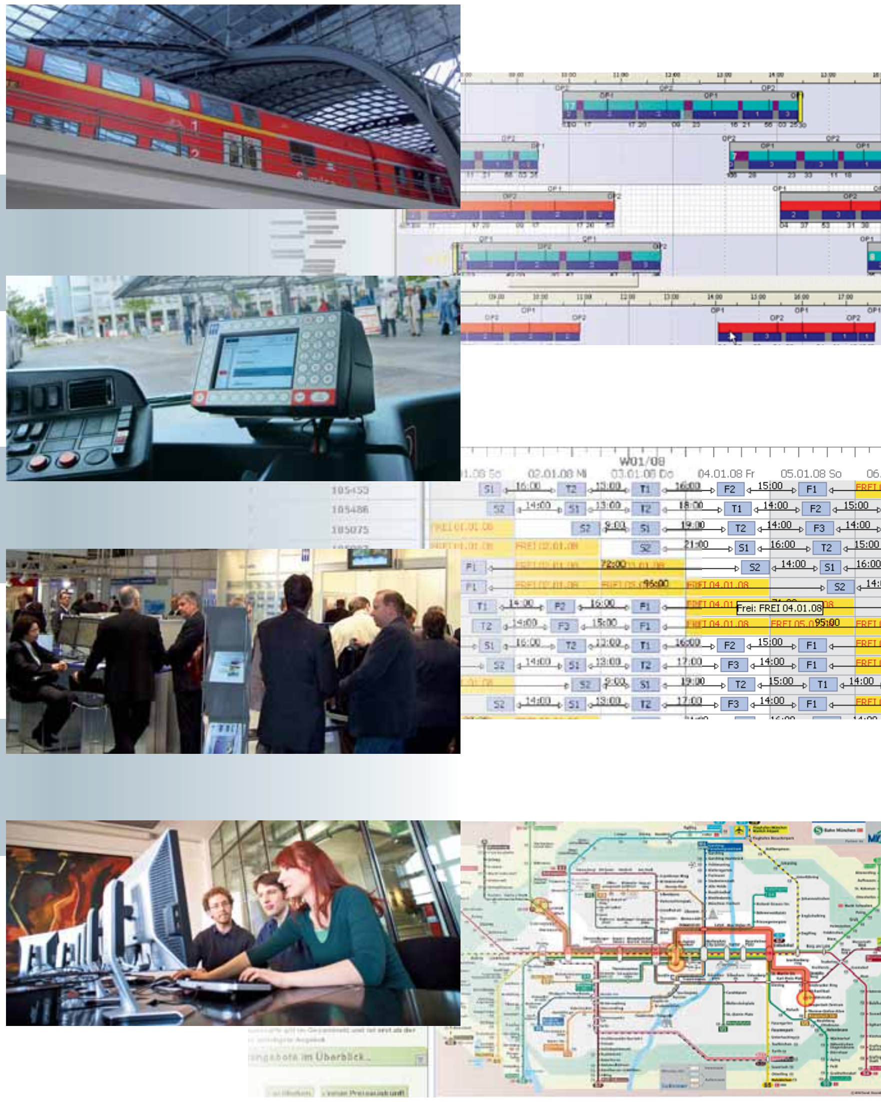
Annual Report 2008



IVU Traffic Technologies AG

Consolidated IFRS figures	2004 million €	2005 million €	2006 million €	2007 million €	2008 million €	Change 2008 to 2007 in million €
Revenue	26.8	31.2	30.1	31.4	33.8	+2.4
of which performances not yet registered	1.0	1.4	0.5	3.7	0.7	-3.0
Gross profit	22.3	23.2	24.6	24.8	24.7	-0.1
Personnel expenses	17.7	15.2	15.9	16.5	17.3	+0.8
EBIT	-8.1	1.0	2.1	2.3	1.3	-1.0
Annual profit / loss	-8.7	2.2	1.4	1.9	1.3	-0.6

The year-end financial statement and management report for IVU Traffic Technologies AG for the 2008 business year were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Berlin, and provided with an unqualified audit report.

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

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

Content

Letter to the shareholders

Dear Shareholders, Dear Friends of IVU,

In times of financial and economic crisis, one might expect all companies to be presenting bad news. But IVU can once again look back on a successful year. The financial year 2008 saw higher revenues (some EUR 34 million) than in the previous year and about the same gross profit. We were able to achieve EBIT of EUR 1.3 million and thus further to reduce loans, so that the IVU will be debt-free from mid-2009. At the same time we have expanded our team quantitatively and qualitatively and with this have prepared ourselves for the growing demands facing us.

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

2008 was characterised by important milestones internationally. Riyadh in Saudi Arabia and Cali in Colombia are new customers in markets which are important for us – in the Gulf region and in Latin America.

The customers of IVU are mainly public contract-awarders in a sector into which state investments are flowing with the intention of damping the effects of the economic crisis – the development of the traffic infrastructure is seen as an important task. IVU is making its contribution towards this.

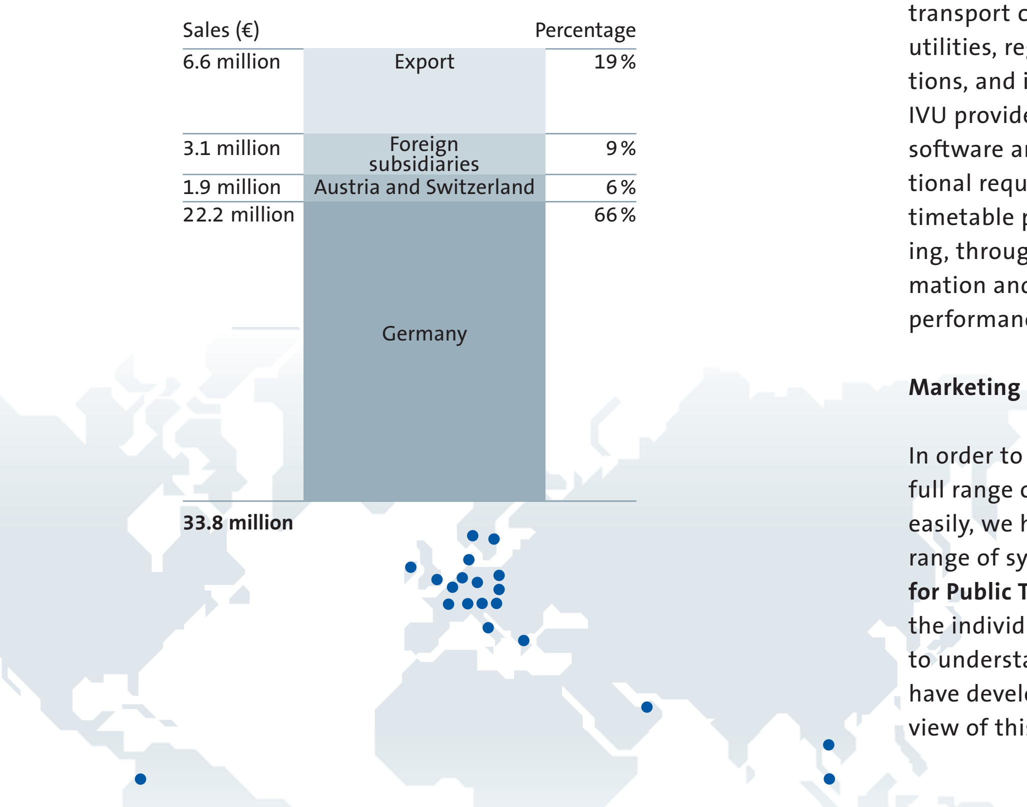
We have started into the year 2009 with optimism and we hope that you will accompany us and remain loyal to us.

Yours sincerely

The Management Board

Berlin, March 2009

IVU and the market

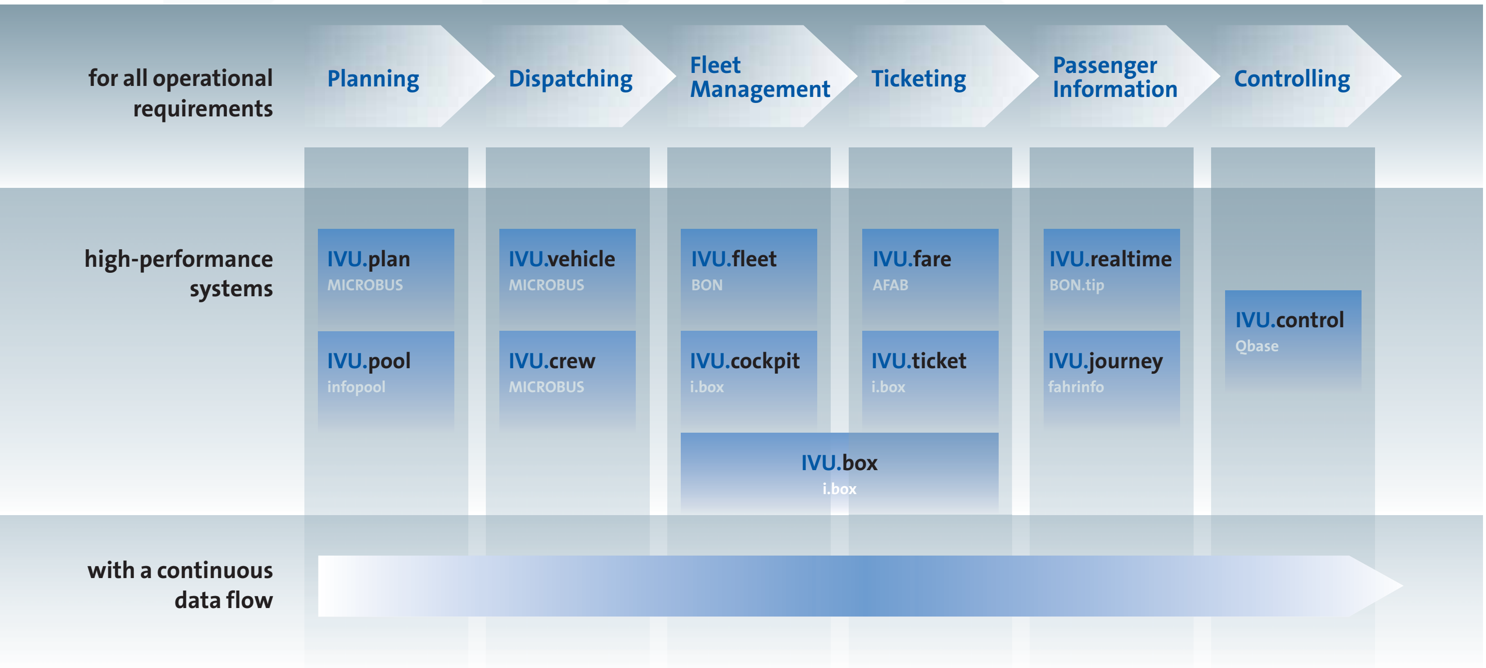


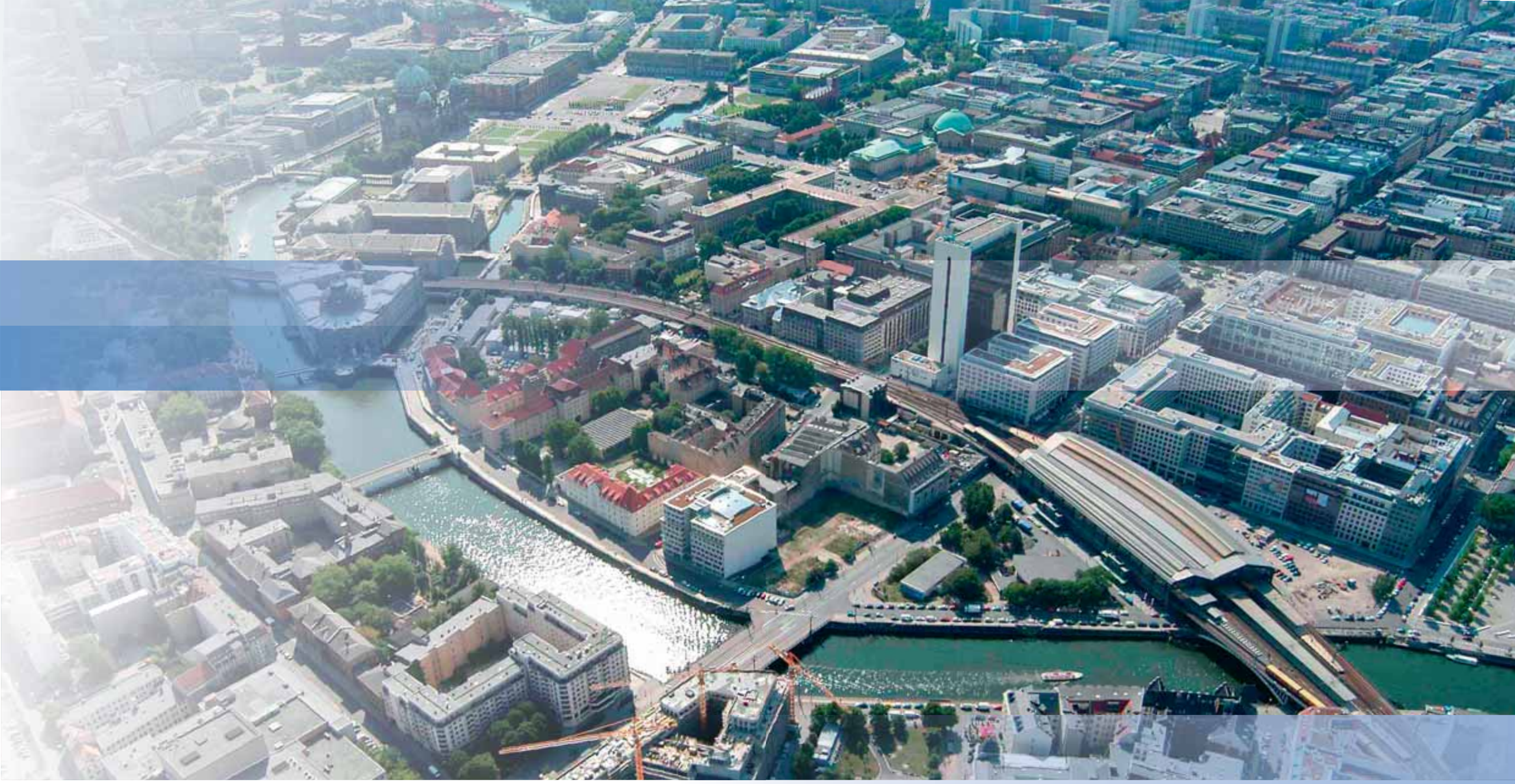
The core business of IVU is and remains Public Transport: we earn 80 % of our revenue from public transport companies: municipal public transport utilities, regional bus companies, transport associations, and increasingly also with railway companies. IVU provides its suite of IT systems, consisting of software and hardware, which cover all the operational requirements of the companies – from timetable planning, vehicle and personnel dispatching, through operational control, passenger information and ticketing, to settlements for contractual performances.

