to public transport services.

IVU Italia

In 2004, our Italian company IVU Traffic Technologies Italia s.r.l. expanded its current base of fifteen active customers. Thus, the Rome office won a bid for organising supply transport in the Reggio Emilia region, a project that will involve MICROBUS. The public transport company in Savona will also use the MICROBUS planning and scheduling system in the future, as will the ARST company in Cagliari, the capital of Sardinia. The latter is the first Italian public transport company to use MICROBUS's new regional transport functions. In the future, Cagliari will use the system to plan and schedule the deployment of 450 vehicles and 950 employees. The Sardinian company will use the integrated duty and vehicle scheduling functions that

were specifically tailored to the needs of regional transport companies. This customer base places our Rome office in an excellent position and the company is currently participating in a number of highly promising invitations to bid. IVU Italia organised the first Italian user's forum in March. Over forty of the Italian subsidiary's customers came together in Genoa, where they learned all about IVU's product platform and new products.

IVU France

We closed our Paris based company IVU Traffic Technologies France SAS late last year due to the lack of orders from the French market. Last year, IVU France reported its first successful project: VFD Autocars, the French public transport company in Grenoble, chose MICROBUS and will use the system to plan and schedule the deployment of 400 vehicles and 600 drivers. Starting with the next school year, MICROBUS will also be used to plan school bus service for 15,000 children throughout the region. However, this project alone does not justify maintaining a regional company. In the future, the project manager will act as a partner for us in France, providing support for the Grenoble customer and generating additional business in France.



Alistair Quigley, Mario Stefani and Robert Mulder (left to right) head our foreign offices in Birmingham, Rome and Veendam.

Research and Development

Software development under new management

Dr. Gero Scholz has headed our entire development operations in Berlin and Aachen since 1 February 2004. The 47-year-old IT expert has managed to boost efficiency in software development and further improve our systems. Scholz was a former CIO at Dresdner Bank, where he worked in the Transaction Banking division. His priorities will be to make the individual platform modules work together more smoothly. Dr Scholz will also give the systems a definite international orientation.

MICROBUS Version 7 launched successfully

Version 7 of the MICROBUS system set a milestone for our development department. Launched onto the market in the spring of last year, it has since been introduced at most of our existing customers. A new feature is the integrated duty and vehicle scheduling function, which helps planners plan all duty rosters and vehicle schedules in a single operation, a feature that can save a great deal of time and money. This is an enormous advantage for regional transport companies, which often operate under conditions that are quite different from those of their urban counterparts; the regions they cover are much larger geographically and have many more bus stops. Vehicles are usually spread out among multiple depots and frequently have to be parked at a distant location. In many cases, the territory covers more than one federal state, which means that regional boundaries have to be taken into account. When scheduling duty rosters, planners must keep in mind that the company frequently has to deal with different collective bargaining arrangements. Drivers cannot always change shifts at the depot, while the service on many rural routes is less frequent and regular than in urban areas. Regional service often requires much more flexible operation than in the city.

For example, trips may cross areas governed by different regional authorities, and service may be seasonal. Version 7 of the MICROBUS system covers all these functions. Another new feature in the system is the first version of a graphical vehicle dispatching module.

New i.box generation

Last year we released a new generation of equipment for the i.box on-board computer platform the first to be based on a standard core for all devices: i.box printer, i.box touch, i.box basic and i.box server. The new platform is much more powerful and also a great deal more energy-efficient. New technologies enable MP3 files, for example, as well as voice and data signals to be transmitted via GSM and GPRS. In the future, it will be possible to customise all equipment to the specific needs of a customer, which means that customers will pay only for the things they need. In addition, we will be able to offer navigation software with the new on-board computers.

Development work

Most development work takes place as part of specific projects. When customers would like to have new functions, we develop them and then offer them to other customers as well. For this reason, it is not possible to estimate the cost of development. IVU does not engage in basic research.



Personnel

Layoffs and strengthening the team

Fluctuations over the course of the year brought about a slight cutback in our workforce, with a number of departures being offset by new hires – mainly in the area of software engineering. Nevertheless, we were able to predict by the end of the business year that our capacity utilisation would not be satisfactory and personnel expenses were still too high. In December 2004, therefore, we decided to take immediate steps to substantially reduce our personnel capacity.

Layoffs in Berlin and Aachen

In early 2005, we laid off 38 employees, 27 of them in Berlin and 11 in Aachen. In highly constructive discussions with the works council, we agreed on a redundancy scheme as well as support from a consulting and mediation agency hired by IVU. Nearly all of the laid-off employees have since signed the liquidation contracts they were offered. An amount of € 1 million was allocated in 2004 for the cost of severance payments and remaining salaries. Reductions in personnel expenses due to the layoffs will run to € 1 million in 2005 and € 2.1 million in 2006. However, the full impact of this measure on liquidity will not be felt until 2006, with only € 0.5 million applying to 2005.

Comprehensive continuing education programme

In 2004, we continued and expanded the continuing-education programme that began one year earlier. A total of some 120 employees, or roughly half the entire workforce, received training in software development, project management, English and presentation techniques. The continuing education programs will be continued in 2005. We have also launched a program to train the next generation of managers. On the whole, IVU has invested around € 100,000 in the professional development of its employees.

Personnel development	After layoffs 2005	Dec. 31, 2004	Dec. 31, 2003	Change by layoffs 2005	Change 2004 vs. 2003
Number of employees	254	292	305	(13 %)	(4%)
Personnel capacity ¹	214	252	264	(15 %)	(5%)

¹ Personnel capacity is the calculated number of full-time employees on a given date or within a given period.

Management report

Consolidated IFRS figures	2000 million €	2001 million €	2002 million €	2003 million €	2004 million €	Change between 2004 and 2003 in million €
Revenues	17.5	25.5	35.6	29.9	26.8	(3.1)
containing not yet billed revenues					1.0	
Gross profit	19.1	28.0	32.0	24.9	22.3	(2.6)
Personnel costs	10.6	23.3	18.9	19.5	17.7	(1.8)
EBIT	1.9	(18.8)	0.8	(6.6)	(8.1) ¹	(1.5)
Year-end result	1.4	(37.1)	(3.4)	(7.4)	(8.7) ¹	(1.3)
Operating result				(2.2)	(0.4)	+1.8

¹ The profit and loss account contains a one-time depreciation on goodwill of € 3.3 million.

² According to HGB rules, unfinished goods are to be valued at production costs and reported under inventories. Revenues are not earned until the projects have been completed and accepted. According to IFRS rules, partial profits from long-term projects are earned according to the „percentage of completion“ method (POC), depending on the progress of the project. The IFRS rules require these items to be reported under revenues as not yet accounted revenues.

Assets, financial and profit position

Revenues below expectation

Revenues for 2004 fell short of planned figures, declining 10% to € 26.8 million. This figure includes € 1 million in services rendered but not yet billed². This is largely attributable to a lower volume of new orders, a result of investment restraint on the part of our customers and high competitive pressure. In addition, some of our developments and projects did not progress fast enough to generate revenue in 2004, as planned.

Costs greatly reduced

At the same time, our re-structuring efforts have moved forward, particularly where costs are concerned. Personnel expenses for the 2004 business year alone dropped € 2.8 million to € 16.7 million, or 14%, compared to the previous year. However, we allocated the total cost of the layoffs (€ 1 million) prior to 31 December 2004, which means that the profit and loss statement shows a difference of only € 1.8 million. In addition to personnel costs, 2004 also saw substantial cutbacks in other operating expenses, i.e. the company's material costs.

High depreciation

High depreciation reduces substantially the result for 2004. The reasons for the level of depreciation are as follows:

- Goodwill was depreciated by € 4 million. The depreciation comprises an extraordinary depreciation amount of € 3.3 million resulting from the implementation of an impairment test.
- In addition in 2002 and previous years, we activated services on our own account that will be depreciated over a four-year period. These figures represent the costs of developing our products, especially software. In the future, we will not render any additional services on own account that need to be activated, which means that we will not write them off as depreciation, either.

Depreciation decreases EBIT and year-end results

Earnings before interest and taxes (EBIT), which amounted to € -8.1 million, were lower than expected. However, if we disregard the extraordinary goodwill depreciation (€ 3.3 million) and the reserves for the redundancy measure (€ 1 million), this figure is still a € 2.8 million improvement over the previous year. The lower costs took effect in 2004.



Operating result close to the black again

The operating result, also known as cash flow, is the best measure of the company's performance. It is a reliable indicator of whether we are actually earning or losing money. We define it as follows:

Operating result = EBIT
 – interest paid
 + depreciations
 on long-term assets
 + special reserves
 (e.g. for redundancies)

The deep cuts we made in personnel expenses and material costs have brought our operating result close to the black again, despite sluggish sales. It was at about (€ 400,000) which demonstrates the success of our re-structuring efforts.

Debts reduced

In March 2004, € 1.5 million that we owed DZ Bank was paid off according to contract, which reduced the long-term indebtedness to that institution to € 4.5 million. While this has reduced our liquidity, it nevertheless has lowered the interest on the loan.

Liquidity

As of 31 December 2004, IVU held € 1.2 million in cash, while another € 0.9 million had been furnished as a deposit for guarantees. External funding from our three banks is structured as follows:

Outlook for 2005

The volume of orders at the beginning of 2005 is good, with new orders covering about 60% of the sales planned for 2005 as of 31 December 2004. Our product range is state of the art where functionality and technology are concerned, and we have an efficient team. The plans of some large customers offer special opportunities above and beyond our normal business. We plan earnings in 2005 of roughly € 28 to 29 million. This situation, along with the redundancies and lower material costs, would result in an operating result (see above mentioned definition not considering severance payments) between € 1 and 2 million, enough to finance necessary investments. We expect a balanced EBIT.

External financing

Bank	Form	Volume in million €	Amount employed as of 31 Dec. 2004 in million €	Guarantor
Deutsche Bank AG	Line of credit	1.5	0	State of Berlin, IVU founders
Deutsche Kreditbank AG	Line of credit	1.5	1.1	State of Berlin, IVU founders
DZ Bank AG	Loan	4.5	4.5	üstra, Hannoversche Verkehrsbetriebe
DZ Bank AG	Line of credit	2.95	2.2	üstra, Hannoversche Verkehrsbetriebe
		10.45	7.8	

Risks

Business risks

Most of IVU's customers are public-sector companies whose ability to pay is beyond doubt. However, they are under the same financial pressure that plagues the public sector in general. In particular, we can expect to see cutbacks in the subsidies for public transport companies from the German federal government and European Union. This could affect investments in IT systems and thus IVU's own business.

