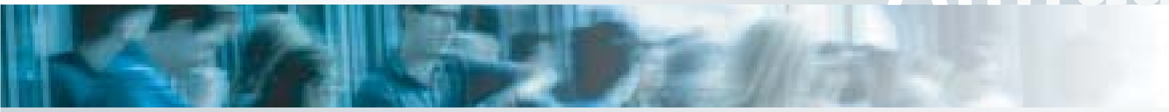
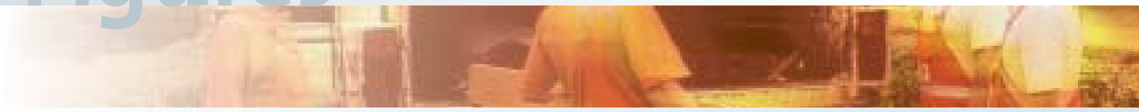
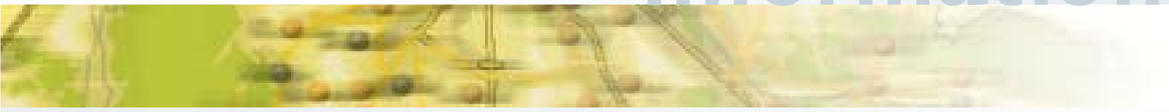
Annual Report 2002



Figures



Information



Facts

IVU Traffic Technologies AG

Five-year-revue (Consolidatet IAS figures)

	1998 million €	1999 million €	2000 million €	2001 million €	2002 million €
Revenue	10.6	14.7	17.5	25.5	35.6
Gross profit	10.0	12.5	19.1	28.0	32.0
Personnel costs	5.5	7.6	10.6	23.3	18.9
EBIT	1.6	0.8	1.9	(18.8)	0.8
Net profit/loss	0.2	0.5	1.4	(37.1)	(3.4)

The year-end closure and management report for IVU Traffic Technologies AG for financial year 2002 have been audited by Enrst & Young auditors and provided with an unqualified audit report. The complete, certified financial statements are available on request or can be downloaded from the Internet at **www.ivu.de**.

Letter to Our Shareholders

Dear shareholders, dear friends of IVU,

The 2002 business year was a time of consolidation for our company. We had a number of problems to overcome in order to put IVU Traffic Technologies AG back on a solid footing. TTi Systems AG, which we took over in mid-2001 had to be merged with IVU not only legally, but also organisationally, and it was unfortunately necessary to cut back part of TTi's regular workforce. In the autumn, a liquidity gap threatened to open, which would have led to insolvency, had we not taken immediate action. At the same time, we could not afford to neglect ongoing projects or product sales, for they are essential to our sales revenues.

We were able to overcome these problems. IVU's restructuring process is at an end, and the financing gap has been closed – in part, thanks to financial support from nearly 90 percent of our employees, who helped increase equity capacity to a tune of nearly € 600,000. This shows the enormous loyalty that our employees feel toward IVU, particularly during this difficult year. It is certainly a rare feat for a company to accomplish such a turnaround on the basis of its own resources.

As 2003 begins, we can look forward to the beginning business year with a great deal of optimism. Now that the restructuring and financing phases are over, the new IVU is entering phase three: it is earning money again. Following a loss of just under € 18.8 million in 2001, we earned a positive € 0.8 million EBIT in 2002. Where pre-tax profits are concerned, we are back in the black, as expected. The year 2003 should bring another significant increase in profits. We therefore have a lot to look forward to in the current year and in years to come.

Sincerely,
The Management Board

Dr. Olaf Schemczyk
Prof. Dr. Ernst Denert

Financing secured
The most important accomplishment last year was to secure IVU's long-term liquidity. It became apparent in the spring that a liquidity gap exceeding € 5 million would open up between the months of October and November 2002, largely due to seasonal business trends – strong sales during the final three months of a year with a strong flow of capital during the first quarter and a comparatively weak capital flow during the third and fourth quarters. This cycle reflects the ordering patterns of the majority of our customers, namely, public transport companies and government agencies. Another reason had to do with funds that were blocked by indemnity bonds.