Marketing

In order to be able to promote and market the full range of our products and performances more easily, we have improved the presentation of our range of systems – which we now call the **IVU.suite for Public Transport**. We have also given each of the individual systems a new name so that it is easy to understand what they are capable of. And we have developed a new graphic to provide an overview of this all:

The IVU.suite for Public Transport





The new names all start with IVU. This gives a clear signal that these systems come from the IVU house, and therefore embody more than 30 years of experience with IT for the public transport sector. The suffixes indicate how they can be employed: **plan**, **vehicle**, **crew**, **pool**, **fleet**, **cockpit**, **box**, **fare**, **ticket**, **realtime**, **journey**, **control** – each designates the core function. With a further suffix, modules can be differentiated, for example **IVU.plan.duty** or **IVU.crew.dispatch**.

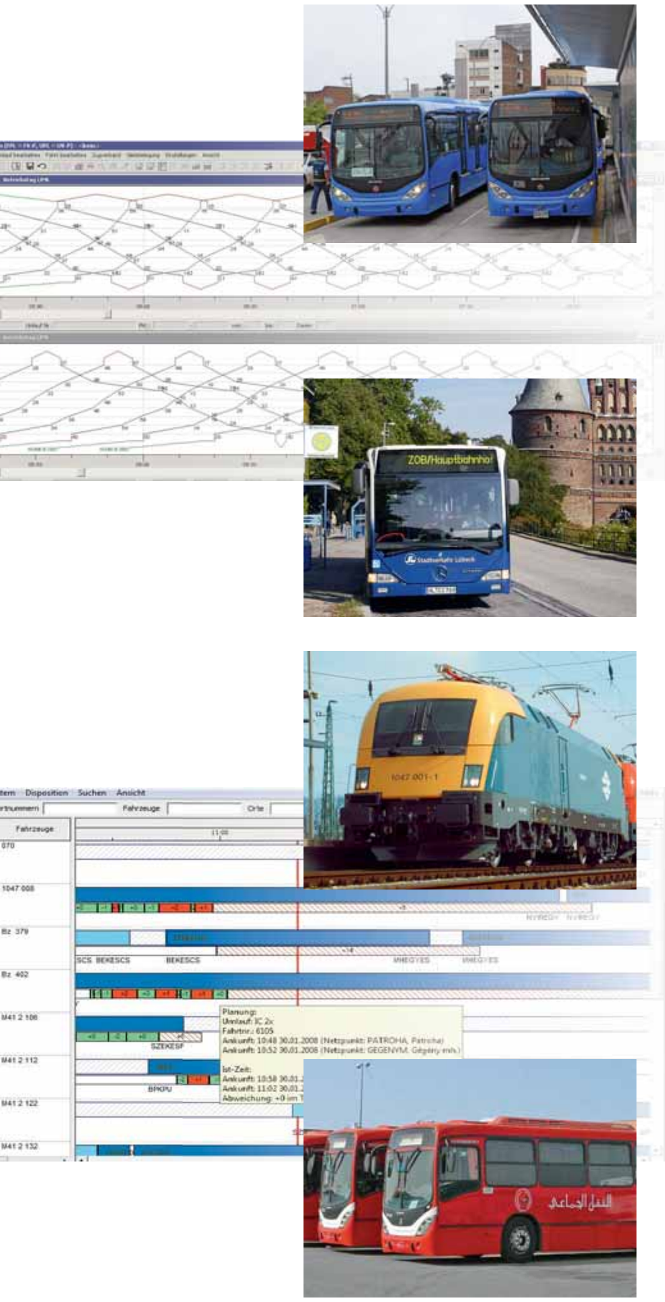
We have not only improved the presentation and marketing, but have also made considerable steps in the development of the systems themselves and their interaction. The functionality of the planning system **IVU.plan** has been extended and the software engineering has been modernised; the personnel dispatching system **IVU.crew** is a completely new development. The fleet management system **IVU.fleet** has been further developed, as has our on-board computer with its hardware **(IVU.box)** and software **(IVU.cockpit)**, specially also for the ticketing system **(IVU.ticket)**.

Internationalization

Despite the economic crisis and recession we are observing a growing demand worldwide for such systems. This applies above all for countries in the Gulf Region, South America and Eastern Europe, where there are serious transport problems. Furthermore, there is a growing need to optimise and to improve operational efficiency. At the same time, the demands are growing for higher levels of quality in transport services and the passenger information.

A growing proportion of revenue is generated in non-German-speaking countries by our subsidiaries and by direct exports. It has increased from just over 20% to nearly 30 %. Two-thirds of the revenue comes from Germany. This strong domestic market is the basis for the increasing international expansion. One target market covers the new member states of the European Union, where the transport infrastructure is in need of renewal and where considerable EU support has been or will be made available. The successful entry of IVU in the Hungarian market is an example of the benefits that can result for us. Further target markets are the Middle East, where we now have three customers (Dubai, Sharjah, and Saudi Arabia), and also South Africa and Latin America. There are numerous large cities which are planning the thorough modernisation of their public transport system. In some cases work has already begun, because the level of traffic is threatening to suffocate these cities. In the financial year 2008, IVU won the largest single order in the history of the company there: Cali, with some 2.5 million inhabitants the third-largest city in Colombia, is establishing a new public transport system, which is called *MIO*. A considerable proportion of the IT systems they need is provided by IVU.

Highlights in the Public Transport segment in 2008



... with the complete IVU.suite

The highlight of the financial year 2008 was winning the order for the *MIO* project in Cali, which with some 2.5 million inhabitants is the third-largest city in Colombia. It is completely restructuring its public transport system. *MIO* is a so-called Bus Rapid Transport System, with its own bus lanes and enclosed bus stops. A large proportion of the IT-systems needed for this are supplied by IVU: the software for the planning, dispatching and fleet management for more than 1000 buses, on-board computers to equip the fleet, and also the systems for passenger information at the stops and in the buses. In addition, the transport authority Metrocali and the fleet operators are expecting advice on how to organise the operation of *MIO*. This and the implementation of almost the entire **IVU.suite** in one step is something new for IVU. The first bus line began operating in November 2008. The total volume of the order will amount to as much as EUR 17 million – the largest order in the history of IVU.

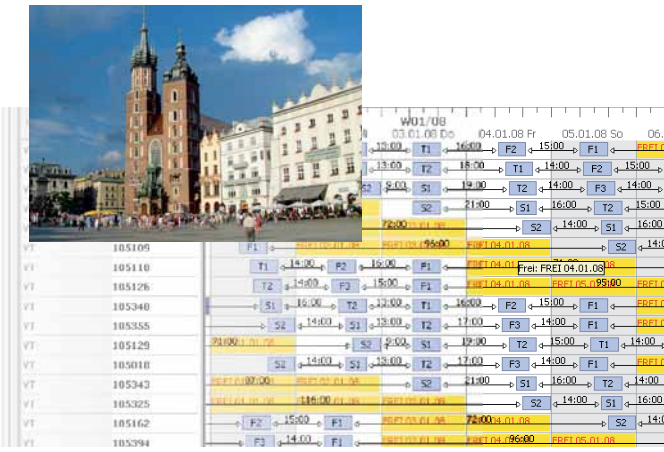
Another customer who has been operating with all the systems of the **IVU.suite** since the start of 2008 is the municipal transport company *Stadtverkehr Lübeck GmbH*. It has been using IVU software for planning and fleet management for some time. In recent years the company has added the background system for contract settlement, and new on-board computers and software to round off a modern ticketing system.

... for planning and dispatching systems

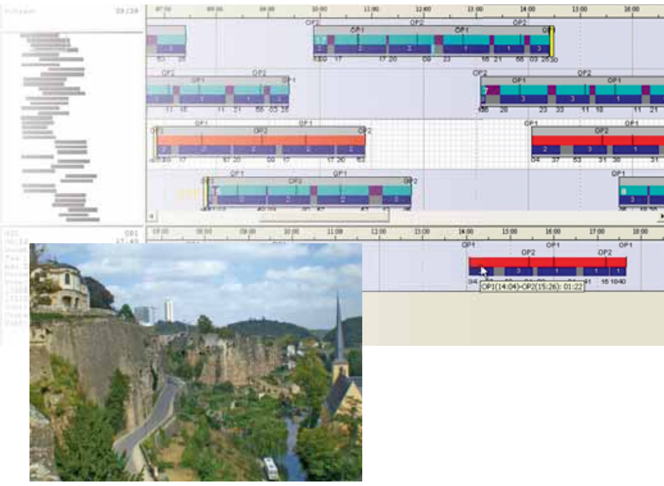
In the financial year 2008, the development and project work was in part aimed at processing larger orders which had already been started in 2007 or earlier, including work for *Deutsche Bahn*, *BVG* public transport in Berlin and the *Hungarian State Railways MÁV (Magyar Államvasutak Zrt.)*.

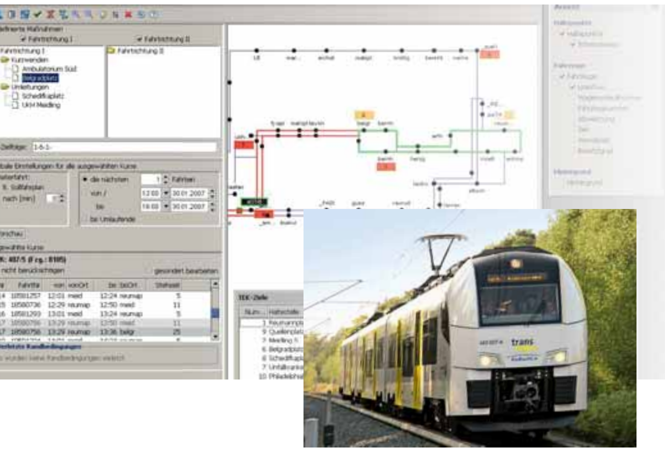
A number of new customers have been gained, among these *SAPTCO (Saudi Arabian Public Transport Company)*, which has ordered all the main planning modules of the **IVU.suite**. So that the *SAPTCO* personnel will be able to work more easily in their own language, the entire system is provided in Arabic. Another order from the Arab region came from *Sharjah*, the third-largest of the United Arab Emirates. There it is planned to create a modern public transport system in order to improve the chaotic traffic situation and eliminate the many traffic jams. The goals are to create an efficient bus service and freely-flowing traffic. **IVU.plan** will be used for the planning and dispatching of the transport system.

More efficiency and transparency in the dispatching of its vehicles and drivers is the objective of *PK Krakow*, and so the public transport utility has ordered the appropriate systems from IVU. The focus here lies on the introduction of the **APD automated duty rostering**. Using this it will be possible to allocate duties in accordance with a wide range of criteria, but without favouring any individual drivers. In addition, the drivers can also submit their wishes about vacations, days off, and shifts. This helps to ensure the satisfaction of the drivers. Another factor is that **APD** makes it possible to keep working time accounts up to date. That means that both the personnel in the control centre and the drivers can check at any time how many working hours are still outstanding for any given period or how much overtime has been clocked up.