Litigation risks

An adequate reserve was formed for legal disputes arising in connection with employee layoffs despite our legal opinion to the contrary.

Liquidity risks

If we manage to earn € 28 to 29 million in revenues in 2005 and collect the resulting payments as planned, we will achieve a sufficient level of liquidity, for our costs are adjusted to these revenues. We will make nearly full use of existing lines of credit in the second half of 2005. Lower revenues would run the risk of a liquidity bottleneck. In regular talks with our financing banks, we carefully review the liquidity situation with the goal of ensuring that we continue to receive lines of credit in the amount agreed on. We assume that these lines of credit will be extended. We have requested a delay in the pay-off of € 0.5 million in loans to the DZ Bank AG for 2005, since we already paid off € 1.5 million in 2004.

Assets

In accordance with IAS 36 (Impairment of Assets), the value of various assets was established through the use of recognised valuation methods, in particular the discounted cash flow method. The calculations are based on the stated revenue forecasts. If we fall short of the planned revenues, this will have a direct effect on the value of the assets shown on the balance sheet, in particular the goodwill reported on 31 December 2004.

Equity risks

The individual financial statement of IVU Traffic Technologies AG showed € 3.7 million in equity capital on 31 December 2004, which is € 5.0 million less than one year earlier. This means that nearly half the capital stock was consumed by losses, as reported to the Shareholders' Meeting on 2 June 2004. According to corporate planning for 2005, the equity capital is likely to be largely used up in the third quarter as a result of the seasonal distribution of revenues. However, our plan figures show that this will not lead to excessive indebtedness as defined by the Insolvency Ordinance. For the AG we expect to see balanced year-end results for the entire 2005 business year and do not anticipate any further shrinkage of the equity position over this period as a whole.

Risk management

Our risk management is based on monthly reports covering key figures and compares the company's monthly plan and actual figures. The deviation analyses provide the executive board with an instrument for managing the company. To make sure that existing liquidity and lines of credit are sufficient, the cash flow situation is monitored on a daily basis. Comparisons of target and actual figures are discussed regularly with 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 action that may be necessary. The overwhelming majority of transactions are carried out in euros. Because of the small number of foreign currency transactions, our risk management does not include any commercial covering transactions.

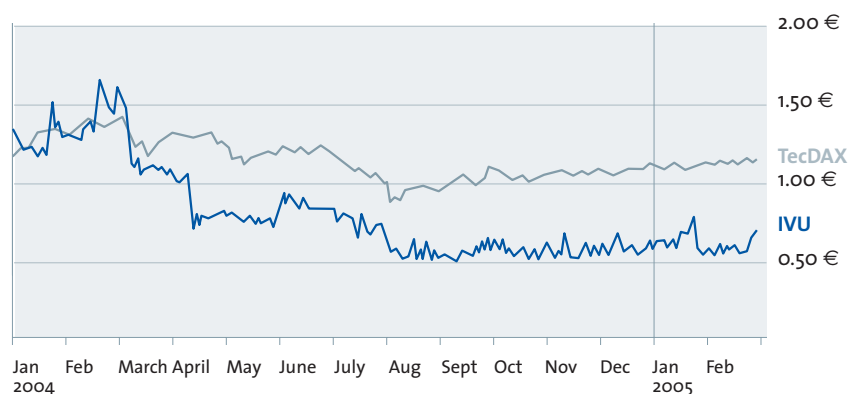


IVU stock

Revived interest in IVU's stock

In the spring, we were very happy with the value of IVU's stock. Priced at roughly € 1.25, it seemed to have reached a strong starting point for sustained price development according to our actual results. For a long time, however, the stock was unable to recover from the price collapse that was triggered by our ad-hoc report attached to the invitation to the Shareholder's Meeting on 16 April. After we reported that we'd used up fifty percent of our equity capital, the price came to a standstill. Toward the end of the year, however, private and institutional investors began showing greater interest. Fortunately, the trading volume also rose sharply. However, our announcement that we were planning additional redundancies in January 2005 clearly alarmed the investors again, even though this measure is the basis for a return to the black in 2005. If this projection remains the same the coming quarters, we see no reason why the price of our stock should not begin to climb sharply.

IVU-Share Price compared to Indices

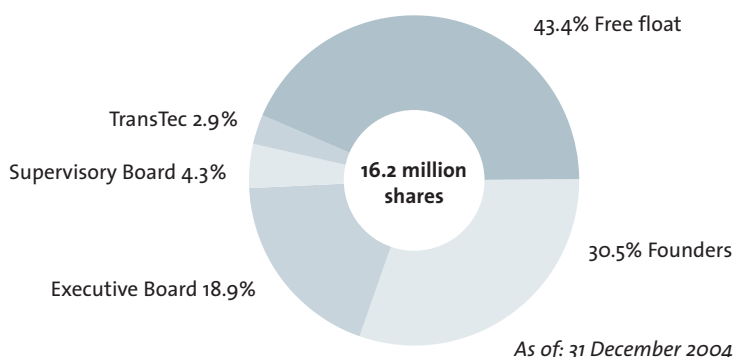


Shares of the board members on 31 December 2004

(For the first time, all figures include associated family members, which is why the shares vary slightly compared to the previous year)

	No. of shares
Executive Board	
Prof. Dr. Ernst Denert	1,808,132
Dr. Olaf Schemczyk	1,248,055
Dr. Gero Scholz	0
Total Executive Board	3,056,187
Supervisory Board	
Klaus-Gerd Kleversaat	101,840
Dr. Heinrich Ganseforth	0
Hans G. Kloß	598,217
Total Supervisory Board	700,057
No. of IVU shares owned by the Group	0

Shareholder Structure



Obligation to report securities transactions pursuant

In the 2004 business year the company was not notified of any securities transactions that needed to be reported. As a result of the capital increases carried out in 2002 and 2003, Prof. Dr. Ernst Denert acquired a share of more than five percent in IVU. Dr. Olaf Schemczyk as well as the founders Dr. Manfred Gauben, Prof. Herbert Sonntag, Dr. Joachim Winckler and Dr. Wolf-Dieter Klemt also hold stakes of more than five percent.

Consolidated financial statement

Consolidated Profit and Loss Account in Accordance with IFRS for Financial Year 2004

	2004 T€	2003 T€
1. Earnings	26,752	29,908
containing not yet billed revenues	986	0
2. Increase in volume of finished and unfinished goods	0	(2,618)
3. Other activated services on own account	0	536
4. Other operating earnings	1,064	2,467
5. Costs of material	(5,536)	(5,434)
6. Gross profit	22,280	24,859
7. Personnel expenses	(17,669)	(19,452)
8. Depreciations on long term assets	(7,305)	(5,213)
9. Other operating expenses	(5,386)	(6,818)
10. Operating result (EBIT)	(8,080)	(6,624)
11. Financial result	(621)	(768)
12. Results of operating activities	(8,701)	(7,392)
13. Taxes on income and earnings	(19)	0
14. Group net annual result	(8,720)	(7,392)
	€	€
Earnings per share undeluted	(0.54)	(0.46)
Earnings per share deluted	(0.54)	(0.46)

The consolidated financial statement was drawn up according to the stipulations of the International Accounting Standards Committee (IAS) and also taking into account the interpretations of the Standing Interpretations Committee (SIC). In drawing up the present financial statement, we followed the same accounting and valuation methods as well as the same calculation methods as we did in the last year-end financial statement with the exception that according to HGB rules, unfinished goods are to be valued at

production costs and reported under inventories. Revenues are not earned until the project has been completed and accepted. According to IFRS rules, partial profits from long-term projects are earned according to the “percentage of completion” method (POC), depending on the progress of the project. The IFRS rules require this item to be reported under revenues as not yet accounted revenues – so we do from fiscal 2004 on.

Consolidated Cash Flow Statement in Accordance with IFRS for Financial Year 2004

	2004 T€	2003 T€
1. Business activity		
Consolidated annual profit before income tax of the periods	(8,701)	(7,392)
Depreciation of tangible assets	7,305	5,213
Net change of provisions	1,476	(398)
Differences from currency translation	6	32
Earnings from special items	(78)	(83)
Earnings from interest	621	768
Profit from sale of fixed assets	(7)	3
Subtotal	622	(1,857)
Change of items of the current assets and the short-term capital		
Stocks	337	3,604
Receivables and other assets	1,336	5,520
Short-term liabilities except provisions	(30)	(3,843)
Cash flow in/out from normal business activities before income tax	2,265	3,424
Interests paid	(645)	(819)
Income taxes received/paid	(19)	0
Cash flow from business activities	1,601	2,605
2. Investment activities		
Payments for purchase of subsidiaries reduced by liquid funds	0	(484)
Investment in assets	(476)	(996)
Receipts of payments from disposal of tangible assets	9	28
Interests earned	24	50
Cash flow in/out from investment activities	(442)	(1,402)
3. Financing		
Deposits from capital increase	0	540
Deposits/payments from short term loans	(2,607)	894
Payments for middle and long-term liabilities	0	(359)
Cash flow in/out from financial activities	(2,607)	1,075
Change in liquid funds	(1,448)	2,278
Liquid funds at beginning of period	3,067	789
Liquid funds at end of period	1,619	3,067

+ = Inflow of funds
() = Outflow of funds

Year-end financial statement

Consolidated Balance Sheet in Accordance with IFRS for Financial Year 2004

Assets	Dec. 31, 2004 in T€	Dec. 31, 2003 in T€
A. Short-term Assets	13,897	17,018
1. Liquid funds	1,619	3,067
2. Trade receivables	8,514	9,793
3. Receivables from not yet billed revenues	1,346	0
4. Stocks	668	1,005
5. Prepayments and accrued income and other short-term assets	1,750	3,153
B. Long-term assets	17,501	25,031
1. Tangible assets	1,603	2,149
2. Intangible assets	14,786	21,073
3. Financial assets	26	26
4. Latent taxes	1,085	1,783
Assets, total	31,398	42,049