To secure financing, our main efforts focused on injecting € 2.5 million in equity capital, which was raised jointly by Chairman of the Management Board Prof. Dr. Ernst Denert (€ 1.4 million), a member of the Supervisory Board (€ 0.5 million) and just under 90 percent of IVU's employees (€ 0.6 million). As a result, and supported by an indemnity bond issued by the State of Berlin, Deutsche Bank and Deutsche Kreditbank approved a new € 3 million line of credit, which, however, we have not yet needed to use.

Due to the injection of equity capital, we were also able to refinance the € 10 million loan from DZ Bank, Hannover, which had been taken over at the time of the TTi Systems AG purchase. This loan now has a term to the end of 2007 and will be paid off in annual instalments, with the first € 1.5 million instalment due in March 2004.

Restructuring phase completed
Based on the secured financing, we were able to complete IVU's restructuring process, the most important part of which was the organisational merger between IVU and the former TTi Systems AG. This integration has been completed and is already beginning to pay off for IVU. The teams in Aachen, Hannover and Berlin have already worked together successfully on a number of projects, for example, the large order from Essen-based EVAG. IVU customers are ordering products of the former TTi, such as i.box, while long-time TTi customers are now also purchasing IVU systems. We expect this synergy will continue to offer considerable business potential in the future.

An important item of the restructuring program submitted by the new Management Board a year ago was the decision to give up most of IVU's company holdings. Four additional holdings were sold in 2002 (shares in BLIC GmbH, Berlin; DISI GmbH, Hamburg; Rentconcept GmbH, Ettlingen; and id systeme GmbH, Hamburg), while another company was closed (Teleride Inc. Toronto).

Even internally, we have reorganised IVU's divisions and pulled out of two unprofitable activities. The Rentals department, which developed software for car rental companies and car sharing providers was shut down, and the department integrated in our Transport Logistics division. The Mobile Services department will be closed in the first quarter of this year. The only remaining item of the restructuring program submitted a year ago is to move the branch office in Hennigsdorf near Berlin to our Berlin headquarters, which will take place during the first quarter of 2003. IVU will then have three locations in Germany: Berlin, Aachen and Hannover.

Personnel development
It was unfortunately necessary to lay off personnel as a result of the restructuring effort, particularly while integrating TTi Systems AG. This took place in the second half of 2001, although the necessary reserve had been formed earlier in 2001. Organisationally, the cutbacks extended into the past business year. The personnel capacity, that is, the calculated number of full-time employees on a given date or within a given period, dropped another eight percent, from 367 to 337, in the 12-month period ending on 31 December 2002. This can be attributed to normal fluctuation, as we replaced some of the retired employees with new people and will continue to do so. IVU continues to hire new employees; in particular, we are looking for highly qualified IT specialists and software engineers. In the autumn, we launched a new continuing education and training program for our skilled workers.

Powerful organisation
As an organisational entity in Germany with four foreign subsidiaries, IVU is now trim, well organised and effectively managed, with fast decision-making procedures, level hierarchies and a clear definition of responsibilities. This is especially true of the separation between product development and customer projects, which was implemented in 2002. For the last six months, we have had a new sales team, which apart from maintaining existing customer relations, are charged with acquiring new orders. We also expect the newly founded branch office in Aachen to generate a significant amount of new business – especially with the Rhein-Ruhr-City development in North Rhine-Westphalia. As this region continues to expand into a single metropolitan area with numerous local public transport companies, there is significant unexploited potential for IVU's innovative products and services. We also expect to see an unusually sharp rise in sales from other European countries in the coming years. This is why we continued to resolutely expand our foreign subsidiaries even during the difficult months of 2002. Although most results have not yet entirely met our expectations, some have indeed exceeded them, for example, in the U.K. and Ireland, where we managed to land an important contract: our Public Transport division delivered the successful MICROBUS operation deployment planning system to Dublin Bus, a company serving the Irish capital.

Locations

Berlin	Headquarters
Aachen	Focal point for customers in North Rhine-Westphalia
Hannover	Handling the DB-Regio project and regional customers

Rome	IVU Italia S.r.l.
Paris	IVU France SAS
Veenendal, NL	Effectivity B.V.
Birmingham	IVU UK Ltd.

PT

Unique integrated IT platform for Public Transport

Now that the former TTi products have been integrated, Public Transport has a uniquely integrated system platform for public transport applications. The enormous response that our company received at InnoTrans, the transportation industry's main international trade show, along with the new orders received in the second half of the year, demonstrates an important point: our public transport strategy of offering a full range of hardware and software, from planning and operations to quality assurance, is correct and is paying off. Thus, Stadtwerke Münster ordered the BON.tip real time passenger information system from IVU in no small part because the company already uses our BON® control centre.