In Luxembourg, the three most important bus service providers have all decided in favour of using the planning and dispatching system from IVU: The Luxembourg railway service, *Société Nationale des Chemins de Fer Luxembourgeois (CFL)* meanwhile plans and dispatches its regional buses with the help of **IVU.plan**. In addition, *CFL* also uses the integrated optimisation. This is also the case for the *Autobus de la Ville de Luxembourg (AVL)*, which is responsible for the urban bus services in Luxembourg. It is interested in the potential savings that can be made both with respect to vehicles and drivers. And the third company is the inter-communal public transport service in the southern region of Luxembourg, *TICE (Syndicat des Tramways intercommunaux dans le Canton d'Esch)*, which has also decided to introduce **IVU.plan** for planning its operations. The system for timetable planning and personnel and vehicle scheduling was implemented in time for the changeover to the winter schedules in December 2008. This has now established a basis for the unification of the passenger information systems. For the first time there is a uniform timetable for all operations. In order to be able to generate timetable posters, timetable books, and pdf-files quickly and conveniently, the Luxembourg Transport Association has introduced **IVU.pool**, the system from IVU for timetable data management.





Another success is that all the bus operation units of *RHENUS VENIRO GmbH & Co. KG* will in future be dispatching their personnel using the software of IVU. The objective is to achieve more efficient work processes through the introduction of uniform modes of operation nationwide.

... for fleet management systems

Our fleet management system **IVU.fleet** was also further developed in 2008 and the functionality expanded. For the cooperative fleet management for three public transport companies in the eastern Ruhrgebiet *(KöR)* – Dortmund, Bochum, Herne – the VDV* standard for digital trunked radio was implemented for the first time.

Another first was the completion of an order for a railway control centre using **IVU.fleet**. This has been successfully operating at the *trans regio Deutsche Regionalbahn GmbH* in Kaiserslautern in real-time operations since the timetable changeover in December 2008.

Also in 2008 the Dutch bus company Qbuzz was gained as a new customer. The systems for fleet operations **(IVU.fleet, IVU.cockpit, IVU.box)**, passenger information **(IVU.realtime)** and timetable planning and scheduling **(IVU.plan)** were implemented for them in only four months. *Qbuzz* is a new provider of transport services in the Netherlands, and the state railway NS has a 49 % holding in it. Running a private enterprise, the management of *Qbuzz* are able to respond particularly quickly to developments and they have already been very successful in winning concessions.

... for passenger information systems

The systems for passenger information were also further developed and expanded in the financial year 2008.

The **Ticket Navigator Profi (IVU.journey.tariff)** of the Munich transport association *MVV* proceeded into its third development stage in 2008. As well as allowing enquiries about tariffs for complex routes and patterns of travel, the system now also makes suggestions for different routes and journey options together with the average travel times and fares. If requested it can also take into account the trip frequency. This means that the customer can decide on this basis which trip is the most appropriate and can then combine this with any other journeys. Finally, there is information about the tariffs, and whether it is advisable to buy a ticket for a whole day, or for a week or for a month.

* Verband Deutscher Verkehrsunternehmen

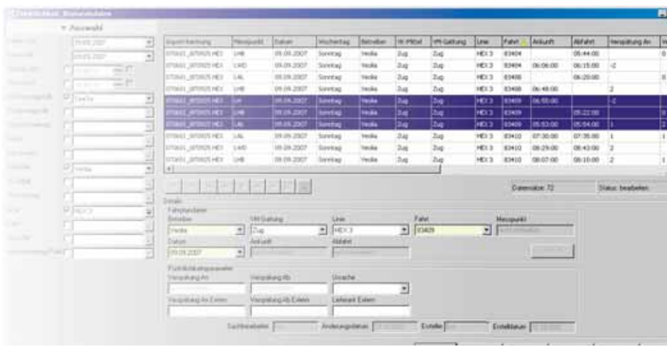
The passenger information system **IVU.realtime** was further developed for the *BVG* in Berlin, which now offers *mobil.BVG.de*, an application which makes it possible to access journey information from the BVG website via an internet-capable mobile telephone. Simply enter the required stop or station and the display shows the departure times of trains and buses, together with important information about the stop.

... for ticketing systems

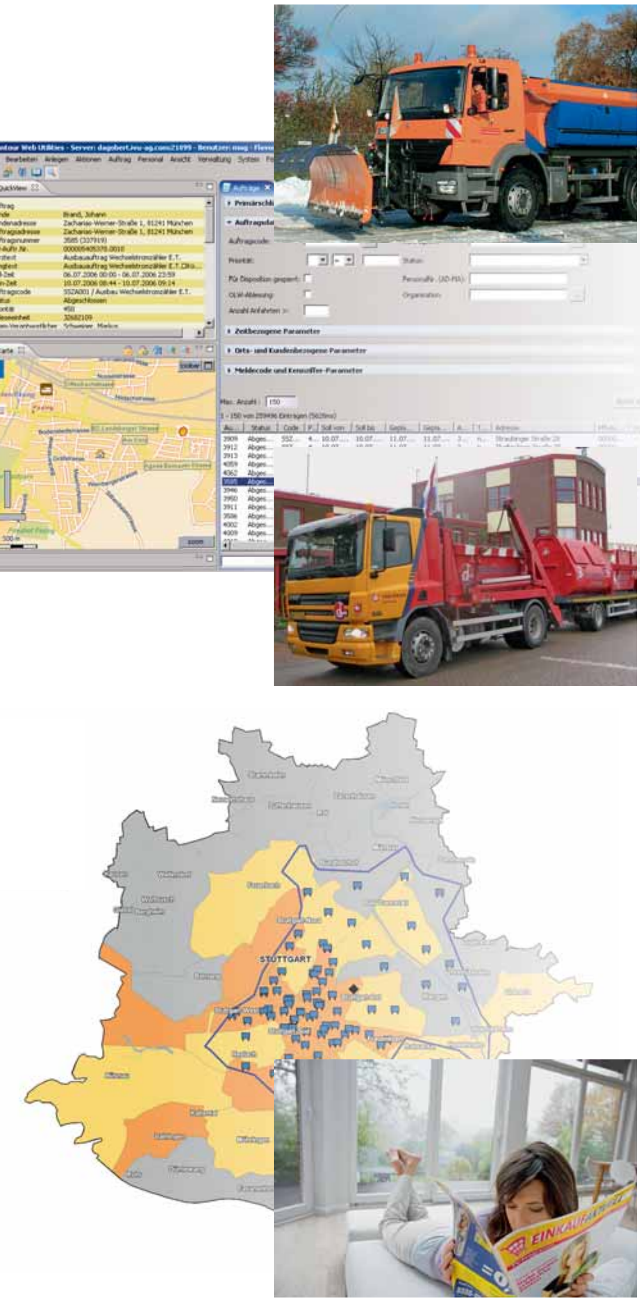
In the financial year 2008, we also submitted a number of successful ticketing tenders, many of the orders coming from Hesse. The Kassel-based *Regionalverkehr Kurhessen GmbH (RKH)* ordered 110 on-board computers with ticketing function and software **(IVU.ticket.box)** and the background operating system **(IVU.fare)** as well as the bus company *Becker & Sohn Gmbh & Co. KG*. *Abellio* bought more than 100 ticketing units for various subsidiaries of the Group. And the municipal utility *Stadtwerke Bingen* has equipped its buses with the new ticket sales machines **IVU.ticket.box** together with the background system **IVU.fare** for the accounting in the central offices.

... for settlement systems for transport contracts

We also successfully won new customers for **IVU.control**, our system for the settlement of transport contracts. Orders came from two organisations, *Verkehrsgesellschaft Mecklenburg-Vorpommern*, and the *transport association for the Leipzig area*, and also from the transport company *Bayerische Regiobahn*, a subsidiary of *Veolia*.



Further highlights in 2008



... in transport logistics

We gained another customer in 2008 for **Contour**, our system for the coordination of external personnel: *BAS Abrechnungs-service GmbH*, a subsidiary of the gas company *GASAG*, now uses it for all its payment collection operations. A particularly interesting feature is the high level of flexibility it offers when planning trips. For example, a visit to a customer can immediately be cancelled when a payment is registered, even after the collector has started out.

... in waste management logistics

A gratifying success was to gain a renewed order from the waste management utility *Stadtreinigung Hamburg*: Since the end of 2008 it has been introducing new technology for its winter services. The first step is to identify where and when snow has been cleared and grit spread, and then in the second step the trips are planned with our software and a route is transmitted to the driver's on-board computer.

In the Netherlands, the *Van Dalen Group* is now also a new customer. Among other things it intends to allocate its drivers to new geographical areas and to organise dispatching on this basis. This presents new challenges for **Combitour**. In addition, it is intended to make business processes more efficient and to considerably reduce the risks of errors when transferring data.

A tender was also successfully submitted in Austria which involves the introduction of **Combitour**. The *waste management utility in Vienna* is the new customer, and it operates over a catchment area which is similar to that of the Hamburg Stadt-reinigung.

... in geomarketing

For many years now the most important customer for our geomarketing system **Filialinfo** has been *Deutsche Post*. Now we have won additional customers: *Deutsche Bank* and *Jost von Brandis*, a consultant for external advertising.

A new project for *Deutsche Post* is the development of a publishing logistics system together with SAP and Censhare. The aim is to organise the production and targeted distribution of the bundled advertising medium "Einkaufaktuell" more efficiently and to standardise the various processes involved.

... in e-government

In the e-government sector, IVU was successful in a particularly prominent call for tenders in financial year 2008. The official results of the elections in the Netherlands will be determined in future using a system developed by IVU. This will be used for the first time in the European Union parliament elections in June 2009 and then later in parliamentary and local authority elections.

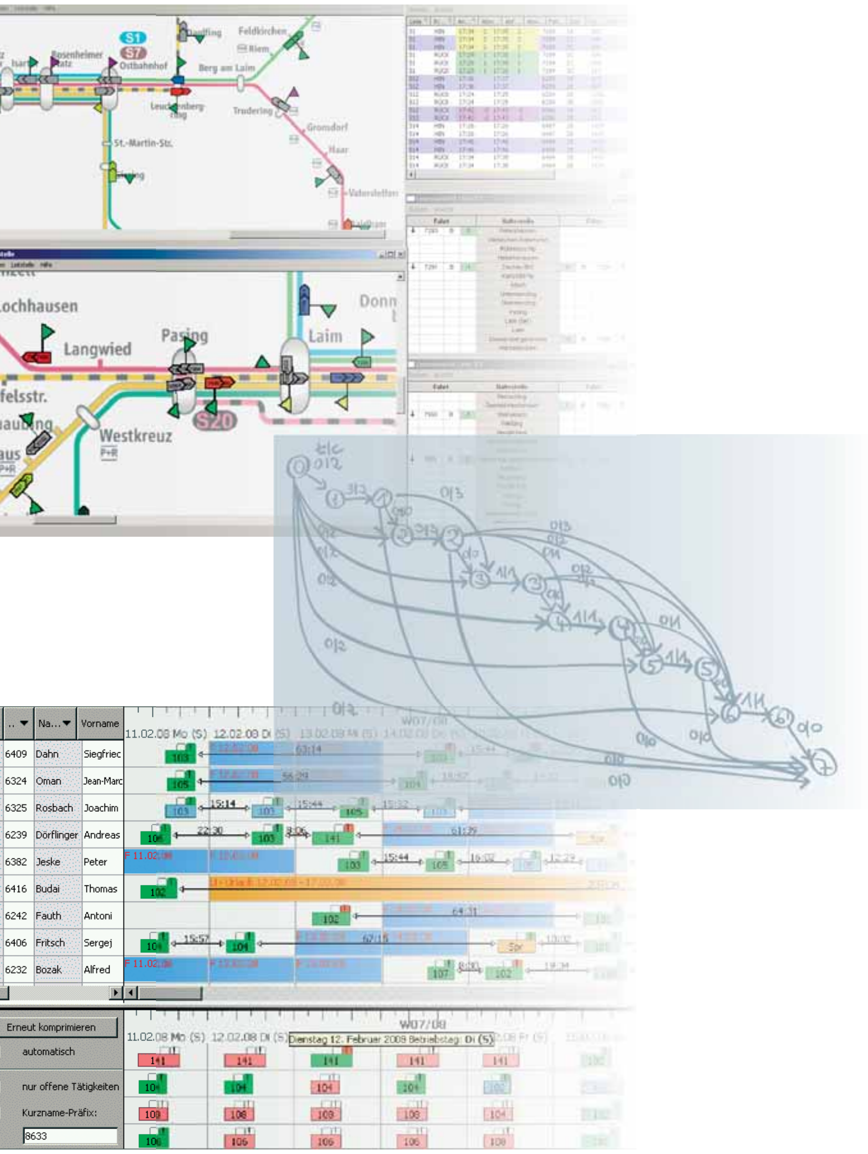
As in 2002 and 2005, the official results of the German EU elections and the Federal election 2009 will be derived using an IVU system.

... at trade fairs and conferences

Of course, IVU was once again represented at InnoTrans 2008, which has meanwhile established itself as the largest trade fair worldwide for public transport. At our stand we presented **IVU.suite** for the first time in its new form, with the new names and the graphic presentation. The stand was very well visited, the reactions to the re-naming and to the new marketing measures were extremely positive. The same also applied to the advertisements which we ran after InnoTrans in all important German specialist publications in the public transport sector.

Our public relations and press work has also been intensified. This is reflected in the number of reprints of our press releases and publications, references on websites, and also in the number of enquiries received from journalists who want to report about IVU.