Liabilities	Dec. 31, 2004 in T€	Dec. 31, 2003 in T€
A. Short-term Liabilities	13,217	14,042
1. Short-term loans and short-term portion on long-term loans	3,813	5,911
2. Trade payables	1,981	1,356
3. Down payments retained	601	104
4. Provisions	2,681	1,378
5. Sales items of accrual and deferral	248	168
6. Short-term payables	3,893	5,125
B. Long-term liabilities	7,084	8,196
1. Long-term loans	4,000	4,500
2. Latent taxes	1,085	1,783
3. Pension reserves	1,796	1,623
4. Off-line item investment grants and investment subsidies	185	263
5. Other	18	27
C. Equity	11,097	19,811
1. Subscribed capital	16,169	16,169
2. Capital reserves	46,456	46,456
3. Currency translation	83	77
4. Consolidated Balance sheet loss	(51,611)	(42,891)
Liabilities	31,398	42,049

Year-end financial statement

Consolidated Group Assets in Accordance with IAS for Financial Year 2004

	Historical Purchase / Production Costs			
	Jan. 1, 2004 T€	Additions T€	Disposals T€	Dec. 31, 2004 T€
1. Intangible assets				
1 Software licenses and commercial copyrights	4,611	80	0	4,691
2 Goodwill	37,182	200	0	37,382
3 Original intangible assets	15,505	0	0	15,505
	57,298	280	0	57,578
2. Tangible assets				
1 Machinery and technical equipment	2,362	133	76	2,419
2 Other equipment, factory and office equipment	4,143	62	44	4,161
3 Construction in progress and advance payments on tangible assets	345	0	345	0
	6,850	195	465	6,580
3. Financial assets				
1 Guild shares	26	0	0	26
Total	64,174	475	465	64,184

Consolidated companies

	Percentage of holding %	Equity per Dec. 31, 2004 T€	Annual result 2004 T€
IVU GmbH, Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin	100	480	0
IVU Traffic Technologies Italia s.r.l., Rome, Italy	100	55	6
IVU Traffic Technologies France SAS, Paris, France	100	24	123 ¹
IVU Traffic Technologies UK Ltd., Birmingham, United Kingdom	100	-142	373 ¹
IVU Benelux B.V., Veenendaal, Netherlands	100	1.029	471

¹ The results of IVU UK and IVU France include intra-group earnings, since both companies had liabilities toward IVU AG amounting to € 590,000 and € 281,000, respectively, that were taken off the books.

Write-offs

Jan. 1, 2004 T€	Additions T€	Disposals T€	Dec. 31, 2004 T€
2,799	569	0	3,368
21,891	4,208	0	26,099
11,535	1,790	0	13,325
36,225	6,567	0	42,792
1,734	368	75	2,028
2,621	370	43	2,948
345	0	345	0
4,700	738	463	4,976
0	0	0	0
40,926	7,305	463	47,768

Residual value

Dec. 31, 2004 T€	Jan. 1, 2004 T€
1,324	1,812
11,283	15,291
2,180	3,970
14,786	21,073
391	627
1,213	1,522
0	0
1,604	2,149
26	26
16,416	23,248

Year-end financial statement

Group Equity Change Account in Accordance with IFRS for Financial Year 2004 and 2003

	Subscribed capital T€	Capital reserves T€	Currency translations T€	Consolidated Balance sheet loss T€	Total T€
As of Jan. 1, 2003	15,629	46,456	45	-35,499	26,631
Capital stock increase incorporated as of Feb. 7, 2003	540				540
Currency translation differences (Profits not considered in the consolidated profit and loss account)			32		32
Consolidated annual loss				-7,392	-7,392
As of Dec. 31, 2003	16,169	46,456	77	-42,891	19,811
As of Jan. 1, 2004	16,169	46,456	77	-42,891	19,811
Currency translation differences (Profits not considered in the consolidated profit and loss account)			6		6
Consolidated annual loss Jan. 1, – Dec. 31, 2004				-8,720	-8,720
As of Dec. 31, 2004	16,169	46,456	83	-51,611	11,097

Unabridged Notes to the 2004 Consolidated Financial Statements

This annual report, which was intentionally kept brief and easy to read, contains all important details about the company's position and outlook. Although we stopped printing the 46-Page Unabridged Notes to the Consolidated Financial Statements last year, it is available on request or can be downloaded from the Internet at www.ivu.de.

Auditor's report

The year-end financial statement and management report for IVU Traffic Technologies AG for the 2004 business year were audited by Ernst & Young auditors in Berlin and provided with an unqualified audit report. Without limiting this assessment, Ernst&Young made reference to the discussion of risk in this annual report, in particular the liquidity and equity capital risks. This complete Consolidated Financial Statements including the Unabridged Notes and the Auditor's report is available on request.

Supervisory Board Report

In 2004, the Supervisory Board of IVU Traffic Technologies AG, Berlin, discharged its duties in accordance with the law and the company's statutes and regularly advised the Executive Board on matters pertaining to the company's management. The Supervisory Board was directly involved in all important company decisions. The members of the Supervisory Board extensively discussed all business activities that were of importance to the company on the basis of reports by the Executive Board.

Statements by the Supervisory Board focused on the course of business, the company's economic situation, its prospects and its strategic orientation. Even outside Supervisory Board meetings, members maintained regular contact with the Executive Board by receiving information on the latest developments in the business situation and major business transactions.

The members of the Supervisory Board have made sure that the company's Executive Board took suitable measures and maintain a monitoring system to allow the early detection of developments that could threaten the company's survival. The company has an effective financial management team that prepares a monthly report on business figures, capacity utilisation and the volume of orders. This report is submitted to the Supervisory Board once a month in electronic form. The Supervisory Board feels that these measures meet the legal requirements of monitoring the company in a timely fashion.

The Supervisory Board held five meetings during the 2004 business year. No member attended fewer than half the sessions. When necessary, we took decisions on urgent matters through written communication.

All members of the Supervisory Board ended their terms of office at the conclusion of the Shareholders' Meeting on 2 June 2004. Dr. Heinrich Ganseforth, Mr. Hans G. Kloß and Mr. Klaus-Gerd Kleversaat were re-elected to the Supervisory Board of IVU Traffic Technologies AG at the Shareholders' Meeting. In its set-up meeting, the Supervisory Board elected Klaus-Gerd Kleversaat as the Chairman and Mr. Hans G. Kloß as the vice chairman.

The consolidated financial statements prepared by the Executive Board according to the stipulations of IFRS and German Commercial Code (HGB) for the business year from 1 January 2004 to 31 December 2004, and the management report for IVU Traffic Technologies AG were audited by the Ernst & Young auditors in Berlin, according to the decision of the Shareholders' Meeting on 2 June 2004 and the subsequent order placed by the Supervisory Board. The auditor provided the financial statements with an unqualified audit report.

The audit reports for the year-end financial statement and management report were submitted to the members of the Supervisory Board on time. The Supervisory Board discussed these reports intensively with the auditor and Executive Board during its meeting on 2 March 2005. According to its own statements, the Supervisory Board accepted and adopted the consolidated financial statements and consolidated management report in its meeting on March 2, 2005.

The Supervisory Board would like to thank the Executive Board and all employees for their efforts in this difficult climate.

The Supervisory Board
Berlin, 2 March 2005

Klaus-Gerd Kleversaat
Chairman

Members of the Supervisory and Executive Boards

Executive Board until 2 June 2004

Dr. Hans Ulrich Abshagen (Chairman)

Corporate consultant, Managing Director of Abshagen & Partner KG, Berlin;
Chairman of the Supervisory Board of RÖNTEC Holding AG, Berlin;
Vice Chairman of the Supervisory Board of Spütz AG, Düsseldorf

Hans G. Kloß (Vice Chairman)

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

Klaus-Gerd Kleversaat

Chairman of the Executive Board of Consors Capital Bank AG, Berlin; Vice Chairman of the Supervisory Board of Ventegis Capital AG, Berlin; member of the Supervisory Board of Euro Change Wechselstuben AG, Berlin; member of the Supervisory Board of Stream Films AG, Berlin; member of the Supervisory Board of Orbit Software AG, Berlin; member of the Supervisory Board of Getemed Medizin- und Informationstechnik AG, Teltow

Dr. Gunnar Streidt

Managing Director of STREIDT CONSULTING GmbH, Berlin

Ralph Günther

Managing Director of bmp Venture Tech GmbH, Berlin; Chairman of the Executive Board of bmp AG, Berlin; Member of the Supervisory Board of WorkXL AG, Berlin

Dr. Manfred Garben

Chairman of the Executive Board of Stiftung heureka, Berlin

Supervisory Board as of 2 June 2004

Klaus-Gerd Kleversaat (Chairman)

Chairman of the Executive Board of Consors Capital Bank AG, Berlin; Vice Chairman of the Supervisory Board of Ventegis Capital AG, Berlin; member of the Supervisory Board of Euro Change Wechselstuben AG, Berlin; member of the Supervisory Board of Stream Films AG, Berlin; member of the Supervisory Board of Orbit Software AG, Berlin

Dr. Heinrich Ganseforth

Chairman of the Executive Board of üstra Hannoversche Verkehrsbetriebe AG;
chairman of the Supervisory Board of intalliance AG, Hannover; advisor to Hannover Region Grundstücksgesellschaft mbH HRG & Co. Passerelle-KG, Hannover

Hans G. Kloß

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

Executive Board

Prof. Dr. Ernst Denert, Berlin (Chairman)

Dr. Olaf Schemczyk, Berlin

Dr. Gero Scholz, Bad Nauheim (since 1 February 2004)

In the 2004 business year, the members of the Executive Board received compensation amounting to € 602,684 (previous year: € 438,362). Payments to the Supervisory Board amounted to € 52,000 in 2004 (previous year: € 65,000).

Imprint

Published by

IVU Traffic Technologies AG
Gerd Henghuber
Head of Corporate Communications

The 2004 Annual Report and
Unabridged Notes to the Financial
Statements can be downloaded
from www.ivu.de as a PDF file
in German or English.

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2005 Financial Calendar

Wednesday, 2 March 2005	Meeting of the Supervisory Board and publication of the 2004 key figures
Wednesday, 9 March 2005	Publication of the 2004 Annual Report
Wednesday, 4 May 2005	Meeting of the Supervisory Board and Quarterly Report as of 31 March
Wednesday, 15 June 2005	Shareholders' Meeting in Berlin
Wednesday, 27 July 2005	Meeting of the Supervisory Board and Semi-Annual Report as of 30 June
Wednesday, 9 November 2005	Meeting of the Supervisory Board and 3rd Quarterly Report as of 30 September
Tuesday, 22 November 2005	Analyst conference in Frankfurt/Main

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**Consolidated notes
of IVU Traffic Technologies AG, Berlin,
through until 31 December 2004**

(hereinafter referred to as the 'company' or 'IVU AG')

1. Introduction

IVU AG was founded on 4 August 1998. It is entered in the Commercial Register Berlin-Charlottenburg under the number HRB 69310. The head office of the company is located in Berlin, Bundesallee 88.