Entering the Italian market

It was the platform strategy that also gave us entry to the Italian market; the order received from the Mantova municipal transport company in Northern Italy included nearly every product throughout IVU's line: 220 buses and 42 bus stops will be controlled in future by MICROBUS, the BON control centre software, i.box on-board computers, an online geographic information system and intelligent passenger information systems at bus stops and in the bus station. This, we feel, is a reference project for the very attractive markets of Northern Italy, Switzerland and Austria.

In addition to attracting new customers for IVU, the platform strategy will help us obtain new, more comprehensive orders from existing customers. This is especially true in light of the general trend toward increasing cooperation between small public transport companies and neighbouring companies or within transport authorities. The IVU platform greatly facilitates this process and helps make the companies more efficient.

Major light-rail orders at the end of the year

Just a few days before the end of the year, S-Bahn München ordered MICROBUS, thereby completely replacing the planning system previously used in Germany's largest light rail network. The RheinNeckar public transport company will also use MICROBUS to plan and schedule its new light rail system in a 240-kilometer network. This means that two of the eight German light rail systems will operate with IVU's successful product in the future. The two orders have set a milestone: now that MICROBUS, the market leader, is being used by over 150 public transport companies throughout Europe, we can demonstrate that our system is an excellent choice for railway companies as well. The platform strategy was also a major factor in the order from S-Bahn RheinNeckar, which ordered a package that included MICROBUS and Qbase, our reliability management and quality assurance system. RheinNeckar is therefore the pilot customer within the Deutsche Bahn Group for this software, which greatly simplifies accounting, controlling and quality assurance for public transport companies. The two light rail orders are worth around € 3.3 million.

Good market position

Shortly before the end of the year, another major project with Deutsche Bahn is pending. Over the course of 2003, MICROBUS will be introduced as a planning and scheduling tool for all 12,000 rail buses in Germany. For IVU, this is a pilot order from the promising market segment for regional transport companies.

Within live operations environment our new on-board computer i.box printer successfully proved that it is ready for series production. SWEG in Lahr, Baden-Wuerttemberg, will install the on-board computer with integrated ticket printer in over 100 vehicles. The basic product, i.box, is also becoming increasingly well established. The pioneering order from Essen-based EVAG was finally signed and sealed last year. The company will install the on-board computer in a total of over 300 buses and trams – a major success for our branch office in Aachen.

Successful projects for Transport Logistics

Our Transport Logistics division managed to establish itself last year as a supplier of innovative control systems for large vehicle fleets used to transport bulk goods. Thus, our Contour Web logistics system successfully completed its pilot run in twenty vehicles operated by the Max Bögl construction company in Bavaria; we are now installing on-board computers and our software in a total of 300 gravel, concrete, asphalt and other transport vehicles. Contour Web controls the order management and automatic load planning systems for the vehicles, which can be located and tracked on maps via the Internet.

For our customer Readymix, last autumn we supplied the latest version of the scheduling software that controls a large number of the concrete mixers used in Germany, amounting to just under a thousand vehicles in thirteen locations. IVU has already delivered the scheduling system for the entire Readymix fleet and U.K.-based Rugby Cement company, a subsidiary of the English RMC Group. The new Readymix software became necessary due to the new EU concrete mixing standard.

New direction for the waste management sector

Our Waste Management department, the leading supplier of fleet management systems for waste management, did not meet it targets in 2002. This probably had to do with customer uncertainty about the concentration trends in the German waste management sector, which was reflected by sluggish orders in 2002. A positive development is the series of orders received from the Netherlands. A new customer, Hamburger Stadtreinigung, began using Combitour in early September. During the first phase, the IVU product is scheduling 45 bulky refuse vehicles, and there are plans to integrate another 200 system refuse and container vehicles in later phases. The entire order is worth over one million Euros.

Information Logistics in the public eye

In recent months, the Information Logistics division gained recognition both in the public eye and among numerous government agencies as a supplier of complex e-government solutions. The focus was on the IT system for automatically calculating the results of the parliamentary elections on September 22. After going through a baptism of fire on election night, the system has generated enormous interest from the federal states as well as abroad. It is the intention of the Federal Election Commissioner for the IVU system to be further developed for the 2004 European elections. In addition, the system can be customised to nearly any election procedure without problems.