In February, the users of our systems for public transport met at the annual PT User Forum. In 2008 some 280 customers and co-workers participated, and a total of twelve nations were represented. This is another indication of the increasing internationalization of IVU business.



Research and development

IVU is an IT system house and a high tech company and therefore has to work permanently and intensively on the further development of its existing products and systems and the development of new ones. Customers are continually placing new demands, and at the same time the system technology (software, hardware, radio communications) is advancing rapidly, for example from a client/server architecture to Internet architecture or from analogue to digital radio. The technical innovations also offer opportunities for new specialist solutions.

All our systems underwent further development in 2008 and new functionalities were added. The planning and dispatching systems **IVU.plan**, **IVU.vehicle** and **IVU.crew** are now available as Release 9.1. They are more user-friendly, and new functions have been introduced to solve complex tasks. Examples are the optimisation wizard and the new development of the personnel dispatching.

In **IVU.control**, the statistics functions from the fleet management system **IVU.fleet** and the background operating system **IVU.fare** have been brought together. This means that **IVU.control** is now a system-independent statistics and analysis tool.

In addition, IVU also participates in state-funded projects in which the future development in traffic and transport IT are investigated and tested. Typically this involves a government grant which is matched by an equal contribution by IVU. An example is “BAIM plus”, a project which is intended to provide passengers who have restricted mobility with improved access to public transport. This involves working with new, innovative methods. For example, passengers are involved directly in the surveying of their regular routes. Equipped with a GPS-data logger, they plot their own routing network and provide information about barriers which should be removed, or which should be included in the information systems.

Personnel

Due to the increased need for development and project potential, we have again strengthened our team in the financial year 2008 with more qualified software engineers and architects as well as project engineers.

Personnel development

	2008	2007	Change
No. of personnel as of 31.12.	309	291	+6.0 %
Personnel capacity[1] as annual mean	251	245	+2.4 %

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

A stronger and better qualified team

In 2008 the number of personnel rose by 6% over the level in 2007. This is significantly more than the increase in the previous year. The fact that we were able to attract so many well-educated computer scientists, despite the continuing high levels of demand, is due not least to the fact that we have increased our efforts to attract new personnel and aimed these more precisely at our target group. We still need qualified software engineers and architects as well as project engineers. This is firstly to further strengthen our team, but also because we have entered into a growth phase. In order to cope with projects like the one in Cali, we need to have a larger team.

In addition, in 2008 there were also further training and continuous learning measures from which more than 150 employees benefited. Most of these measures were intended to offer an opportunity for us to learn from each other, for example at our annual developer conference or within the framework of the young talent group that we have set up.

Results, assets and financial situation

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Higher revenues with almost the same gross profit

Revenue has increased year-on-year by 8 % to EUR 33.8 million with a gross profit of EUR 24.7 million.

The revenue includes EUR 0.7 million booked for performances which have already been provided but which could not yet be invoiced. Such a situation arises whenever a project extends beyond the end of the financial year. The performances through until the end of the year are then evaluated on the basis of the percentage of completion, so that these can be booked to the revenues as containing real value. This IFRS method has the advantage that the revenue figures reflect the actual performance of the company, irrespective of when the final invoice is submitted for a project of longer duration. We endeavour, wherever possible, to receive liquidity for these performances in the form of downpayments. In 2008 this accounted for EUR 3.9 million.

The gross profit quantifies the value created by a company, and in the case of a software house like IVU this consists primarily of project and development performances together with licences. The gross profit per employee is an important parameter for the profitability. In 2008 the gross profit per employee was EUR 98 000, which is slightly below the target of EUR 100 000, due to the fact that we have strengthened the team in order to have sufficient personnel capacity for the foreseeable tasks. It is not possible to establish the necessary quality in an instant.

The revenue has risen significantly more than the gross profit in comparison. The main reason for this is the increased sales of hardware, in particular our on-board computers, which in turn is reflected in the increased expenditure on materials.

The gross profit has remained almost the same as in the previous year. It has not increased to the same extent as the revenues because in 2008 it was necessary to provide extra performances to a considerable extent, in order to meet the demands of large and important customer projects. These were not contained in the original calculations of the work involved or were not covered by the prices which could be obtained in the face of competition. Nevertheless, this work does not constitute a loss. It rather constitutes further developments of products, which have a value beyond the original projects. These investments in the **IVU.suite** will lead to licence earnings in future projects.

Costs and amortisation

The costs have developed as follows:
– The *personnel expenses* in the financial year are EUR 840 000 higher than in the previous year, above all due to the strengthening of the team.
– The *amortisation of non-current assets* corresponds roughly to current investments, above all in the IT infrastructure (hardware and software) that we need for our development and project work. Internal performances from previous years are written off; the impairment test showed no impairment of non-current assets, which is mainly goodwill.
– The *other operational costs* are about EUR 342 000 higher than in the previous year. Half of this is due to *potential losses* for projects for which the anticipated expenses in the following year will be higher than the revenues to be generated. The other half results among other things from increased travel costs.

EBIT lower

Firstly, it should be noted that IVU has returned a profit for the fourth year running, even in times of crisis, although EBIT was lower than in the previous year.

EBIT and also the earnings before and after tax in the financial year 2008 are about half the level for 2007, mainly due to increased personnel expenses. This is a conscious investment in our product development in anticipation of larger customer projects.

Assets situation improved

The assets situation could be further stabilised. Loan repayments of EUR 1.2 million was made as planned, and by mid-2009 the loans will have been completely repaid. With this, IVU finds itself in a good position in times of financial crisis.

The positive annual result improved the equity by EUR 1.2 million, so that as of 31.12.2008 it was EUR 19.4 million. The equity ratio was 51 %.

Liquidity

As of 31 December 2008 the amount held in cash was EUR 0.3 million. Down-payments from customer projects of EUR 1.3 million also contributed to liquidity in 2008. At the same time there was an increase in receivables from deliveries and performances in comparison with the balance sheet day of the previous year by EUR 3.1 million. In view of the good situation for orders together with receivables amounting to EUR 14.8 million it is anticipated that there will be sufficient liquidity for 2009. The lines of credit will not be drawn on in full at any time and the outstanding loan sum of EUR 0.6 million can be repaid as planned by 30.6.2009. This will save paying further interest. The foreseeable bank sureties required to secure project business can be deposited to the required levels.

The cash flow from current business activities in the financial year 2008 was some EUR 0.9 million lower than in the previous year.

Orders situation

The orders situation is good. A particular role in this context is played by the project in Cali, Colombia. This will contribute revenues of approximately EUR 6 million in 2009 and in 2010.

The orders situation for 2009, defined in terms of signed contracts, amounted on 28.2.2009 to EUR 29.9 million (as against EUR 22 million in the previous year). Firmly promised orders have a volume of EUR 2 million (as against EUR 3.5 million in the previous year). In addition there are open offers and on-going negotiations which we conservatively value at EUR 6 million (as against EUR 4.5 million in the previous year), so that the overall orders situation for 2009 already covers the planned goals to a considerable extent.

Prospects

The situation of IVU is good and offers opportunity for growth. This is shown by the fourth positive financial statement in series, despite the economic crisis, and the orders situation also offers a sound basis for the financial year 2009. We expect to achieve revenues in excess of EUR 35 million and a gross profit of EUR 27 million.

With a little good fortune, our continuing acquisition activity, in particular in Latin America, could bear more fruits. Through into the financial year 2010, the prospects both for our strong domestic market and internationally are good. They have their foundation in the scope and depth of the **IVU.suite** for Public Transport and in the quantitatively and qualitatively strengthened team.

In addition, in mid-2009 the bank loans will have been repaid in full, so that IVU will then be debt-free.

Risks

Business risks

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

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

Goodwill

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

Risk management / Financial controlling

The risk management is based on the monthly reporting system (Financial Controlling Report) covering key parameters, which compares the company's monthly plan with the actual figures, including evaluations from the Enterprise Resource Planning system. These also include the expenses for the individual projects. The subsidiaries are included in the reporting system. The analysis of deviations serves the management as an instrument for business control.

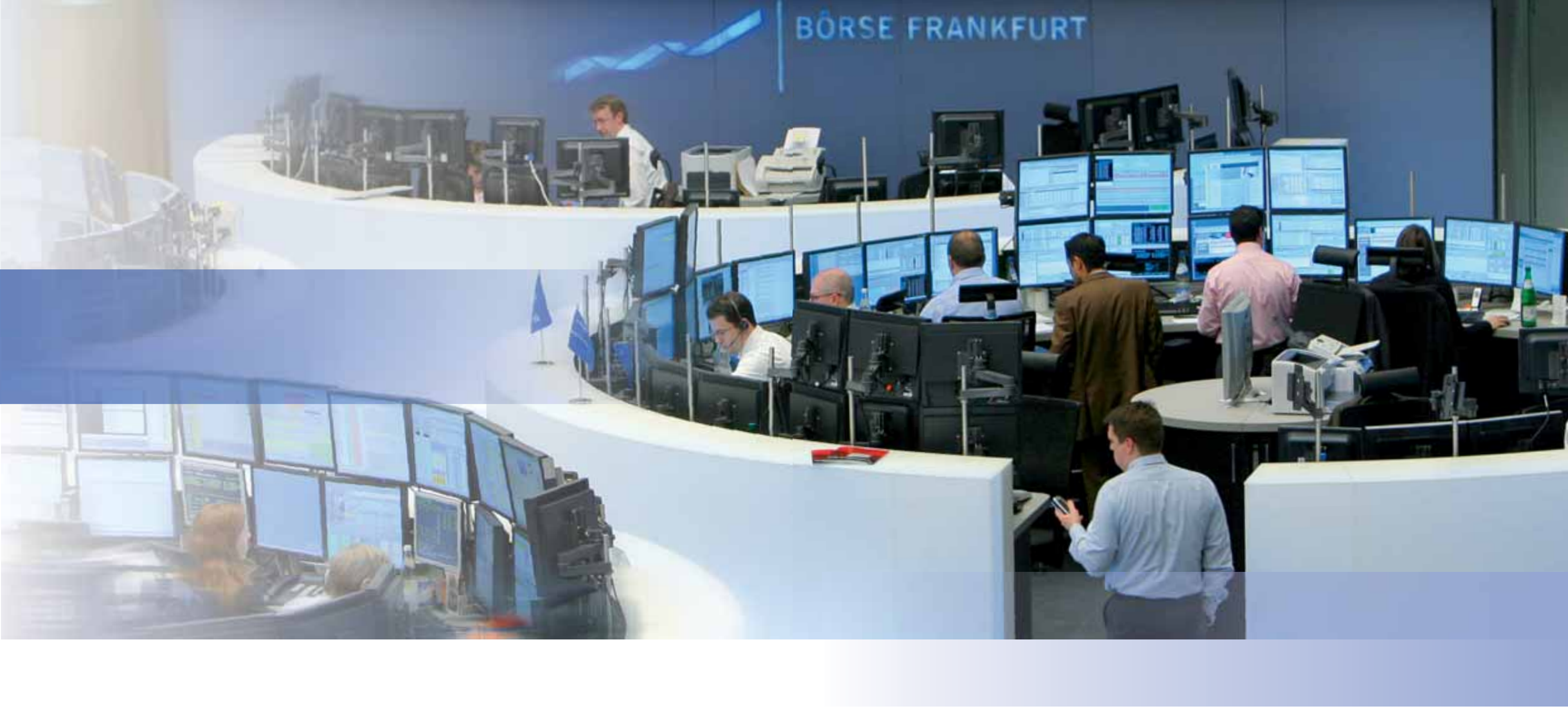
Targets and reported figures are discussed regularly with those responsible for revenue and cost development in order to provide the management board with timely information about critical developments and making it possible to take any necessary corrective measures.

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

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

Follow-up report

Since 31 December 2008 there have been no events of significance which have affected the situation regarding earnings, finances, or assets.

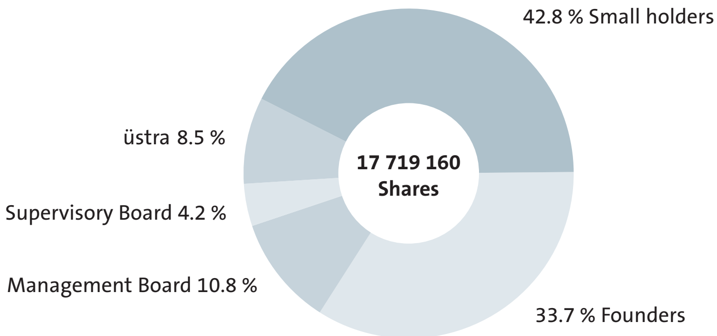


IVU shares

IVU AG share price in comparison with the TecDAX index

Shareholder structure

As of: 31.12.2008



Shares held by board members as of 31.12.2008

	Shares
Management Board	
Prof. Ernst Denert	1 858 132
Martin Müller-Elschner	50 000
Total Management Board	**1 908 132**
Supervisory Board	
Klaus-Gerd Kleversaat	139 000
Hans G. Kloß	598 217
Total Supervisory Board	**737 217**
No. of IVU shares owned by the Group	0

Obligation to report

In the financial year 2008 the member of the Management Board Martin Müller-Elschner acquired 30 000 shares in IVU. He now holds a total of 50 000 IVU shares.