The business operations of the company involve the development, production and marketing of software for planning, organisation and information processing for public administrations, transportation companies, and other public and private 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 296 in 2004, compared with 339 in 2003.

The company is listed in the Prime Standard (Deutsche Börse AG) at the Frankfurt Boerse. The current group financial statement was presented to the Supervisory Board on 28 February 2005. It is expected to be approved by them at the meeting of the Supervisory Board on 2 March 2005.

2. The general principles of the financial reporting

The financial reporting regulations applied for the financial statement of the IVU Group through until 31 December 2004 are described in the following.

2.1. Basis for the preparation of the financial statement



The enclosed group financial statement was prepared in accordance with the interpretations published by the International Financial Reporting Interpretations Committee (IFRIC). In the preparation of this group financial statement no use was made of IFRS financial reporting standards and its interpretations which are to be used from the 1 January 2005, and which may be applied voluntarily in IFRS financial statements until 31 December 2004.

The financial year corresponds to the calendar year.

The abbreviation TEUR is used to indicate sums of money expressed as multiples of one thousand euro.

The Group is currently in a difficult liquidity situation. According to the liquidity planning of the Group, the existing lines of credit will probably be almost exhausted at some points of time in the second half of the financial year 2005. Negotiations are currently underway with the creditor financial institutions about the existing credit lines, and it is expected that the negotiations will be brought to a positive conclusion.

Furthermore, it is expected on the basis of the company planning for 2005 that, as a result of the seasonal distribution of sales, the equity of IVU AG (parent company) will be mostly consumed in the third quarter.

If it is not possible to achieve the planned sales of some EUR 29 million both in terms of volume and timing, then the continued existence of the Group could be endangered by a possible insolvency or by the possible overindebtedness of IVU AG in accordance with Section 19 of the Insolvency Order (*InsO*).

The continued value of various assets was demonstrated in accordance with IAS 36 (Impairment of assets) using accepted evaluation methods, in particular the discounted cash flow method. The calculations are based on the anticipated returns on sales. To the extent that the planned returns on sales cannot be realised, this would have a direct impact on the continued value of the assets on the balance sheet, in particular the business or company goodwill through until 31 December 2004.

Assuming the continuation of the available liquidity and the existing lines of credit, and on the basis of the financial planning and revenue planning for the financial year 2005, the Board of



Management sees that the Group will continue to operate. Based on the aforementioned assumption the consolidated financial statement through until 31 December 2004 was prepared on the basis of the continuation of the enterprise. Therefore this consolidated financial statement does not reflect any alterations or adaptations which result from the condition mentioned above.

2.2. Presentation of the financial statements

On the balance sheet and in the income statement, some items are combined for increased clarity. The combined items are explained in the consolidated notes. The expense method is used for the presentation of the consolidated income statement.

Where the presentation in the financial statement of the previous year differs from this consolidated financial statement, the corresponding presentation are adapted in order to ensure comparability. Individual positions which are presented in the consolidated notes are combined in order to improve clarity. Deferred taxes are presented in the form of gross figures.

2.3. Principles of consolidation

The consolidated financial statement of the Group covers IVU AG and the enterprises controlled by it. This control is presumed to exist when 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 as to profit from the activities.

For the acquisition of enterprises the purchase method is used. 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.

All other financial assets are included in accordance with IAS 39, Financial instruments: recognition and measurement.

Intragroup balances and intragroup transactions and resulting unrealised profits should be eliminated in full.



The annual financial statements of the enterprises included in the consolidated financial statement of IVU AG are prepared using uniform accounting policies and are drawn up to the same date.

2.4. Liquid assets

The liquid assets include freely available cash and current account deposits.

2.5. Receivables

Receivables are presented at the current value of the counter-performance and evaluated at their continued acquisition costs after formation of appropriate value corrections.

2.6. Inventories

Inventories are measured, after a correction for outdated positions, at the lower of cost (of purchase or conversion) and 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. The costs of purchase or conversion are determined by the FiFo method (first in first out). For finished and unfinished products, the costs include the fixed and variable production overheads based on the normal capacity. Inventories which cannot be sold are written off completely.

2.7. Property, plant and equipment (tangible assets)

The assets in the form of property, plant and equipment are measured at the cost of purchase or conversion less the accumulated depreciation and accumulated impairment losses. When an item of property, plant, or equipment is sold or disposed of, the costs of acquisition and the accumulated depreciation shall be eliminated from the balance sheet; any gains or losses arising shall be recognised as income or expense in the income statement.



The cost (of purchase or conversion) of an item of property, plant, or equipment comprises its purchase price, including import duties and non-refundable purchase taxes as well as any directly attributable costs of bringing the asset into working condition at the site proposed for its intended use. Any subsequent expenditures such as costs for repairs, maintenance, and technical improvements are recognised as expenses in the period in which they are incurred. If it is probable that the expenditure will result in future economic benefits in excess of the originally assessed standard of performance of the existing asset flowing into the enterprise the it will be added as additional costs of the asset.

Depreciation will be carried out linearly over the following periods of useful life :

Technical plant and machines	3-10 years
Other plant, fixtures and fittings	3-15 years

Where tangible assets contain various components with useful lives of differing lengths, the depreciable amounts of these components are determined individually over their useful lives. The useful life of an item of property, plant or equipment and the depreciation method are reviewed periodically, in order to ensure that the depreciation charge corresponds to the useful life of the tangible asset.

2.8. Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognised when it is probable that the future economic benefits of attributable to the asset will flow to the enterprise and the costs of the asset can be measured reliably. For the purposes of subsequent evaluations, intangible assets are measured at the cost less the accumulated depreciation and accumulated impairment losses. Depreciation of intangible assets is carried out linearly over the assessed period of useful life. The useful life and the depreciation method are reviewed at the end of each financial year.

(a) Industrial property rights and licences, software

The costs of new software are deducted and measured as an intangible asset as far as these costs are not an integral element of the associated hardware. Software is written off linearly over a period of 3 to 5 years.

Costs incurred to restore or maintain the economic benefits that the company could expect from the original standard of performance of the existing software systems are recognised as expenses if the work of restoration or maintenance has been carried out.

(b) Deducted software development costs

Research and development costs are recognised as expenses in the period in which they are incurred. Exceptions are project development costs which meet the following criteria:

- the technical feasibility of completing the intangible asset can be demonstrated,
- it is intended to complete the intangible asset and use or sell it,
- the intangible asset will either be marketed or used internally,
- the existence of a market for the intangible asset or (in the case of internal use) the use for the own enterprise can be demonstrated,
- sufficient technical, financial and other resources are available in order to complete the development and be able to use or sell it,
- the intangible asset is clearly definable, and the associated cost can be clearly allocated and reliably measured.

The development costs booked as assets in previous years are written off over an estimated useful life of three to five years.

(c) Goodwill

Any excess of the cost of acquisition (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 goodwill is carried at cost less any accumulated amortisation and any accumulated impairment losses. Goodwill is amortised by the straight-line method over its useful life. The amortisation of the goodwill is contained in the results operating activities.

The period of amortisation is determined at the time of acquisition of the enterprise on the basis of the specific circumstances of the acquisition and lies between 15 and 20 years. The residual value will be reviewed at the end of each financial year with respect of the future useful life. If there are signs of impairment loss then the recoverable amount of goodwill will be determined for the cash generating unit to which the goodwill belongs. If the carrying amount is above the recoverable amount then the corresponding impairment loss will be recorded in the income statement.

At the date of the balance sheet 31 December 2004, the goodwill was reviewed against the background of the development of business. The goodwill is allocated in the consolidated financial statement appropriately to the segments Public Transport, Transport Logistics and Information Logistics. The segments are regarded here as cash generating units.

Until 2009, the current value (value in use) of the assets of the cash generating units (segments) were determined on the basis of the planned liquidity return flows. A rate of interest of 8.8 % was used for the calculation of the current value. From 2010, the perpetuity was calculated taking into account a negative growth rate. This current value was set against the carrying amount of the non-current assets (including goodwill, excluding deferred tax assets). The review showed that for the Public Transport segment a downward adjustment of goodwill was required of TEUR 3,277, and this was included in the reporting year. It is booked under the heading "Amortisation of non-current assets".

2.9. Operating leases

A lease is classed as an operating lease if all the risks and rewards incident to ownership of the asset remain with the lessor. Lease payments under an operating lease are recognised as an expense over the lease term on a straight-line basis.

The monetary value of incentives provided by the lessor within the framework of the lease agreement are recognised on a straight-line basis over the lease term.

2.10. Financial assets held to maturity

Financial assets are divided into the following categories: (a) Financial investments held to maturity, (b) Financial assets held for trading, and (c) Financial assets available for sale. Financial assets with payments which are or can be fixed and with a fixed period until maturity which the company intends to hold and can hold until maturity, excepting credits and receivables extended by the company, are classified as financial assets held to maturity. Financial assets which have primarily been acquired in order to profit from short-term fluctuations in price or exchange rate are classified as financial assets held for trading. All other financial assets, excepting credits and receivables extended by the company, are classified as financial assets available for sale.

Financial investments held to maturity are booked under the non-current assets, unless they will reach maturity within 12 months after the date of the financial statement. Financial assets held for trading are booked under the current assets. Financial assets available for sale are booked as current assets if the company management intends to make such a sale within 12 months after the date of the financial statement.

The purchase or sale of financial assets are recognised using the trade date method. For the first measurement of a financial asset to be held to maturity this is recognised at the cost of acquisition, which corresponds to the fair value of the counter-performance. Transaction costs are included.

Financial investments held to maturity are measured at their amortised costs using the effective interest method.

2.11. Impairment losses of non-current assets**(a) Financial assets**

Financial assets are reviewed at every balance sheet date to assess whether there is any indication that an asset may be impaired. If it is probable that in the case of financial assets booked at amortised costs the company will not be able to recover all the sums due under the conditions of the contract from loans, receivables or from financial assets held until maturity, so then the impairment loss or the corrected value of receivables is recognised as an expense in the income statement. Impairment losses previously recognised as expenses will be corrected as revenue in the income statement if a subsequent partial recovery of the value (or reduction of the impairment) can objectively be attributed to an event arising after the original impairment. An increase in value, however, will only be recognised to the extent that the sum does not exceed the amortised costs which would have been recognised if the impairment had not occurred.

(b) Other non-current assets

Other non-current assets are reviewed for loss of value, if facts or changed situation suggest that the carrying amount of an assets might not be recoverable. Recognised goodwill is reviewed on each balance sheet date for impairment loss. Where the carrying amount of an asset exceeds the recoverable amount, then and impairment loss is recognised as an expense in the income statement. The recoverable amount is the higher of the net realisable value and the value in use of an asset.

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.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The recoverable amount is determined individually for each asset, or, if this is not possible for the cash-generating unit to which the asset belongs.

A reversal is made as revenue in the income statement for impairment losses recognised for an asset in prior years if there are indications that an impairment loss may no longer exist or



may have decreased. The recovery of value is recognised as revenue in the income statement. The increase in value (or the reversal of an impairment loss) of an asset does not exceed the carrying amount that would have been determined (net of amortisation or depreciation effects) had no impairment loss been recognised for the asset in prior years.

As an exception, an impairment loss recognised for goodwill is not reversed in the subsequent period, unless the impairment loss was caused by a specific external event of an exceptional nature that it not expected to recur, and subsequent external events have occurred that have reversed the effect of that event.

2.12 Provisions

A provision is only recognised when the company has a present obligation (legal or constructive) as a result of a past event, if it is probable that settling the obligation will result in an outflow of resources embodying economic benefits, and when a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and modified in accordance with 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.

If it is expected that the expenditures required to meet a deferred obligation will be reimbursed by a third party, then the reimbursement will only be recognised when it has become virtually certain that the company will receive the reimbursement.



2.13. Equity

(a) Capital reserves

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.

(b) Reserves for currency conversions

Reserves are formed for currency conversions in order to allow for exchange differences arising from the consolidation of the results of foreign entities.

2.14. Conclusion of sales and the realisation of revenues

The IVU Group concludes contracts with its customers for the development/production of software and also its adaptation and maintenance. The development/production of software can take place on the basis of performance contracts or license agreements. Usually, the contracts are fixed price contracts and contain terms of acceptance or time-related provisions regulating the transfer of performance risk associated with the contract. Other services (consulting, training, etc.) are also provided in connection with the production and maintenance of software and also hardware is supplied.

Sales revenues are recognised when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of the revenue can be measured reliably. Revenues are recognised as net (excluding value-added tax) and after the deduction of any discounts and rebates.

Revenues from the sale of goods (project-related hardware deliveries) are recognised when the delivery has been made and the risks and opportunities have been transferred to the purchaser.

Licenses are recognised periodically in accordance with the provision of the relevant licensing agreement.

2.15. Foreign currencies

(a) Foreign currency transactions

Each independent entity within the Group calculates its foreign currency transactions in the appropriate evaluation currency, converting the sum in the foreign currency at the rate of exchange valid at the completion of the transaction. Exchange differences arising from the settlement of monetary items or the evaluation of monetary items of a company using rates of conversion which differ from those on the basis of which they were originally evaluated either during the current period or in previous financial reports, are recognised as losses or revenues in the period in which they occur.

(b) Conversion of annual performance of foreign subsidiaries

The following subsidiaries are financially, commercially, and organisationally independent, and are therefore regarded as foreign entities:

IVU Traffic Technologies Italia s.r.l., Rome, Italy

IVU Traffic Technologies France SAS, Paris, France

IVU Traffic Technologies UK Ltd., Birmingham, Great Britain

IVU Benelux B.V., Veenendaal, the Netherlands

Their reporting currency corresponds to the local currency. The balance sheets of the foreign entities encompassed by the consolidation are calculated using the conversion rate at the end of the financial year, and the income statement using the conversion rate valid on the date of the transaction. Any exchange differences are recognised as reserves for foreign currency conversions within the equity.



Any goodwill arising on the acquisition of a foreign entity, or any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign entity are reported using the exchange rate on the date of the transaction.

On the disposal of a foreign entity the cumulative amount of the exchange differences which have been deferred and which relate to the foreign entity are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

With the exception of IVU Traffic Technologies UK Ltd., Birmingham, Great Britain all subsidiaries are located within the European currency union. No foreign currency conversions are therefore required for these subsidiaries.

The following exchange rates were used for the conversion of the results of the British subsidiary:

Pounds sterling (£)	
Exchange rate on balance sheet date (£/EUR)	1.41255 (Previous year 1.41665)
Mean rate of exchange (£/EUR)	1.47477 (Previous year 1.44615)

2.16. Employee benefits

(a) Defined Benefit Plans

Defined benefit plans exist for some co-workers of the Group. The financial means available for this purpose are evaluated annually by certified, independent actuaries. To determine pension obligations and expenses the company use the projected unit credit method an. The projected unit credit method sees each period of service as giving rise to an additional unit of benefit and measures each unit separately to build up the final obligation.

Where a plan has been introduced or changed the past service costs are recognised as an expense on a straight-line basis over the average period until the benefits affected by the change become vested. To the extent that the benefits are already vested immediately fol-

Following the introduction of or changes to a plan, past service costs is recognised immediately. Gains or losses on the curtailment or settlement of defined benefit plans are recognised when the curtailment or settlement occurs.

The Company uses the corridor approach in accordance with IAS 19. 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 pension obligations are measured at the present value of the estimated future cash flow using a rate of discount which approaches the rate of interest for government bonds or stocks which correspond in currency and in duration to the currency and the estimated duration of the defined benefit obligation.

(b) Share options

The personnel and management of the company were offered options in previous years to acquire ordinary shares in the Company. Already with effect to 31 December 2003 those entitled relinquished options rights.

2.17. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.

2.18. Government grants

Government grants are recognised only when there is reasonable assurance that the company will comply with the conditions attached to them and the grants have actually been received. 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.

2.19. Income tax

The level of income tax depends on the profits and takes into account deferred taxes. Deferred taxes are determined using the balance sheet liability method. Deferred income tax reflects the net tax effects of temporary difference between the carrying amount of an asset or liability on the balance sheet and the tax base value. The deferred tax assets and tax liabilities are evaluated on the basis of the rates of taxation which are expected for the period in which the temporary differences will probably reverse. The expected rate of taxation will be determined on the basis of the rates of taxation which have been put into valid law for this period up to the balance sheet date or which have been essentially be implemented.

The evaluation of deferred tax liabilities and assets takes into account the tax consequences resulting from the way in which the company expects, on the balance sheet date, to recover the carrying amount of its assets or to make good the liabilities.

Deferred tax assets and liabilities are recognised independent of the point in time at which the temporary booking differences probably reverse. Deferred tax assets and liabilities are not discounted and are recognised in the balance sheet as non-current assets (liabilities).

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available. At every balance sheet date, the company reviews the unrecognised deferred tax assets and the carrying amount of deferred tax assets. The company recognises a deferred tax asset to the extent that it has become probable that future taxable profits will flow against which the deferred tax assets can be realised. Conversely, the carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient future taxable profits will flow in order to realise the deferred tax asset.

Current taxes and deferred taxes are booked directly against the equity if the tax relates to items which have also been booked directly against equity in this or another period

Current and deferred tax liabilities and tax assets are measured at the tax rate applicable to non-distributable earnings, although the consequences for income tax of dividends is only included if a liability is included with respect to a dividend payment.



A deferred tax liability is recognised for all temporary differences, with the exception of temporary differences in the case of goodwill, for which an amortisation is not tax-deductible.

As an exception, no deferred tax liability is recognised for taxable temporary differences in connection with investments in subsidiaries if the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.20. Segments

The IVU Group is structured in three main divisions: Public Transport, Transport Logistics, and Information Logistics. These form the basis for the presentation of the segment reporting. The financial information about the business segments and geographic segments is presented in Section 17 of this Annex and in Annex 6.

2.21. Consolidated financial statement in accordance with Section 292a paragraphs 1 and 2 of the German Commercial Code (HGB)

The consolidated financial statement of IVU AG through until 31 December 2004 was drawn up as a consolidated financial statement in accordance with Section 292a of the German Commercial Code (HGB) and IFRS as well as on the basis of the German financial reporting standards No. 1 (DRS 1) des German Standardisation Council DRSC e. V. The requirements of the German Commercial Code and Company Act (AktG) differ from those of the IFRS in some key respects. The main differences which are relevant for an evaluation of equity, the financial position and the earnings of a company are presented in the following:

According to the German Commercial Code all items on the balance sheet and in the income statement in must be presented in form and structure in accordance with Sections 266, 275. IFRS requires a different presentation, with the balance items in the order of liquidity. According to IFRS requirements, the current proportion of longer-term receivable and und liabilities are to be recognised separately. Current here means they are expected to be recovered (or settled) within a period of twelve months.

Certain development costs are to be recognised as an asset under IAS 38 whereas they may not be recognised as assets under the German Commercial Code.

Inventories are to be evaluated in accordance with IAS 2 at the lower of cost and net realisable value. The lower value on the balance sheet date in accordance with Section 253 Paragraph 3 of the German Commercial Code can in certain cases lead to a deviating evaluation.

Revenues from construction contracts in compliance with the conditions specified in IAS 11 are recognised in accordance with the Percentage of Completion method, which is not permitted under the provisions of the German Commercial Code (HGB).

Under the German Commercial Code (HGB) the revenues are only recognised after acceptance of the relevant performance. In contrast to the German Commercial Code (HGB), the IFRS standards introduce a levelling out of revenues.

In accordance with IFRS, expenditures which can be directly linked to an increase in cash in hand are calculated against the capital reserves after taking income tax into account. According to the German Commercial Code, these expenditures are to be included in the profit and loss statement.

Pension obligations are evaluated in accordance with IAS 19 using the projected unit credit method. According to the German Commercial Code, the partial value method is to be used in accordance with Section 6a of the Income Tax Act (EStG).

The recognition of impairment of assets in accordance with IFRS differs from the provisions under the German Commercial Code in terms of the time point of the recognition and the definition of the recoverable amount to be compared with the carrying amount.

Deferred taxes are accounted for in accordance with IFRS provisions using the liability method. In addition, it is possible to deduct tax losses carried forward.