Consolidated profit and loss account in accordance with IFRS for the financial year 2008

	2008 T€	2007 T€
Earnings	**33 849**	**31 424**
Of which performance not yet registered	653	3 694
Other operating revenues	835	1 026
Material costs	-9 980	-7 695
Gross profit	**24 704**	**24 755**
Personnel expenses	-17 318	-16 478
Depreciation of non-current assets	-764	-970
Other operating expenses	-5 365	-5 023
EBIT	**1 257**	**2 284**
Interest revenue	20	18
Interest payments	-312	-376
Earnings before taxes	**965**	**1 926**
Taxes on income and earnings	305	-39
Group annual profit	**1 270**	**1 887**

	€	€
Earnings per share (undiluted and diluted)	0.07	0.11
Average number of shares in circulation (in thousands)	17 719	17 719

Consolidated cash flow statement
in accordance with IFRS for the financial year 2008

	2008 T€	2007 T€
1. Business activity		
Consolidated earnings before income taxes of the period	965	1 926
Depreciation of plant, property and equipment	764	970
Changes to provisions	400	-177
Differences from currency translations	-56	6
Earnings from dissolved special positions	-32	-32
Earnings from interest	292	358
Earnings from disposal of plant, property and equipment	-2	-4
	2 331	**3 047**
Changes to items of current assets and current borrowed funds		
Inventories	-368	-357
Receivables and other assets	-3 495	-1 604
Liabilities (without provisions)	2 655	948
	1 123	**2 034**
Interest payments	-312	-353
Income tax payments	-109	-34
Cash flow from current business activities	**702**	**1 647**
2. Investment activities		
Payments for investments in plant, property and equipment[1]	-357	-321
Receipts from disposal of plant, property and equipment	6	9
Interest received	18	18
Cash flow from investment activities	**-333**	**-294**
3. Financing activities		
Equity increase from conditional capital[2]	0	50
Repayments of liabilities from Sale & Leaseback dealings[3]	-45	-42
Receipts from taking up financial loans	-111	232
Repayment of financial liabilities	-700	-1 700
Cash flow from financing activities	**-856**	**-1 460**
4. Liquid funds		
Effective change in liquid funds	-487	-107
Liquid funds at the beginning of the financial year	836	943
Liquid funds at the end of the financial year	**349**	**836**

+ = inflow of funds
– = outflow of funds

[1] This presentation of payments for investments in PPE for 2008 and for 2007 differs from the additions to the fixed assets given in Annex 7a and 7b. The difference results from the acquisition of property, plant and equipment under finance leasing arrangements, so that here only the repayment of the relevant liabilities are shown as payments for investments in PPE.

[2] Equity was increased from conditional capital on 31 January 2007.

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

Consolidated balance sheet in accordance with IFRS as of 31 December 2008

Assets	31.12.08 T€	31.12.07 T€
A. Total current assets	**23 641**	**20 234**
1. Liquid funds	349	836
2. Trade receivables	14 770	11 665
3. Current receivables from construction contracts	5 046	4 904
4. Inventories	1 443	1 075
5. Other current assets	2 033	1 754
B. Total non-current assets	**14 420**	**14 201**
1. Fixed assets (PPE)	1 343	1 005
2. Intangible assets	11 812	12 049
3. Financial assets held for trading purposes	0	31
4. Deferred tax assets	1 265	1 116
Assets	**38 061**	**34 435**

Liabilities	31.12.08 T€	31.12.07 T€
A. Total current liabilities	**14 249**	**11 640**
1. Current liabilities and current portions of long-term debts	3 134	3 310
2. Trade payables	4 704	2 112
3. Obligations arising from construction contracts	1 553	560
4. Provisions	500	236
5. Tax provisions	99	523
6. Other current liabilities	4 259	4 899
B. Total non-current liabilities	**4 430**	**4 627**
1. Long-term debt	0	635
2. Deferred tax liabilities	1 265	1 116
3. Pension provisions	2 599	2 463
4. Additional line items for investment grants and subsidies	26	58
5. Other non-current liabilities	540	355
C. Total equity	**19 382**	**18 168**
1. Subscribed capital	17 719	17 719
2. Capital reserves	46 456	46 456
3. Balance sheet loss	-44 850	-46 120
4. Currency translation	57	113
Liabilities	**38 061**	**34 435**

Consolidated Group Assets
in accordance with IFRS as of 31 December 2008

	Costs of purchase / costs of conversion			
	as of 01.01.08 T€	Additions T€	Disposals T€	as of 31.12.08 T€
A. Intangible assets				
1. Commercial copyrights and licences, software	4 975	42	0	5 017
2. Goodwill	14 626	0	0	14 626
3. Original intangible assets	15 505	0	0	15 505
	35 106	**42**	**0**	**35 148**
B. Fixed assets				
1. Technical plant and machinery	2 787	0	80	2 707
2. Other equipment, factory and office equipment	3 810	827	33	4 604
	6 597	**827**	**113**	**7 311**
Total	**41 703**	**869**	**113**	**42 459**

Consolidated companies

	Holding	Equity as of 31.12.2008	Annual result[1] 2008
	%	T€	T€
IVU – Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin (“IVU GmbH”)	100	480	0[2]
IVU Benelux B.V., Veenendaal (“IVU Benelux”)	100	835	0.4
IVU Traffic Technologies Italia s.r.l., Rome (“IVU Italia”)	100	319	9
IVU Traffic Technologies UK Ltd., Birmingham (“IVU UK”)	100	187	71

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

Written off				Residual value	
as of 01.01.08 T€	Additions T€	Disposals T€	as of 31.12.08 T€	as of 31.12.08 T€	as of 31.12.07 T€
4 348	206	0	4 554	463	627
3 277	0	0	3 277	11 349	11 349
15 432	73	0	15 505	0	73
23 057	**279**	**0**	**23 336**	**11 812**	**12 049**
2 430	191	76	2 545	162	357
3 162	294	33	3 423	1 181	648
5 592	**485**	**109**	**5 968**	**1 343**	**1 005**
28 649	**764**	**109**	**29 304**	**13 155**	**13 054**

Group Equity Change Account
in accordance with IFRS for the financial years 2007 and 2008

	Share capital T€	Capital reserves T€	Foreign exchange rate changes	Balance sheet loss T€	Total T€
as of 1. January 2007	**17 669**	**46 456**	**107**	**-48 007**	**16 225**
Differences from currency translations (profits not included in consolidated income statement)	0	0	6	0	6
Increase in share capital	50	0	0	0	50
Consolidated profit 2007	0	0	0	1 887	1 887
as of 31 December 2007	**17 719**	**46 456**	**113**	**-46 120**	**18 168**
as of 1. January 2008	**17 719**	**46 456**	**113**	**-46 120**	**18 168**
Differences from currency translations (profits not included in consolidated income statement)	0	0	-56	0	-56
Consolidated profit 2008	0	0	0	1 270	1 270
as of 31 December 2008	**17 719**	**46 456**	**57**	**-44 850**	**19 382**

Unabridged Notes to the 2008 Consolidated Financial Statement

This annual report, which was intentionally kept brief and easy to read, contains all important details about the company's position and outlook. Although we stopped printing the 35-page Unabridged Notes to the Consolidated Financial Statement several years ago, it is available on request or can be downloaded from the Internet at **www.ivu.de**.

Auditor's report

The year-end financial statement and management report for IVU Traffic Technologies AG for the 2008 business year were audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Berlin, and provided with an unqualified audit report.

Report of the Supervisory Board

Dear Shareholders,

In the financial year 2008 we have held a total of five meetings, one of which was an extraordinary meeting. At the meetings, the Management Board informed us fully and in a timely manner, in accordance with legal requirements, company statutes and the rules of procedure, about the position of the company and the progress of business. All business processes of significance for the company were discussed in depth on the basis of the reports from the Management Board. The Supervisory Board was regularly and fully informed in the course of the financial year by means of written and oral reports from the Management Board about the business situation and the assets, finance and revenue situation, about the personnel situation, about the progress of the business of the company and about fundamental issues of company policy. Between meetings, individual questions were also discussed. I personally had regular contact with the members of the Management Board. All meetings were attended by all members of the Supervisory Board.

The Supervisory Board did not form any sub-committees, and all matters put before it were decided by the full Supervisory Board.

Matters on which discussion focused in the financial year 2008 included:

– Approval of the consolidation financial statement of IVU and the separate financial statement of the AG for 2007
– Liquidity planning for the financial year 2008
– Examination and approval of the planning
– Discussion of the agenda for the general meeting 2008 and its approval
– Discussion of the results at the end of each quarter
– Major projects and their economic impact on the company

At an extraordinary meeting on 7 October 2008 the Supervisory Board were informed by the Management Board about the strategy and planning of the company for the coming years. After intensive discussions of all aspects, we acknowledged and concurred with the strategy.

The Supervisory Board found that adequate measures were adopted by the Management Board in order to recognise in good time developments which could threaten the future of the company.

The Supervisory Board and the Management Board have again variously discussed the recommendations and proposals of the German Corporate Governance Code, and submitted the compliance declaration in accordance with Section 161 AktG.

At our meeting on 19 March 2009 we considered in detail the annual accounts of IVU Traffic Technologies AG and the consolidated annual financial statement for the financial year ending 31 December 2008 as well as the management report in each case. The auditors, Ernst & Young AG Wirtschaftsprüfungsgesellschaft attended the meeting of the Supervisory Board to answer its questions. After detailed examination and discussion we have approved of both the annual financial statement and the consolidated annual financial statement.

The auditor has reached an unqualified assessment in its report. It concludes:

“Our audit did not give rise to any reservations.

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

The full text of the auditors’ report is available on the IVU website (www.ivu.de).

The Supervisory Board thanks the Management Board and all the co-workers for their work and acknowledges their industry and dedication over the past year.

Berlin, 19 March 2009

For the Supervisory Board

Klaus-Gerd Kleversaat
Chairman of the Supervisory Board

Supervisory Board

Klaus-Gerd Kleversaat, Berlin (Chair of the Supervisory Board)
Chairman of quirin bank AG, Berlin,
Chairman of Tradegate Wertpapierhandelsbank AG, Berlin,
Deputy Supervisory Board Chair of Ventegis Capital AG, Berlin,
Supervisory Board member of Euro Change Wechselstuben AG, Berlin,
Supervisory Board member of Stream Films AG, Berlin,
Supervisory Board member of Orbit Software AG, Berlin,
Member of Supervisory Board of quirin business support AG, Leipzig (resigned as of 30 November 2008).

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

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

The emoluments of the members of the Supervisory Board in the financial year 2008 amounted to EUR 37 500 (previous year EUR 37 500).

Management Board

Prof. Ernst Denert (Chairman)

Frank Kochanski (from 1 January 2008)

Martin Müller-Elschner (from 1 January 2008)

In the financial year 2008 the members of the Management Board received emoluments amounting to EUR 796 000 (previous year EUR 598 000). The emoluments of the Management Board consist of a fixed and a variable portion. In the year covered by this report, the variable portion accounted for approx. 12 % of the total sum received (2007: 13 %).

Advisory Board

Dr. Heinrich Ganseforth, Hanover (Chair)
Independent consultant

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

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

Imprint

Published by
IVU Traffic Technologies AG

The 2008 Annual Report and Unabridged Notes to the Financial Statement can be downloaded from www.ivu.de as a PDF file in German or English.

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Financial calendar 2009

Thursday, 19 March 2009	Publication of the annual financial statement 2008
Wednesday, 20 May 2009	Three-monthly report up to 31 March
Wednesday, 27 May 2009	General meeting
Wednesday, 29 July 2009	Six-monthly report up to 30 June
Wednesday, 11 November 2009	Nine-monthly report up to 30 September
November 2009	Analysts conference in Frankfurt/Main

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Consolidated notes

IVU Traffic Technologies AG, Berlin
through until 31 December 2008

A. General Company Information

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

(2) The Management Board prepared the Annual Report through until 31 December 2008 and the financial report for the financial year 2008 on 3 March 2009, and on 13 March 2009 approved this for presentation to the Supervisory Board. It is expected that this will be passed by the Supervisory Board at its meeting on 19 March 2009.

(3) The business operations of the IVU Group involve the development, production and marketing of software for planning, organisation and information processing for public administrations, transport companies and other public and private sector service providers; the activities include research, the formulation of experts' reports, consultancy, further training in these areas, as well as the management of and participation in companies in the technology sector. The average number of employees in the group was 304 in 2008, compared with 292 in 2007.

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

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

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

B. The accounting policies

Basis for the preparation of the financial statement

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

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

Changes to accounting policies

(9) The accounting policies used correspond to those applied in the previous year with the following exceptions. The IVU Group has adopted the new and revised standards which are binding for financial years beginning on or after 1 January 2008 and which are listed

below. The adoption of these standards resulted in part in the inclusion of additional details in the Consolidated Notes and otherwise had no effects on the assets, finances and profit situation of the company.