3. Scope of consolidation

(a) Subsidiaries included in the consolidated financial statement

The following companies were included as subsidiaries in the consolidated financial statement (value before consolidation):

	Holding %	Equity as of 31 Dec. 2004 T€	Annual earning 2004 T€
IVU-Gesellschaft für Informatik, Verkehrs- und Umweltplanung GmbH, Berlin	100	480	0*
IVU Traffic Technologies Italia s.r.l., Rome, Italy	100	61	6
IVU Traffic Technologies France SAS., Paris, France	100	24	123
IVU Traffic Technologies UK Ltd., Birmingham, Great Britain	100	-142	373
IVU Benelux B.V., Veenendaal, Netherlands	100	1 029	471

* After assumption of the earnings by IVU AG

(b) Alterations to the scope of consolidation, Transactions within the scope of consolidation in the 2004 financial year

In the 2004 financial year the following transactions were carried out in the scope of consolidation:

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

In the financial year 2003 the following transactions were conducted:

On 22 January 2003, IVU AG increased its holding in IVU Italia from 90 % to 100 % by payment in cash of T€ 170.

On 22 August 2003, IVU AG increased its holding in "Effectivity Waste Management Solutions B.V." (subsequently operating as IVU Benelux B.V.) from 52.5 % to 100 % by cash payment of a purchase price of T€ 305.

4. Liquid assets

As of the balance sheet date, the Group had control of unused lines of credit amounting to T€ 2,653 (2003: T€ 1,565). There are no limitations regarding the use of these credit lines.

Liquid assets which are subject to limitations concerning their use are recognised as Other assets (Annex Section 8).

5. Trade receivables

	31 Dec. 2004 T€	31 Dec. 2003 T€
	_____	_____
Trade receivables (gross)	9,435	10,754
Adjustments	-921	-961
	=====	=====
	8,514	9,793

The receivables have a residual period of up to a year. The adjustments were made for individual customers where a receipt of payment can no longer be expected.

6. Current receivables from construction contracts

Receivables in accordance with the Percentage-of-Completion method are generated when sales revenue is recognised but as a result of contractual provisions cannot yet be invoiced. The sums are recognised in accordance with the proportion of project hours planned and carried out by company personnel, or planned and incurred material costs, completion of specific units, or the completion of the stage of completion of the contract. The balance sheet items include directly attributable individual costs (personnel costs and external services) as well as general costs to an appropriate extent. Reserves for threatening losses are adapted in the period in which the losses become apparent.

Receivables evaluated using the Percentage of Completion method contain the following items:

	2004	2003
	T€	T€
	-----	-----
Costs incurred	1 210	461
Profit share	195	0
Contract revenue	----- 1 405	----- 461
Advances received	----- -660	----- -104
Current receivables from construction contracts ^{*)}	1 346	461
Liabilities from long-term construction	601	104

^{*)} In the previous year this was included as Unfinished services (see also Section 7).

In the previous year the outcome of the contracts could not be reliably estimated, so that revenue was recognised only as the proportion of contract costs which can probably be recovered.

7. Inventories

	31 Dec. 2004 T€	31 Dec. 2003 T€
Unfinished services ^{*)}	0	461
Goods	421	438
Advances received	247	106
	<u>668</u>	<u>1 005</u>

^{*)} For the period to 31 December 2004 included under Current receivables from construction contracts.

In 2004, write-down was reversed on goods amounting to T€ 117, because the goods in question could be sold at higher prices than estimated.

8. Accrued and deferred items and other current assets

	31 Dec. 2004 T€	31 Dec. 2003 T€
Overnight money to secure sureties	959	1 890
Current tax assets	250	309
Government grants and allowances	75	484
Others	466	470
	<u>1 750</u>	<u>3 153</u>

The accrued and deferred items and current assets are due within 12 months after the balance sheet date. The duration of the overnight money corresponds to the duration of the sureties. On the basis of the orders in hand and planned new orders it is assumed that overnight money will be deposited to cover sureties with a duration of more than 12 months.

9. Fixed assets, intangible assets and goodwill

For the development of property plant and equipment, reference is made to the Annex overview.

The net carrying amounts for intangible assets include the following main individual items:

	31 Dec. 2004 T€	31 Dec. 2003 T€
	-----	-----
<u>Goodwill</u>	11 283	15 291
<u>Capitalised software development costs</u>		
- i.box	1 088	1 574
- MICROBUS	206	884
- Contour/Combitour	165	330
- BON	146	202
- Qbase	117	176
- Miscellaneous	458	804
	-----	-----
	2 180	3.970
	-----	-----
<u>Other intangible assets</u>	1 323	1.812
	-----	-----
	14 786	21 073
	-----	-----

10. Deferred tax/ Income tax

Income taxes include both income taxes which have been paid or are owed as well as deferred tax expenses and income. The deferred tax expenses or tax income are calculated in accordance with IAS 12.

Current and deferred income taxes

	2004	2003
	T€	T€
<u>Current income tax expenses</u>	19	0
<u>Deferred tax expenses / income</u> due to the formation and reversal of temporary differences due to tax losses carried forward	-698 698	-651 651
	<u>19</u>	<u>0</u>
Reconciliation of the predicted tax expenses taking a rate of taxation of 39 %		
	2004	2003
	€	€
<u>Earnings before income taxes</u>	-8 701	-7 392
<u>Calculated (predicted) income taxes</u>	-3 393	-2 957
Amortisation of goodwill	-1 641	-370
Consolidation and amalgamation effects	0	-88
Non-capitalisation and value adjustment of tax losses carried forward	-1 733	-2 499
	<u>19</u>	<u>0</u>

Details of the taxation system and the rates of taxation applied

German tax on trade income is levied on the taxable income of a company after taking away certain incomes which are not subject to trade income tax and after including certain expenditures which are not deductible for the purposes of trade income tax. The effective trade income tax varies depending on the municipality in which the company operates. The average trade income tax for 2003 and 2004 was approx. 18 %. Trade income tax can be counted towards the corporation income tax.

The rate of corporation income tax for retained and distributed profits is 25 %. In addition to corporation income tax a so-called solidarity charge is also levied amounting to 5.5 % of the payable corporation income tax.

In the financial year 2004 the effective rate of taxation of 39 % was applied. Furthermore, for temporary differences which reverse from 2005 onwards a tax rate of 39 % was used. For the subsidiaries in the Netherlands and Italy tax rates were used of 34.5 % and 38.2 % respectively. There were no significant effects due to this, because the proportion of earnings of the foreign entities was of secondary importance.

Balance sheet presentation of deferred taxes

The reasons for the difference between the tax burden expected on the basis of profit (loss) for a period and the recognised income tax expenses are as follows:

	31 Dec. 2004 T€	31 Dec. 2003 T€
	_____	_____
<u>Deferred tax assets from temporary differences</u>		
<u>(non-current)</u>		
Receivables and other assets	0	429
Pension provisions	219	0
Provisions	45	38
Other liabilities	0	112
	_____	_____
	264	579
<u>Tax demands from losses brought forward (net)</u>		
Tax assets from losses brought forward	18 517	17 572
Value adjustment of tax assets from losses brought forward	-17 696	-16 368
	821	1.204



	1 085	1 783
	31 Dec. 2004	31 Dec. 2003
	T€	T€
	<hr/>	<hr/>
<u>Deferred tax liabilities from temporary differences</u> <u>(non-current)</u>		
Intangible assets	867	1.462
Receivables and other assets	212	0
Pension provisions	0	321
Other liabilities	6	0
	<hr/>	<hr/>
	1 085	1 783
	<hr/>	<hr/>

The company losses brought forward for tax purposes can be used without restriction. As of 31 December 2004 the loss of IVU AG brought forward for purposes of corporation income tax was T€ 48,648 and T€ 45,036 for purposes of trade income tax. Due to a correction of the planned use of existing losses brought forward, the value of the deferred tax assets from losses carried forward were adjusted.

11. Loans and financial liabilities

	31 Dec. 2004	31 Dec. 2003
	T€	T€
	<hr/>	<hr/>
Current loans and current portions of non-current loans	3 813	5 911
Non-current loans	4 000	4 500
	<hr/>	<hr/>
	7 813	10 411
	<hr/>	<hr/>

As of 31 December 2004 and 2003, the current loans and current portions of non-current loans consisted of bank overdrafts, credit lines, and loans.



Revocable credit lines with Deutsche Bank AG and Deutsche Kreditbank AG of TEUR 1 500 in each case are secured by the global assignment of receivables from goods deliveries and services as well as the issue of licences.

Land Berlin granted a contract of surety amounting to 70 percent of the deficiency for credits of T€ 3 000. The deficiency guarantee represents "De-minimis" assistance in accordance with the subsidy regulations of the European Union, and its subsidy value amounts to T€ 10 500.

In addition, current and former members of the Board of Management and the Supervisory Board have hypothecated bank account deposits amounting to TEUR 300 as surety for the credit lines.

The (revocable) credit framework provided by the DZ Bank AG of TEUR 2 950 ends on 31 December 2007. The rate of interest is 8 % p.a. As of the balance sheet date, T€ 2 171 of the credit framework is used.

The (revocable) credit line of the Deutsche Kreditbank AG had a value as of the balance sheet date of TEUR 1 126. The rate of interest is 6.85 % p.a.

Non-current loans are held from the following creditors and have the following loan conditions:

	31 Dec. 2004 T€	31 Dec. 2003 T€
	<hr/>	<hr/>
DZ Bank AG, Hanover		
Loans on 03./11.07.2002, originally of T€ 6 000.		
Sum remaining after repayments in 2004 of		
T€ 1 500 (contained in the previous year under the		
current liabilities)		
(planned repayment 2005 T€ 500)	4 000	4 500
	<hr/>	<hr/>
	4 000	4 500
	<hr/> <hr/>	<hr/> <hr/>



The loans from the DZ Bank AG are secured by an absolute surety of TransTec Beteiligungs- und Managementgesellschaft mbH, Hannover, of TEUR 10 017 and also a deficiency guarantee of the üstra Hannoversche Verkehrsbetriebe AG of TEUR 3 835. The duration of the loans were amended on 24 June 2004 in an addendum to the contract dated 3/11 July 2002 as follows:

The loan has a duration until 30.06.2008 (originally until 30.03.2006).

The repayment was rearranged to be as follows:

2005: two Instalments of T€ 250, on 30.03. und 30.09.2005

2006: four instalments of T€ 300, on 30.03./30.06./30.09. and 31.12.2006

2007: four instalments of T€ 400, on 30.03./30.06./30.09. and 31.12.2007

2008: two instalments of T€ 600, on 30.03 und 30.06.2008

The rate of interest is 6.95 % p.a. until 30.03.2006, from 7.3 % p.a. 1.04.2006

An application has been made to the DZ Bank to defer the loan repayments amounting to T€ 500 for 2005.

12. Provisions

	31 Dec. 2004 T€	31 Dec. 2003 T€
	<hr/>	<hr/>
Provisions for outstanding performances	963	570
Restructuring provisions	1 000	0
Others	718	808
	<hr/> <hr/>	<hr/> <hr/>
	2 681	1 378

The provisions for outstanding performances refer to works outstanding for projects which have already been completed.

The restructuring provisions result from the decision to release 38 co-workers made and announced at the end of the year under review and includes T€ 804 severance payments and salary obligations in lieu of notice, with T€ 104 outplacement costs and T€ 92 legal costs.

The other provisions relate to risks of legal costs for court proceedings in connection with an action brought by former employees of a former subsidiary.

The provisions have developed within this financial year as follows:

	Outstanding performances	Restructuring measures	Others	Total
Balance as of 31 December 2003	570	0	808	1 378
Provisions formed during the year	874	1 000	0	1 874
Provisions dissolved during the year	11	0	52	63
Provisions used during the year	470	0	38	508
Balance as of 31 December 2004	963	1 000	718	2 681
Current portion of the provisions	963	1 000	718	2 681
Non-current portion	0	0	0	0

13. Other current liabilities

	31 Dec. 2004 T€	31 Dec. 2003 T€
Holiday and overtime claims of personnel	723	953
Liabilities from taxes	1 204	1 466
Invoices outstanding	411	706
Performance payments and co-worker incentives	571	625
Liabilities from social insurance	379	407
Others	605	968
	<u>3 893</u>	<u>5 125</u>

14. Pension provisions

The pension obligations reflected in the balance sheet reflect retirement and invalidity pension and surviving dependent pension undertakings to the members of the Board and other co-workers. The promised benefits are qualified as defined benefit plans and evaluated as such in accordance with IAS 19 on the basis of the projected unit credit method. The approach is based on an actuarial report of SLPM Schweizer Leben, Pensionsmanagement GmbH, Munich.

The pension obligations were determined on the basis of the following assumptions:

	2004	2003
	-----	-----
Rate of interest	5.25 %	6 %
Expected earnings from the plan assets	5 %	5 %
Expected pension dynamics (p.a.)	2 %	2 %
Fluctuation	0 % - 3 %	0 % - 3 %
Anticipated wage and salary increases	0 % - 2.5 %	0 % - 2.5 %

Further actuarial assumptions (probabilities of mortality or invalidity) are made in accordance with Prof. Heubeck's tables from 1998. The development of the pension provisions is as follows:

	31 Dec. 2004	31 Dec. 2003
	T€	T€
	-----	-----
Balance at start of period	1 623	1 569
Overall pension payment during the period	195	195
Insurance payments	-22	-141
Balance at end of period	----- 1 796	----- 1 623

The overall pension payments during the period (not including contributions to the state pension insurance) is made up of the following:

	2004	2003
	T€	T€
	<hr/>	<hr/>
Current service cost	72	76
Interest cost	180	167
Expected return on plan assets	-45	-47
Offset actuarial gains	-12	-1
Overall payments for retirement pension benefits	<hr/> <hr/>	<hr/> <hr/>

The movements in the liabilities recognised in the balance sheet were as follows:

	31 Dec.	31 Dec.
	2004	2003
	T€	T€
	<hr/>	<hr/>
Present value of the pension obligations	3 008	2 934
Fair value of the plan assets	-1 188	-1 129
Present value of net pension obligations	<hr/>	<hr/>
Actuarial losses / gains not offset	-24	-182
Derived pension benefit obligations	<hr/> <hr/>	<hr/> <hr/>

The plan assets include no financial instruments of the reporting enterprise and no property assets occupied or used by it.

15. Special item: Investment subsidies and investment assistance

This position includes both investment subsidies and also investment assistance for subsidised economic goods. The deferred revenue is released in instalments over the average usual working life of the investment goods in question from five to ten years. The amount released in the financial year 2004 was T€ 78 (Previous year: T€ 83) under the heading: Other operating income.

16. Equity

The development of the equity is presented in Annex 3.

Share capital and authorised capital

The fully paid in share capital of the parent company amounted on the balance sheet date to EUR 16 169 160, divided into 16 169 160 shares with a nominal value of EUR 1. In accordance with the empowerment provided for in Section 4.4 of the company statutes (authorised capital) the share capital of the company was increased by EUR 540 000 to EUR 16 169 160 against a contribution in cash. The increase in capital was concluded and was recorded on 7 February 2003 in the Commercial Register.

The share capital can be increased until 18 June 2007 once or several times by up to the sum of € 3 000 000 by issuing up to 3 000 000 new shares made out in the name of the holder against contributions in cash or in kind (authorised capital). The authorised capital was entered in the Commercial Register on 8 October 2002.

After the increase in capital in February 2003 the authorised capital is € 2 460 000.

Conditional capital

Following a decision of the Annual General Meeting on 2 June 2004 and entry in the Commercial Register on 7 September 2004 the company statutes have been changed in Section 4 Paragraph 5 (Conditional capital 2004/I), Section 10 Paragraph 1 (Supervisory Board). Both the provisions of the statutes in Section 4 Paragraphs 5 and 6 regarding conditional capital (2000/I, 2001/I) and Section 13 Paragraph 2 are revoked.

By decision of the AGM on 2 June 2004, the share capital of the company is increased conditionally by up to Euro 150 000 by issuing up to 150 000 shares made out in the name of the holder (conditional capital 2004/I). The conditional capital approved on 30. May 2000 no longer exists (Conditional capital 2000/I of up to EUR 150 000 and the conditional capital 2001/I approved on 6 June 2001).



The new shares participate in the profit of the company from the start of the financial year in which they are issued. The Supervisory Board is empowered to issue, through until 30 April 2009 up to 150 000 subscription rights for shares with a duration of up to five years. The subscription rights are extended solely to the member of the Board of Management of the company, Dr. Gero Scholz.

17. Segment reporting

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. Segment reporting in accordance with IAS 14 uses the so-called modified "management approach", i.e. the segment reporting should normally be based on the internal organisational and management structure.

In the financial year 2004, the IVU group had three operationally active segments: Transport Logistics, Public Transport und Information Logistics.

Public Transport: 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.

Transport Logistics: 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.

Information Logistics: 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.

The segment reporting is presented in Annex 6.

18. Other operating income

The other operating income consists of research grants of T€ 391 (Previous year T€ 1 591). These relate mainly to the joint project "Developing Mobile Public Services", which is being carried out together with the German Aerospace Centre (DLR), Cologne.

19. Sales revenue

The sales revenue consists of the following:

	2004	2003
	T€	T€
Deliveries / services / works contracts	16 171	16 415
Licences	6 051	9 193
Maintenance	4 530	4 300
	<u>26 752</u>	<u>29 908</u>

20. Personnel expenses and share option plans

Personnel expenses

	2004	2003
	T€	T€
Wages and salaries	15 015	16 179
Social security and pension contributions	2 654	3 273
	<u>17 669</u>	<u>19 452</u>

Personnel expenses includes expenditures amounting to T€ 176 (Previous year T€ 1 175) for research & development activities.

Allocations were made to the provisions for retirement benefits in the financial year 2004 amounting to T€ 195.

The personnel expenses for the financial year included compensation payments of T€ 893, of which a sum amounting to T€ 804 was related to the restructuring measures, decided in December 2004.

Share option plans

In July 2001, IVU AG offered members of the Board of Management and senior staff of the company and also associated companies share options from the conditional capital I approved at the AGM on 30 May 2000.

The share options outstanding have developed as follows:

	2004	2003
	<hr/>	<hr/>
Outstanding on 1 January	0	73 000
Issued	0	0
Exercised	0	0
Returned / lapsed	0	73 000
Outstanding on 31 December	<hr/> <hr/>	<hr/> <hr/>

All holders of option agreements had withdrawn from their agreements unconditionally by 31 December 2003.

21. Other operational expenses

The other operational expenses for the financial year included T€ 196 allocated to provisions for restructuring.

22. Earnings per share

The earnings per share were calculated by dividing the net profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	2004 T€	2003 T€
Earnings attributable to ordinary shareholders at end of year	-8 720	-7 392
	2004 No. of shares	2003 No. of shares
No. of ordinary shares as of 1 January	16 169 160	15 629 160
Capital increase (7 February 2003)		540 000
No. of ordinary shares as of 31 December	16 169 160	16 169 160
Effect of capital increase (7 February 2003)		483 781
Weighted average no. of outstanding ordinary shares as of 31 December		16 112 941
Undiluted earnings per share	-0.54	-0.46

To calculate the diluted 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 dilutive potential ordinary shares (see Annex Section 20). For this purpose the number of ordinary shares to be taken into consideration corresponds to the weighted average number of ordinary shares plus the weighted average number of (additional) shares which would have been outstanding assuming the conversion of all dilutive potential ordinary shares. The conversion of share options into ordinary shares is valid on the day of issue.

Since the dilutive effect of the shares options in the 2003 financial year is negative it is not taken into consideration for the diluted earnings per share. This means that the diluted earnings per share are equal to the undiluted earnings per share.



	2004	2003
	€	€
Diluted earnings per share	-0.54	-0.46

23. Notes on the Group cash flow statement

The cash flow statement is prepared in accordance with IAS 7.

A distinction is made between cash flows from operating, investing, and financing activities.

The liquidity recognised with respect of financing activities covers cash in hand and deposits at financial institutions.

24. Financial instruments and finance risk management

Exchange rate risks

As a result of its business activities on national and international markets, the Group is exposed to market risks arising from alterations to interest rates and exchange rates. Hedging transactions are not carried out, because all contracts are concluded in euro.

Default risks

For the Group there is no appreciable concentration of default risk, whether with a single contract partner or a number of contract partners with similar characteristics. The Group employs an appropriate control procedure to ensure that sales are only made to customers who have proven to be creditworthy in the past and that the default risks relating to sales always remain within appropriate limits.

The Group does not offer surety for the obligations of other parties.

The maximum default risk is shown in the balance sheet by the carrying amount of each financial asset. Derivatives are not used to secure against default risks. Therefore, in the view of the Group its maximum default risk is equal to the sum of trade receivables (see Annex Section 5) and the sum of other current assets (see Annex Section 8), minus the value adjustments to these assets at the balance sheet date.