(10) IFRIC 11 Scope of *IFRS* 2

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

(11) IFRIC 14 (IAS 19) “Defined Benefit Assets and Minimum Funding Requirements and their Interaction”

IFRIC Interpretation 14 provides general guidance on how to assess the limit in IAS Employee Benefits on the amount of the surplus that can be recognised as an asset. The IVU Group has adapted its accounting methods correspondingly. Since, for the defined benefit pension plans of the Group, there are no assets/ or contractual minimum funding requirements, the adoption of this Interpretation had no consequences for the assets, finances and profit situation of the Group.

(12) IFRS 2 “Share-based Payment”

In January 2008, IASB issued an amendment to IFRS 2, which defines the performance conditions more precisely and which also specifies the accounting treatment of cancellations. The IVU Group began with the early application of this amendment already on 1 January 2008. This had no consequences for the assets, finances and profit situation of the Group, because there have been no events which fall within the scope of this new interpretation.

(13) Amendments to IAS 39 and IFRS 7: “Reclassification of financial assets”

In November 2008, IASB published amendments to IAS 39 and IFRS 7. Against the background of the crisis on the financial markets, these amendments allow a reclassification of certain financial assets in the categories “Fair value through profit or loss” and “Available-for-sale” in accordance with IAS 39. The Group has no financial assets for which these regulations would be applicable.

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

(14) The IASB and IFRIC have approved the following Standards and Interpretations, which were not yet obligatory for our financial year 2008 and which were not adopted voluntarily in advance by the IVU Group:

(15) IAS 1 “Presentation of financial statements” (revised) was published in September 2007 and is to be adopted for the financial years beginning on or after 1 January 2009. The Standard requires the presentation of changes in a company's equity which result from transactions with owners in their capacity as owners as separate from other, 'non-owner' changes. The statement of changes in equity includes all details of transactions with equity holders, while all other changes in equity are presented in a single line. In addition, the standard introduces a statement of total comprehensive income, which includes all items of income and expenses recognised in the income statement as well as all components of other comprehensive income recognised directly in equity, either in one

statement or in two linked statements. The Group has not yet decided whether to present the total comprehensive income in one or two statements.

(16) IAS 23 “Borrowing costs” (revised): IASB published amendments to IAS 23 in April 2007. The revised IAS 23 requires the capitalisation of borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets. In the past, the Group has recognised borrowing costs immediately as an expense. In accordance with the transitional provisions of the revised IAS 23, the IVU Group proposes to implement the Standard prospectively. Accordingly, borrowing costs will be capitalised which relate to all qualifying assets for which capitalisation begins on or after 1 January 2009. The Group is examining the effects of the amendments to this Standard on the assets and profit situation as well as the details provided in the Annex, and does not expect any significant consequences.

(17) Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards” and IAS 27 “Consolidated and separate financial reports in accordance with IFRS”. The amendments to IFRS 1 allow an entity to determine the acquisition costs of holdings in a subsidiary, jointly controlled entity or associated entity in its initial IFRS financial statements in accordance with IAS 27 or as the carrying cost using the previously applied accounting principles or the fair value as replacement for the deemed cost. The amendment to IAS 27 requires that all dividends of a subsidiary, jointly controlled entity, or associated entity are presented as income in separate financial statements. Both revisions are effective for the financial year beginning on or after 1 January 2009. The amendments to IAS 27 are to be applied prospectively. The new requirements affect solely the separate financial statement of the parent company and have no effect on the consolidated financial statements.

(18) The amendments to IFRS 2 were issued in January 2008 and are effective for the first time for the financial year beginning on or after 1 January 2009. They are intended to clarify the definition of “vested liabilities” (for share-based payments). They also clarify how cancellations of share-based payment plans are to be accounted for. The transitional requirement envisages a retrospective application of the amendment.

(19) The revised IFRS 3 Standard was issued in January 2008 and is effective for the first time in the financial period beginning on or after 1 July 2009. The standard was subjected to comprehensive revision as part of the convergence project of IASB and FASB. The main changes relate to the introduction of an option under which minority interests can either be measured with the so-called Purchased Goodwill method or the so-called Full Goodwill method, according to which the goodwill of the acquired business is disclosed in full, including the part relating to the minority shareholder. The revised Standard also contains guidance on the reassessment of existing shareholdings on first acquiring control (business combinations achieved in stages), on the recognition of a counter-performance which is linked to future events, on the timing of the acquisition, and the recognition of transaction costs. Under the transition requirements the interpretation must be applied prospectively. No changes result to the assets and debts from business combinations before the first application of the new standard.

(20) IAS 32 “Financial instruments: Presentation” and IAS 1 “Presentation of financial statements – on puttable *financial instruments* and obligations arising on liquidation”. The changes to IAS 32 and IAS 1 were published in February 2008 and are to be implemented in the financial year beginning on or after 1 January 2009. Subject to specified criteria being met, puttable financial instruments will then be classifiable as equity. The amendments to the Standards will not affect the assets, finances or profit situation of the Group, because it has not issued any such instruments.

(21) IAS 39 “Financial instruments: Recognition and measurement” Eligible hedged items: These amendments to IAS 39 were published in August 2008 and are required to be applied for annual periods beginning on or after 1 July 2009. The amendments specify how the principles contained in IAS 39 on the presentation of hedged items are to be applied to the designation of a one-sided risk in an underlying transaction and to the designation of inflation risks in a financial hedged item. It is clarified that it is permissible to designate only a part of the changes of the fair value or the cash flow fluctuations of a financial instrument as a financial hedged item. The Group assumes that the amendment will not affect its assets, finances and profit situation, because it has not entered into any such dealings.

(22) The amendments to IFRS 7 were published in March 2009. The amendments require enhanced disclosures about fair value evaluation of financial instruments and liquidity risks. The three-level hierarchy introduced in IFRS 7 now also corresponds to the FAS 157 regulations of the United States of America. With respect to the details concerning liquidity risk it is specified that the remaining period analysis for non-derivative financial liabilities also included contracts about financial guarantees issued. The maturity analysis of derivative financial liabilities must contain their contractual remaining periods, where these are necessary to understand the levels of cash flow over time. The amendments are to be applied for the financial year beginning on or after 1 January 2009. When applied for the first time the comparison figures for the previous year are not necessary.

(23) IFRS 8 is to be applied for the first time in the financial year beginning on or after 1 January 2009. This IFRS replaces IAS 14 Segment reporting. IFRS 8 contains regulations about the reporting of information about business- and geography-based segments.

(24) Improvements to IFRS 2008: In May 2008, the Board published for the first time a collection of the amendments to various IFRS Standards with the primary objective of eliminating inconsistencies and clarifying formulations. Each standard has its own transition regulations. The IVU Group has not applied any regulation prematurely and does not expect any changes from their implementation for the first time.

(25) IFRIC 12 “Service concession arrangements”: IFRIC 12, issued in November 2006, addresses the accounting of service concession arrangements by service concession operators in order to account for the obligations they undertake and the rights they receive in service concession arrangements. Since no company in the IVU Group is a holder of concessions, this interpretation has no consequences for the IVU Group.

(26) IFRIC 13: “Customer loyalty programmes”: IFRIC published IFRIC 13 in June 2007. According to this interpretation, loyalty award credits granted to customers in connection with a sales transaction are to be accounted for as a separate component of that sales transaction. A part of the fair value of the received consideration is allocated to the loyalty award credits and is deferred until the awards are redeemed (or otherwise lapse). The IVU Group does not offer loyalty award credits for which IFRIC 13 would be applicable.

(27) IFRIC Interpretation 15 was published in July 2008 and is effective for the first time in the financial period beginning on or after 1 January 2009. This interpretation gives guidelines concerning the timing and scope of revenue recognition for projects relating to the construction of real estate.

(28) IFRIC 16 was published in July 2008 and is to be effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16

provides guidance on accounting for hedges of a net investment in a foreign operation, on identifying foreign exchange risks which can be hedged, on which Group entities can maintain the hedging relationship for the net investment, and how an entity should determine the foreign exchange profit or loss on the net investment and the hedging instrument which is to be reclassified when the entity disposes of the investment. The Group is currently assessing which accounting methods are to be used for the reclassification on the disposal of the net investment.

(29) IFRIC Interpretation 17 was published in November 2008 and is effective for the first time in the financial period beginning on or after 1 July 2009. This interpretation addresses the accounting treatment in the financial statements of the distribution to the owners of non-cash assets. The interpretation addresses in particular the timing, the measuring and the recognition of these obligations. Such a distribution is to be recognised at fair value when the dividend is authorised and no longer at the discretion of the entity. The dividend payable and and any changes in the fair value of the affected assets are to be registered in the equity. An effect on profit or loss equal to the difference between the fair value and the carrying amount of the assets is only recognised when the assets have been transferred to the owners. This interpretation is to be applied prospectively.

(30) IFRIC Interpretation 18 was published in January 2009 and is effective for the first time in the financial period beginning on or after 1 July 2009. This interpretation clarifies the accounting requirements for agreements in which a company receives either an item of plant, property or equipment, or cash which the company must use in order, for example, to connect the customer to a supply network, and/or to provide the customer with on-going access to a supply of goods or services. The interpretation specifies in particular the criteria relating to customer contributions and the scope for recognising revenue from such transactions. This interpretation is to be applied prospectively.

Application of IFRS in the financial year

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

Key management judgements

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

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

(34) *Impairment of non-current assets:* The IVU Group tests assets annually for impairment in accordance with the requirements of IAS 36. The basis for the impairment test is the fu-

ture excess cash which could be obtained for an individual asset or a group of assets in a cash generating unit. Further details on the impairment test are provided in Annex C.1. The carrying amount of the tested non-current assets as of 31 December 2008 was TEUR 13 155 (Previous year: TEUR 13 054).

(35) *Project evaluation:* The IVU Group recognises revenues on the basis of the estimated performance in the projects. Performance is estimated on the basis of an estimated quantity of hours or on the basis of contractually agreed milestones, and regularly updated. Further details on revenues from projects which have been recognised but not yet invoiced are provided in Annex C.5. Recognised revenues for the financial year through to 31 December 2008 amounted to TEUR 1 706 (previous year: TEUR 1 243).

(36) *Deferred tax assets:* Deferred tax assets are recognised for all unused tax losses carried forward and for temporary differences to the extent that it is probable that or if there is substantial evidence that the taxable income will be available so that the loss carried forward can indeed be used. The level of the deferred tax asset depends on the estimate by the company management on the basis of the expected time of inflow and the level of the future taxable income and the future tax planning strategy (timing of tax events, allowances for tax risks, etc.). As of 31 December 2008 the delimited deferred tax assets on losses carried forward amounted to TEUR 823 (2007: TEUR 704) and the unused tax losses not set against deferred tax asset was TEUR 47 044 (2007: TEUR 47 806). Deferred tax assets arising from differences in the times entries booked as of 31 December 2008 were TEUR 1 265 (2007: TEUR 1 116); the deferred tax liabilities were TEUR 1 265 (2007: TEUR 1 116). Further details are provided in Annex C. 14.

(37) *Pensions and other performances after termination of the working relationship:* The expenses for defined benefit plans on retirement are established on the basis of actuarial calculations. The actuarial evaluation is based on assumptions regarding the discounting rates, expected age of retirement, future wage and salary developments, the mortality and future increases in pensions. As a result of the long-term nature of these plans, such estimates are subject to considerable uncertainties. The provisions for pensions and similar obligations as of 31 December 2008 amounted to TEUR 2 599 (2007: TEUR 2 463). Further details are provided in Annex C. 9.

Principles of consolidation

a) Subsidiary companies

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

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

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

(41) The following companies are included in the financial statement as fully consolidated

subsidiaries (the proportions of the holdings of IVU AG correspond exactly to the existing voting rights.):

	%	Equity as of* 31 Dec. 2008 TEUR	Annual profit* 2008 TEUR
IVU - Gesellschaft für Informatik, Verkehrs- und Umweltplanung mbH, Berlin (‘IVU GmbH’)**	100.0	480	0
IVU Traffic Technologies Italia s.r.l., Rome, Italy (‘IVU Italia’)	100.0	319	9
IVU Traffic Technolgies UK Ltd., Birmingham, Great Britain (‘IVU UK’)	100.0	187	71
IVU Benelux B.V., Veenendaal, Netherlands (‘IVU Benelux’)	100.0	835	0

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

(42) In the financial years 2008 and 2007 there were no changes relating to the fully-consolidated companies.

b) Consolidation measures and uniform Group measurement

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

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

Foreign currency translations

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

The operational currency of IVU UK, Great Britain is the national currency (£ - pound sterling). On the balance sheet date the assets and liabilities of this subsidiary are converted into the reporting currency of IVU AG (euro) at the exchange rate on the balance sheet date (EUR/GBP = 0.974, previous year 0.737). Income and expense items are translated at the weighted average exchange rate for the financial year (EUR/GBP = 0.796). Exchange differences arising from the translation are recognised as separate elements of the equity.