Liquidity risk

Provided the turnover for 2005 of EUR 28 to 29 million and the resultant payments are received then adequate liquidity is assured, because the costs have been adapted to this turnover. The existing credit lines will almost be used in full. A liquidity bottleneck is only to be expected for a lower turnover. In the regular consultations with the financing banks the liquidity situation is examined critically with the aim of ensuring the continued existence of the credit lines at the agreed levels. It is assumed that the existing credit lines will be continued. An application has been made to the DZ Bank AG to defer the loan repayments amounting to T€ 500 for 2005, after EUR 1.5 million was repaid in 2004. Annex Section 4 shows the sum of unused lines of credit as of the balance sheet date.

Any excess liquidity will be used mainly to repay bank overdrafts.

Current values

The financial instruments not included in the balance sheet at current value include primarily means of payment, trade receivables, other current assets, other non-current assets, trade liabilities and other liabilities, bank overdrafts, and non-current loans.

The carrying amount of the means of payment and the bank overdrafts is very close to the current value in view of the short-term nature of these financial instruments.

For receivables and liabilities which are based on normal conditions of trading credit, the historical costs of acquisition are also very close to the current value.

The current value of non-current liabilities is based on the officially quoted market prices for these liabilities or for similar financial instruments or on the currently available rates of interest on borrowing with the same time of payment and credit standards.

25. Related party disclosures

In addition to the enterprises included in the consolidated financial statement, former and current Board Members who are shareholders are also related to IVU AG. In accordance with the Securities Exchange Act it is reported that Prof. Denert holds 11.18 % and Dr. Olaf Schemczyk 7,72 % of the shares in IVU AG.

A list of members of the Board of Management and the Supervisory Board is provided under Section 27 of this Annex, including emoluments received. A list of the companies included in the consolidated financial statement is provided in Section 3 of this Annex.

Transactions between companies in the Group and related parties are conducted at market prices.

26. Other financial obligations and contingent liabilities

Other significant financial obligations which are not visible on the balance sheet consist in particular of rental and leasing agreements and are as follows:

	Rent pay- ments TEUR	Lease payments TEUR	Total TEUR
2005	966	104	1 070
2006	750	63	813
2007	731	47	778
2008	731	34	765
2009	731	31	762
2010	0	31	31
2011	0	1	1
	<hr/> 3 909	<hr/> 311	<hr/> 4 220



IVU AG

Financial institutes have taken on a guarantee of a bill of exchange of T€ 986 for IVU AG. For the provision such guarantees by the Deutsche Bank AG, the IVU AG has pledged fixed deposits amounting to T€ 906 to the Deutsche Bank as surety.

On-going legal disputes

A legal dispute is on-going with former employees about claims relating to the loss of employment. The maximum achievable claim is estimated at EUR 0.7 million. The Board and the lawyers acting for them are of the opinion that the risks arising from the dispute are presented adequately in the balance sheet.

27. Supervisory Board and Board of Management

The members of the Supervisory Board were :

Dr. Hans-Ulrich Abshagen,

Management consultant, managing director of Abshagen & Partner KG, Berlin

Chair of Supervisory Board

Chair of Supervisory Board of RÖNTEC Holding AG, Berlin

Chair of Supervisory Board of Energis Online AG, Berlin

Mr Hans G. Kloss

Deputy Chair of Supervisory Board

Chair of Supervisory Board Hansen & Heinrich AG, Berlin

Managing director of BEROMAT Consulting GmbH, Berlin

Mr Klaus-Gerd Kleversaat, Berlin

CEO of Consors Capital Bank AG,

Vice-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

Dr. Gunnar Streidt
Managing director of STREIDT CONSULTING GmbH, Berlin
Mr Ralph Günter
Chair of bmp AG, Berlin
Member of Supervisory Board of GOC AG, Dreieich

Dr. Manfred Garben
Chair of Heureka Foundation

The period in office of the above-mentioned members of the Supervisory Board ended on 2 June 2004 by decision of the Annual General Meeting.

Also as a result of a decision of the Annual General Meeting on 2 June 2004 three members were appointed to the Supervisory Board:

Mr Klaus-Gerd Kleversaat (Chair), Berlin
Chair of the Board of Consors Capital Bank AG,
Deputy Chair of the Supervisory Board of Ventegis Capital AG, Berlin,
Member of the Supervisory Board of Euro Change Wechselstuben AG, Berlin,
Member of the Supervisory Board of Stream Films AG, Berlin,
Member of the Supervisory Board of Orbit Software AG, Berlin.

Dr. Heinrich Ganseforth, Hannover
Chair of the Board of üstra Hannoversche Verkehrsbetriebe AG,
Chair of the Supervisory Board of intalliance AG, Hanover,
Advisory Board of Hannover Region Grundstücksgesellschaft mbH HRG & Co.
– Passerelle – KG, Hanover

Mr Hans G. Kloss, Berlin
Managing director of BEROMAT Consulting GmbH, Berlin
Chair of the Supervisory Board of Hansen & Heinrich AG, Berlin

They represent the company until the next term of office.



The emoluments of the Supervisory Board in the financial year were T€ 52 (Previous year T€ 65).

Management Board:

During the financial year the company was represented by the board members

Prof. Ernst Denert (Chair)

Dr. Olaf Schemczyk

Dr. Gero Scholz (since 1 February 2004)

In the financial year 2004, the members of the board of management received emoluments of T€ 603 (Previous year T€ 402).

In accordance with settlement agreements already reached in previous years with former office-holders, payments were made in the year under consideration of T€ 346.

A pension reserve is set aside for former office-holders of T€ 1 186 (Previous year T€ 936).

28. Note to Section 285 No.16 German Commercial Code (HGB)

The declaration required under Section 161 of the Companies Act (AktG) with relation to the recommendations of the government commission for a German Corporate Code of Governance was made by the Board of Management and the Supervisory Board, and made permanently available to shareholders on the website at www.ivu.de.

Berlin, 25 February 2005

Prof. Ernst Denert

Dr. Olaf Schemczyk

Dr. Gero Scholz

Geschäftssegmente in T€	Public Transport		Information Logistics		Transport Logistics		Zentralbereiche		Konsolidiert	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Erlöse gesamt	21.365	24.784	2.429	2.502	3.327	3.114	38	49	27.159	30.450
Erlöse aus Transaktionen mit anderen Segmenten	-176	-338	0	0	-231	-204	0	0	-407	-542
Erlöse von externen Kunden	21.190	24.447	2.429	2.502	3.096	2.910	38	49	26.752	29.908
Segmentergebnis (Rohertrag)	16.186	18.230	2.571	2.878	2.916	3.218	607	533	22.280	24.859
Aufwendungen	-13.114	-16.277	-1.532	-2.883	-2.991	-3.624	-9.446	-8.699	-27.083	-31.483
Ergebnis der betrieblichen Tätigkeit	3.072	1.953	1.040	-5	-75	-406	-8.840	-8.166	-4.803	-6.624
Finanzierungsaufwendungen, netto							-621	-768	-621	-768
Ergebnis der gewöhnlichen Geschäftstätigkeit									-5.424	-7.392
Steuern vom Einkommen und vom Ertrag							-19	0	-19	0
Konzern-Jahresfehlbetrag									-5.443	-7.392
Segmentvermögen	10.854	34.620	1.106	1.570	2.992	2.776	19.771	3.082	34.723	42.049
Segmentsschulden	3.116	1.910	296	128	377	148	16.560	20.052	20.349	22.238
Investitionsausgaben	209	779	28	114	38	150	200	157	476	1.200
Wertminderungen	2.352	3.923	319	316	426	758	931	217	4.028	5.213
Geographische Segmentangaben in T€	Inland		Europa		Drittland		Konsolidiert			
	2004	2003	2004	2003	2004	2003	2004	2003		
Umsatzerlöse aus Geschäften mit externen Kunden	23.153	24.454	2.973	5.454	626	0	26.752	29.908		
Segmentvermögen	34.723	38.958	0	3.091	0	0	34.723	42.049		
Investitionsausgaben	476	1.177	0	23	0	0	476	1.200		
Wertminderungen	4.028	5.053	0	160	0	0	4.028	5.213		



Auditors' Report

We have drawn up the following auditor's 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 in equity, cash flow statement and Unabridged Notes to the Consolidated Financial Statements for the business year from 1 January through 31 December 2004. The accounting and preparation of the consolidated financial statements are the responsibility of the company's Executive Board. Our job is to provide an assessment of whether the consolidated financial statements meet the International Financial Reporting Standards (IFRS), based on the audit that we have performed.

"We conducted our audit of the consolidated financial statements according to German audit rules, taking into account the generally accepted German standards for the auditing of financial statements established by the Institut der Wirtschaftsprüfer (IDW). These standards require us to plan and conduct the audit in such a way that substantial misstatements about the consolidated financial statements can be ruled out with reasonable assurance. Within the framework of the audit, the effectiveness of the internal accounting control system and the evidence supporting the figures reported in the consolidated financial statements are examined on the basis of samples. The audit includes an assessment of the accounting principles used and the key estimates made by the legal representatives as well as an evaluation of the overall presentation of the consolidated financial statements. In our opinion, our audit provides a sufficiently reliable basis for this assessment.

"It is our conclusion that, in accordance with IFRS, the consolidated financial statements present a fair and accurate view of the assets, liabilities, financial position and profit/loss of the company as well as the cash flow for the business year.

"Our audit, which also covers the consolidated management report prepared by the Executive Board for the business year from 1 January through 31 December 2004 did not give rise to any reservations. On the whole, we conclude that the consolidated management report, together with the other figures shown in the consolidated financial statements, presents a true and accurate picture of the Group's position and accurately presents the risks of future developments. We also confirm that the consolidated financial statements and consolidated man-



agement report for the business year from 1 January through 31 December 2004 satisfy the requirements for exempting the company from its obligation to prepare consolidated financial statements and a consolidated management report according to German law.

“Without limiting this assessment, we draw attention to the remarks by the Executive Board in Sections 7 “Outlook for 2005” and 8 “Risks” of the management report. It is noted in these sections that negotiations are in progress with the lending banks regarding the lines of credit, and that the company’s liquidity planning shows that the existing lines of credit are likely to be used up almost completely at certain points in the second half of the 2005 business year. It is further noted that, according to corporate planning for 2005, the equity capital of IVU Traffic Technologies AG as a key member of the Group is likely to be largely used up in the third quarter of the year as a result of the seasonal distribution of revenues. The Group’s survival will be at risk if the lines of credit are not maintained at current levels or if revenues and cash receipts cannot be achieved at the planned level and according to the scheduled accrual.”

Berlin, 25 February 2005

Ernst & Young AG
Auditors

Eckehard Schepers
Auditor

Christian Wendt
Auditor