Non-current assets

a) Intangible assets

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

(47) The intangible assets include:

Goodwill

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

Commercial rights and licences, software

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

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

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

Recognised development costs for internally generated software

(52) Research costs are recognised as costs in the period in which they are incurred. An intangible asset which is developed within the framework of an individual project is only recognised when the IVU Group can demonstrate both the technical feasibility of the completion of the intangible asset, so that this is available for internal use or for sale, and also the intention to complete the intangible asset and to use or sell this. Furthermore, the Group must demonstrate the generation of a future economic benefit by the asset, the availability of resources for the completion of the asset, and the ability to determine reliably the expenditures relating to the intangible asset during its development. After recording for the first time the development costs, the costs of purchase model will

be applied according to which the asset value will be assessed as costs of purchase minus accumulated depreciation and accumulated impairment losses. The sums recognised in previous years are written off over the period during which the sales revenues from the project in question are expected (linear depreciation over a period of 3 to 5 years). The recognised development cost is examined once annually for impairment if the asset is not yet being used, or whenever there are signs within the year that there has been impairment.

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

b) Fixed assets

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

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

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

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

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

c) Impairment of non-current assets

(59) Non-current assets are examined for impairment if events or changes in circumstances indicate that the carrying amount of an asset could not be recovered. For the impairment testing, as a first step the *recoverable amount* should be determined for the individual asset item/the cash generating unit. This is defined as the greater of the two totals from fair value minus the costs to sell and from the value in use. The fair value minus the costs to sell is defined as the price which could be obtained in a sale at arm's-length of the asset or the cash generating unit between two knowledgeable and willing parties minus the costs of the sale itself. The value in use of an asset or a cash generating unit is

determined by the cash value within the framework of the current use on the basis of the expected cash flow. In the financial years 2008 and 2007 no impairments of non-current assets were registered.

d) Financial assets

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

- Loans and claims outstanding,
- Financial instruments held to maturity,
- Financial asset held for trading purposes and
- Financial assets available for sale.

The IVU Group as of 31 December 2008 and as of 31 December 2007 only held loans and claims outstanding financial assets held for trading purposes, and financial assets available for sale.

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

(62) Financial assets available for sale are those non-derivative financial assets that are designated as available for sale and are not classified in one of the other three categories. After the first recognition, financial assets available for sale are evaluated at the fair value, and gain or loss are recognised in a separate position of the equity. At the time when the financial investment is derecognised or when an impairment of the financial investment is determined, the previously accumulated gain or loss recognised in the equity will be recognised in the income statement. The fair value of financial investments which are traded on organised markets is determined on the basis of the bid price noted at the stock exchange on the date of the balance sheet. Market values were available for the financial assets held for sale by the IVU Group on 31 December 2008 and 31 December 2007.

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

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

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

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

The conditions for the use of hedge accounting had not arisen by the date on the balance sheet, so that the fair value of the interest swap was recognised as of 31 December 2008 at EUR 98.86 (2007: TEUR 31) under the financial instruments held for trading purposes. The evaluation was based on a generally accepted evaluation model (Black Scholes).

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

Goals and methods of financial risk management

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

a) Credit and liquidity risks

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

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

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

(70) As of 31 December 2008 financial liabilities were due as follows:

	Due now	Due within 1 year	Due after more than 1 year	Total
	TEUR	TEUR	TEUR	TEUR
Liabilities from deliveries and performances	1 387	3 317	0	4 704
Other liabilities	0	4 259	540	4 799
Financial liabilities	0	3 134	0	3 134
	1 387	10 710	540	12 637

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

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

Current assets

a) Inventories

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

b) Liquid assets

(73) Liquid assets consist of cash assets, fixed-term deposits and sight deposits. The liquid funds in the consolidated cash flow statement are recognised in accordance with the definition above.

Equity

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

(75) 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.

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

	31.12.2008 TEUR	Changes 2008 TEUR	31.12.2007 TEUR
Currency translation	57	-56	113

Pension provisions

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

Current liabilities

a) Other provisions

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

b) Financial liabilities

(79) Financial liabilities are categorised as follows:

- Financial liabilities held for trading
- Other financial liabilities

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

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

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

Contingent liabilities and assets

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

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

Government grants

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

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

(86) In 2008 IVU AG received government grants within the framework of various projects of the German federal government for the further development of software applications amounting to TEUR 310 and recognised these as revenues (previous year: TEUR 561). These sums are recognised under other revenues.

Borrowing costs

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

Research and development costs

(88) Research and development costs in the financial year 2008 amounted to TEUR 652 (2007: TEUR 1 154).

Leasing

(89) Whether an agreement constitutes or contains a lease is determined on the basis of the substance of the contract and involves estimating whether the completion of the contrac-

tual agreement is dependent on the use of an asset or assets and whether the agreement conveys the right to use the asset.

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

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

(92) In 2008 investments amounting to TEUR 594 were made within the framework of hire-purchase agreements. These related primarily to hardware (work stations, servers and infrastructure). The leasing duration of the finance leasing agreements is four years.

Conclusion of sales ad realisation of revenues

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

a) Project business

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

b) Sales of licences

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

c) Maintenance, consultancy, and training

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

d) Delivery of hardware

(97) Revenue from the sale of goods (project-related hardware deliveries) is recognised as soon as the delivery has been made and the risks and opportunities have been trans-

ferred to the purchaser. The corresponding revenues are included in D.15 under Revenues for deliveries/services/work contracts.

e) Recognition of interest revenues

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

Income taxes

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

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

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

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

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

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

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

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

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

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

(104) Value-added tax

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

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

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

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

Segment reporting

a) Operational segments

(105) For operational purposes the IVU Group is organised in two main segments:

- Public Transport
- Logistics

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

b) Transactions between the operational segments

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

C. Details concerning the consolidated financial statement

Non-current assets

1 Intangible assets and fixed assets

(108) Concerning the development of the non-current assets in the financial year ending 31 December 2008, reference is made to the Notes on the Development of intangible assets and fixed assets (plant, property and equipment) in the attached Annexes 7a and 7b.

(109) The IVU Group carried out impairment tests on 31 December 2008 and 31 December 2007 for non-current assets. The impairment test based on the following cash generating units and their carrying amounts for the goodwill:

Cash generating unit	31.12.2008 TEUR	31.12.2007 TEUR
Public Transport	8 980	8 980
Logistics	2 369	2 369
	11 349	11 349

The impairment test was based on the cash flow plans for the individual cash generating units over a period of five years. Beyond the planning horizon further cash flows were included on the assumption of 1% growth. The recognised cash flows were derived from past information and contracted orders for the financial year 2008. The assumptions made by the management about the business development trends in the software sector correspond to the expectation of experts and market observers. The software sector is expected to experience a moderate growth rate. In order to achieve long-term growth further new investments are necessary. A discounting rate of 9.3 % was used after taxes and 10.8% before taxes (previous year: 6.3% after taxes and 7.5% before taxes). The adjustment of the interest rates reflects the current economic climate (economic developments and financing conditions). Before bringing together the segments, an impairment test was carried out for the individual segments which showed no impairment loss for the segments Public Transport and Logistics.

(110) IVU AG entered into finance leasing contracts for hardware and software in the financial year under review with a volume of TEUR 651 (2007: TEUR 224). The contracts have a duration of four years. The present value of the leasing liabilities at the date of the balance sheet was TEUR 740 (2007: TEUR 172).

2 Financial instruments held for trading

(111) In the financial year, the interest swap is recognised with a market value of TEUR 0.1 (2007: TEUR 31) under “Financial instruments held for trading”.

Current assets

3 Inventories

	2008 TEUR	2007 TEUR
Goods (valued at cost of purchase)	1 390	979
Down-payments	53	96
	1 443	1 075

(112) In the financial year, there were impairments of goods amounting to TEUR 28 (2007: TEUR 0).

4 Receivables from deliveries and performances, net

	2008 TEUR	2007 TEUR
..Receivables from deliveries and performances, gross	14 990	12 013
..Individual value adjustments	-220	-348
	14 770	11 665

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

	2008 TEUR	2007 TEUR
As of 1 January	348	393
Allocation recognised as an expense	31	148
Availment	-41	0
Dissolution recognised as earnings	-118	-193
As of 31 December	220	348

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

	2008 TEUR	2007 TEUR
Neither overdue nor impaired	9 985	7 956
Overdue, not impaired		
< 30 days	2 185	1 517
31 – 60 days	979	1 285
61 – 90 days	586	481
> 90 days*	1 035	426
	4 785	3 709
As of 31 December	14 770	11 665

* of which paid by 28 February 2009: TEUR 536

5 Current receivables from construction orders

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

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

	2008 TEUR	2007 TEUR
Costs arising	6 108	5 661
Profit share	1 706	1 243
Contract revenue	7 814	6 904
Advances received	-3 911	-2 560
Receivables from construction contracts	5 046	4 904
Liabilities from construction contracts	1 553	560

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

(117) Warranty obligations exist for completed construction works within the usual terms of business.

6 Other current assets

	2008 TEUR	2007 TEUR
Overnight money to secure sureties	876	786
Value-added tax on payments received	517	393
Receivables from government grants and allowances	76	145
Receivables from tax credits (VAT)	32	32
Others	532	398
	2 033	1 754

(118) The overnight money is deposited to secure guarantees and is not freely available.

7 Liquid funds

	2008 TEUR	2007 TEUR
Deposits at financial institutions	345	832
Cash in hand	4	4
	349	836

8 Equity

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

a) Authorised and conditional capital

(120) The fully paid-in share capital entered in the Commercial Register amounted on the balance sheet date to EUR 17 719 160 (2007: EUR 17 719 160). The share capital is divided into a total of 17 719 160 no-par shares (2007: 17 719 160).

(121) At the General Meeting of IVU AG on 18 June 2002 the Management Board was empowered to increase the share capital with the approval of the Supervisory Board by 18 June 2007 once or several times by up to a total of EUR 3 000 000 by issuing up to 3 million new individual bearer shares against cash or deposits in kind, and to determine the conditions of the issue of shares and to exclude the subscription rights of the shareholders. The change in the company statutes was entered in the Commercial Register on 30 September 2002. The entry of the authorised capital in the Commercial Register followed on 8 October 2002. After the increase of capital in February 2003 and July 2005 the authorised capital on 31 December 2007 was EUR 0 and as of 31 December 2008 was EUR 0.

b) Increase in equity

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

c) Conditional capital

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

The authorised and conditional capital is as follows:

	2008 TEUR	2007 TEUR
Authorised capital (GK)		
- GK 2002/I (until 18 June 2007)	0	0
Conditional capital (BK)		
- BK 2004/I (until 30 April 2009)	100	100
	100	100

Non-current liabilities

9 Pension provisions

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

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

	2008 %	2007 %
Discounting rate factor	5.75	5.50
Incomes trend	0.00 – 2.50	0.00 – 2.50
Pensions trend	2.00	2.00
Fluctuation	0.00	0.00

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

(127) The net pension expenses are as follows:

	2008 TEUR	2007 TEUR
Service cost	24	29
Interest costs	200	180
Anticipated revenue from plan assets	-54	-53
Recognised actuarial losses / gains	0	21
Period expenses	170	177

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

	2008 TEUR	2007 TEUR
Pension obligations	3 722	3 664
Fair value of plan assets	-1 313	-1 365
Unrecognised actuarial losses	190	164
Pension liability	2 599	2 463

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

	2008 TEUR	2007 TEUR
Cash value of the pension obligation, start of period	3 664	4 261
Service cost	24	29
Interest costs	200	180
Pension payments	-63	-51
Unrecognised actuarial gains / losses	-103	-755
Pension obligation, end of period	3 722	3 664

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

	2008 TEUR	2007 TEUR
Fair value of plan assets, start of period	1 365	1 332
Expected income from plan assets	54	53
Payments out of the plan assets	-28	-21
Unrecognised actuarial gains / losses	-78	1
Plan assets, end of period	1 313	1 365

(131) The following table shows the alterations of the cash value of the pensions obligations, the fair value of the plan assets, and the revenue from the plan assets for the financial years 2003 to 2006:

	Cash value of the pension obligations TEUR	Fair value of the plan assets TEUR	Revenue from the plan assets TEUR
2003	2 934	1 129	47
2004	3 299	1 188	45
2005	4 269	1 254	47
2006	4 261	1 332	50

(132) The anticipated revenues from the plan assets base on the expected return of 4%. In the next twelve months no payments will be made to the plan.

(133) The adaptation of the plan liabilities on the basis of experience for the report period amounts to TEUR 19 (2007: TEUR 31).

(134) The anticipated payment structure for the years 2009 to 2013 is as follows:

	TEUR
Pension payments made	
2007	51
2008	63
Anticipated pension payments	
2009	30
2010	111
2011	133
2012	167
2013	168

(135) Defined contribution obligations exist only for the obligatory contributions of IVU AG to the state pension scheme. The employer's contributions in the financial year amounted to TEUR 1 111 (2007: TEUR 1 071).

10 Non-current loans

(136) The loans from Deutsche Bank AG and DKB Deutsche Kreditbank AG, in each case amounting to EUR 1 917 500 reach maturity on 30 June 2009. The interest rate is variable and is oriented on the 3-month EURIBOR of the interest period in question. The following arrangements were agreed for the repayment in 2008 and 2009:

2008: four instalments, each of TEUR 150 at the end of the quarter
2009: two instalments, namely TEUR 150 on 30 March and TEUR 167.5 on 30 June.

Additional special repayments are also possible at any time.

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

	Drawn on TEUR	Line of credit TEUR
Loan, Deutsche Bank AG	317.5	1 918
Loan, DKB Deutsche Kreditbank AG	317.5	1 918
Current account credit Deutsche Bank AG	1 024	1 500
Current account credit DKB Deutsche Kreditbank AG	1 475	1 500
	3 134	6 836
Of which current	3 134	
Non-current loans	0	

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

<u>Current liabilities</u>

11 Financial liabilities

(139) As of 31 December 2008 and 2007, the current loans and current shares of non-current loans consisted of current account credits, lines of credit, and loans. Revocable lines of credit with Deutsche Bank AG and DKB Deutsche Kreditbank AG, each of TEUR 1 500 are secured by the blanket assignment of receivables from goods deliveries and performances and from the issuing of licenses.

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

(141) The expenses for interest in the financial year 2008 amounted to TEUR 312 (2007: TEUR 376).

12 Provisions

(142) The provisions have developed as follows:

	As of 1.1. 2008 TEUR	Consumed TEUR	Dissolved TEUR	Added TEUR	As of 31.12. 2008 TEUR
Performance outstanding	236	118	29	411	500
	236	118	29	411	500
of which current	236				500

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

13 Other current liabilities

	2008 TEUR	2007 TEUR
Personnel-related liabilities	1 665	2 097
Liabilities from taxes (VAT, tax on salaries and wages)	999	1 203
Liabilities from outstanding invoices	694	776
Liabilities relating to social security	7	97
Others	894	726
	4 259	4 899

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

14 Deferred taxes/Income taxes

(145) The German trade income tax is levied on the taxable trade income. The effective rate of trade income tax depends on the locality from which the IVU Group is operating. The average rate of trade income tax for 2008 was 14.3% (2007: approx. 16.5 %). The trade income tax could be set off against the corporation income tax through until and including the financial year 2007. The rate of corporation income tax in the financial year 2007 was 25 % and in 2008 was 15%. An additional solidarity charge of 5.5 % is levied on the corporation income tax paid. Correspondingly, for the calculation of the current income taxes for the financial year 2008, the effective tax rate was 30.79% and for the financial year 2007 was 39.00%.

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

	2008 TEUR	2007 TEUR
Current tax expense - adjusted*), **)		
Financial year	0	65
Deferred tax income/-expense		
Change to the tax losses carried forward	-119	14
Tax-deductible goodwill depreciation	138	79
Changes to non-current order construction	78	66
Changes to flat-rate value adjustment	0	-12
Depreciation of internally generated software	-61	-171
Changes to pension provisions	16	74
Changes to other assets	-6	-11
Changes to other provisions	-46	-39
	0	0
Expense from income taxes - adjusted*), **)	0	65

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

	2008 TEUR	2007 TEUR
Earnings before taxes	965	1.926
Theoretical income tax expense (30.79%, previous year 39 %)	-297	-751
Different tax treatment of specific expenses	-2	-28
Use of tax loss carried forward	151	546
Additional activation of tax German losses carried forward	119	156
Others	29	12
Current tax expense - adjusted*), **)	0	65

*) The tax expense in 2008 given in Position 9 of the consolidated income statement contains income of TEUR 357 not attributable to the period (release of provisions for taxation from the previous year) as well as expenses of TEUR 52 not attributable to the period.

**) The tax expense in 2007 given in Position 9 of the consolidated income statement contains the amount of TEUR 26 not attributable to the period (release of tax provisions on the basis of financial audits for previous years).

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

	2008 TEUR	Change TEUR	2007 TEUR
Deferred tax assets			
Tax loss carried forward	823	119	704
Pension provisions	315	-16	331
Other provisions	127	46	81
	1 265	149	1 116
Deferred tax liabilities			
Receivables from non-current construction contracts	-555	-78	-477
Recognition of internally generated software	-115	61	-176
Tax-deductible goodwill depreciation	-591	-138	-453
Other assets	-4	6	-10
	-1 265	-149	-1 116
Deferred tax liabilities, net	0	0	0
- of which affecting the income situation			0
- of which equity changes			0
Summary			
Deferred tax assets	1 265		1 116
Deferred tax liabilities	1 265		-1 116

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

	2008 TEUR	2007 TEUR
Loss carried forward – domestic trade tax*	45 652	46 262
Loss carried forward – domestic corporation income tax*	49 721	50 097

*Because of adaptations to loss carried forward notifications a correction of the domestic trade and domestic corporate income tax was necessary at 1 January 2008 and 31 December 2008.

Foreign losses carried forward amount to TEUR 232 (2007: TEUR 233). The domestic losses carried forward do not lapse.

D. Notes on the Group income statement

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

15 Sales earnings

	2008 TEUR	2007 TEUR
Deliveries/Services/Works contracts	22 188	19 938
Licences	4 929	5 659
Maintenance	6 732	5 827
	33 849	31 424

16 Other operational earnings

	2008 TEUR	2007 TEUR
Government grants	310	561
Release of provisions	0	99
Release of the special provision for investment subsidies	32	32
Rent receipts	23	27
Other	470	307
	835	1 026

17 Material expenses

	2008 TEUR	2007 EUR
Expenses for third-party performances	2 720	2 120
Expenses for goods purchased	7 260	5 575
	9 980	7 695

18 Personnel expenditure

	2008 TEUR	2007 TEUR
Wages and salaries	14 769	14 007
Social security payments and expenses for pensions and support	2 549	2 471
	17 318	16 478

19 Depreciation of non-current assets

	2008 TEUR	2007 TEUR
Depreciation		
- of intangible assets and plant, property, and equipment	691	611
- of recognised development costs	73	359
Depreciation of fixed assets	764	970

20 Other operational expenses

	2008 TEUR	2007 TEUR
Marketing	1 764	1 683
Operational costs	1 267	1 441
Administration	795	781
Others	1 539	1 118
	5 365	5 023

21 Earnings per share

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

	2008	2007
Period result (TEUR)	1 270	1 887
No. of ordinary shares as of 1 January	17 719	17 669
Share capital increase (entry dated 31 January 2008)	0	50
No. of ordinary shares as of 31 December	17 719	17 719
No. of weighted shares (x 1000)	17 719	17 715
Undiluted earnings per share (euro/share)	0.07	0.11

(152) To calculate the undiluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are adjusted for the effects of all potentially dilutive ordinary shares, originating through the exercise of stock rights. For this purpose the number of ordinary shares to be taken into account corresponds to the weighted average number of ordinary shares plus the weighted average number of ordinary shares which would have been issued assuming the conversion of all potentially dilutive ordinary shares into ordinary shares. The conversion of share options into ordinary shares is valid on the day of issue. As of 31 December 2008 and 2007 there were no dilutive effects from issued share options.

E. Notes on the Group cash flow statement

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

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

F. Notes on segment reporting

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

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

Public Transport

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

Logistics

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

Reconciliation of segment assets and liabilities

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

	2008 TEUR	2007 TEUR
Gross assets according to the balance sheet	38 061	34 435
- Deducted deferred taxes	-1 265	-1 116
Segment assets	36 796	33 319

	2008 TEUR	2007 TEUR
Gross liabilities according to the balance sheet	18 704	16 267
- Tax provisions	-124	-523
- Non-deducted deferred taxes	-1 265	-1 116
Segment liabilities	17 315	14 628

G. Other details

Other financial obligations and contingent liabilities

Rental and leasing contract

(158) Within the framework of operating-leasing contracts, office equipment and other equipment was leased. Leasing and maintenance costs in 2008 amounted to TEUR 214 (2007: TEUR 190).

(159) Within the framework of finance leasing agreements, leasing fees in 2008 amounted to TEUR 16 (2007: TEUR 16) for software, TEUR 128 (2007: TEUR 101) for hardware, and TEUR 98 (2007: TEUR 5) for office equipment.

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

Residual period	up to 1 year TEUR	1 to 5 years TEUR	Total TEUR
Liabilities	328	577	905
Interest portion	46	37	83
Present value	282	540	822

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

	Rent payments	Leasing payments	Total
	TEUR	TEUR	TEUR
2009	920	646	1 566
2010	935	566	1 501
2011	779	394	1 173
2012	579	206	785
2013 and later	1 157	81	1 238
Total	4 370	1 893	6 263

Guarantees of bills of exchange

(162) Various financial institutions had taken on guarantees of bills of exchange amounting to TEUR 877 (2007: TEUR 1 189) for IVU AG at the balance sheet date.

Personnel

(163) The average number of personnel in the IVU Group in the financial year was 304 (2007: 292 personnel). The distribution of personnel in terms of function was as follows:

	2008	2007
Production / Software development	93	85
Administration	32	27
Project work / Sales	179	180
Total	304	292

Auditing fees

(164) The fees of Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft for the auditing of the IVU AG, the IVU consolidated financial statement for the financial year 2008 amount to TEUR 113 (2007: TEUR 111). In addition, tax consultancy services were provided by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft in 2008 amount to TEUR 69 (2007: TEUR 30).

Relationships to related parties (enterprises and individuals)

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

Related enterprises

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

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

Related party disclosures

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

Members of the Management Board of IVU AG

Prof. Ernst Denert (Chairman)
Martin Müller-Elschner (from 1 January 2008)
Frank Kochanski (from 1 January 2008)

Supervisory Board members of IVU AG

Klaus-Gerd Kleversaat (Chairman), Berlin
Chairman of quirin bank AG, Berlin,
Chairman of Tradegate Wertpapierhandelsbank AG, Berlin,
Deputy Supervisory Board Chair of Ventegis Capital AG, Berlin,
Supervisory Board member of Euro Change Wechselstuben AG, Berlin,
Supervisory Board member of Stream Films AG, Berlin,
Supervisory Board member of Orbit Software AG, Berlin,
Member of Supervisory Board of quirin business support AG, Leipzig (resigned as of 30 November 2008)

Hans G. Kloß (deputy chairman), Berlin
Managing Director of BEROMAT Consulting GmbH, Berlin
Chair of Supervisory Board of Hansen & Heinrich AG, Berlin,

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

Transactions with related individuals

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

Emoluments for Management Board and Supervisory Board members

(170) The Management Board of IVU AG received in the financial year 2008 emoluments of TEUR 796. These emoluments consisted of a fixed and a variable portion. In the reporting period the variable portion amounted to approximately 12% (2007: 13 %) of the total emoluments. The general meeting on 24 May 2006 decided to free the company of the

obligation to publish the emoluments of individual members of the Management Board.

(171) Pension provisions are set aside for former office holders of TEUR 1 696 (2007: TEUR 1 620). In addition, pension payments were made for retired members of the Management Board amounting to TEUR 28.

(172) The Supervisory Board received emoluments in 2008 of TEUR 37.5 (2007: TEUR 37.5).

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

	Shares Units
Management Board	
Prof. Ernst Denert	1 858 132
Martin Müller-Elschner	50 000
Supervisory Board	
Hans G. Kloss	598 217
Klaus-Gerd Kleversaat	139 000

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

(174) In the financial year 2008 the company was informed of the following alteration in the holding structure:

The company was informed in accordance with Section 15a WpHG, that Martin Müller-Elschner, Member of the Management Board of IVU AG, had purchased 30 000 shares in the company.

In the financial year 2007 the company was not informed of any alteration to the holding structure:

Note on the German “Corporate Governance Code”

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

Berlin, in March 2009

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

AUDITORS' REPORT

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

> "We have audited the consolidated financial statements of IVU Traffic Technologies AG, Berlin, consisting of the balance sheet, profit and loss statement, statement of changes of equity, cash flow statement, annexed notes, segment reports, and the consolidated management report for the financial year from 1 January to 31 December 2008. The accounting and preparation of the consolidated financial statements and the management report in accordance with the EU adopted IFRS standards, and additionally in accordance with the commercial regulations applicable under Section 315a Para. 1 of the German Commercial Code (HGB), are the responsibility of the legal representatives of the company. Our remit is to provide an assessment of the consolidated financial statements and the consolidated management report based on the audit that we have performed.
>
> "We have conducted our audit in accordance with Section 317 HGB taking into account the accepted German principles for the auditing of financial statements established by the Institut der Wirtschaftsprüfer (IDW). These standards require that the audit shall be so planned and conducted that inaccuracies and contraventions which have substantial effects on the consolidated financial statements in the light of the applicable accounting regulations and on the presentation of the situation of the group regarding assets, finances and revenues would be identified with reasonable assurance. When determining the auditing procedures, the knowledge of the line of business and the economic and legal situation of the group, as well as the expectation of possible errors are taken into account. Within the framework of the audit, the effectiveness of the internal control systems relating to accounting and the documentation of the figures in the consolidated financial statements and the consolidated management report are generally examined on the basis of random samples. The audit includes an assessment of the financial statements of the companies covered by the consolidated financial statement, the limitation of the scope of consolidation, the principles of accounting and consolidation applied, and the key estimates made by the legal representatives as well as an evaluation of the overall presentation of the consolidated financial statement and the consolidated manage-

ment report. In our opinion, our audit provides a sufficiently reliable basis for our assessment.

“Our audit did not give rise to any reservations.

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

Berlin, 11 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ekehard Schepers	Sascha Weiss
Auditor	Auditor