Bringing the government to the people

IVU is coordinating another high-profile project involving mobile public services, which the company and its partners are developing for the Berlin Senate. With a completion date set for 2004, it will create the first government agency that goes directly to the people. This project, the only one of its kind anywhere in the world, is aimed at combining all administrative tasks of all Berlin agencies into a standard platform and to make them available not only online in the public offices, but also through mobile communications. To accomplish this, agents are equipped with mobile terminals that they can use to administer public services locally wherever the people need them. Initial tests are expected to begin as early as the spring of 2003. As soon as the system has passed its test by fire, IVU plans to market it nationwide to municipal authorities, thereby expanding its e-government department.

The e-government experts

The State of Brandenburg will also soon benefit from IVU's e-government expertise. As the result of an EU-wide competition, the Berlin-based software company won a three-year cooperation agreement, worth as much as € 4 million and aimed at implementing model products over the next three years as part of the state government's e-government strategy. IVU will supply innovative software and development services, while the state government will bring in interested municipalities, districts and public authorities.

Financial position: a balanced operating result
The reorganised company was able to completely recover its EBIT loss last year, which had amounted to € 18.8 million in 2001. IVU is back in the black, with EBIT just under € 0.8 million for 2002. Where the result from ordinary activities is concerned, we are back in the black, as expected. While the consolidated annual surplus remains a negative € 3.4 million, following a € 37.1 million loss the previous year, this is attributable solely to a one-time revaluation of the "Latent Taxes" item on the consolidated balance sheet, which has no effect whatsoever on capital flow. We therefore decided that a credit for future tax savings due to losses brought forward would not be taken at this time. Without this one-time effect, the consolidated annual surplus for 2002 would have been positive.

IVU's turnaround in earnings last year is largely due to its successful restructuring and cost reduction measures. Labour costs alone dropped 19 percent from the previous year, ending up at around € 18.9 million. Without the one-time effect resulting from the reversal of accruels labour costs dropped about 12 % to € 20.5 million. At the same time, sales revenues rose nearly 40 percent to € 35.6 million. The gross result improved 14 percent from around € 28 million to € 32 million. We plan to significantly improve per-capita gross earnings in 2003.

Assets
The Group has equity capital of € 26.6 million. The assets are in particular in the form of fixed assets (€ 30.3 million), in stocks (€ 4.6 million) and in short-term accounts receivable (€ 18.4 million). The long-term proportion of the loans amounts to € 11.5 million.

Liquidity: forecast on target
The assumption we made in the spring about liquidity development over the course of the year turned out to be correct. By increasing equity capital and thereby obtaining new loans, we ultimately averted the liquidity bottleneck that loomed between the months of October and November and thus prevented insolvency. These actions have secured long-term financing for IVU.

Outlook for 2003: operating result to improve even further
As the 2003 business year begins, we expect to see a sharp rise in earnings as well as in EBIT and in the annual surplus. We hope to achieve this by greatly improving per-capita gross earnings. The necessary steps toward reaching this goal were initiated in 2002. We remain confident that we will be able to boost sales revenues in 2003 to € 39 million, an increase of just under 9 percent. New orders as of December 31, 2002 were worth € 15.8 million.

Risks

Operational risks
We cannot entirely ignore the effects that the mergers and consolidation efforts taking place in the waste management sector are having on our business.

Another risk is presented by a generally tight financial situation in the public sector. However, we have observed that a smoothly operating public transport system is regarded as an important public service. Moreover, our products significantly boost the efficiency of public transport companies. As a result, we expect that, along with growing competitive pressure, increasing networking and cooperation between transportation companies will be a source of new opportunities for IVU.

The goodwill reported on the consolidated balance sheet was valued on the basis of projections.

Litigation risks
An adequate reserve was formed for legal disputes arising in connection with employee layoffs.

Risk management
The risk management is based on monthly reports in which planned and actual key figures are compared.

The analysis of the differences provides the Management Board with an instrument to control business. In order to ensure that the available liquidity and credit potential are sufficient, the cash-flow situation is controlled on a daily basis. Current values are compared with targets by those in charge and sales and cost developments are controlled, so that the Board and the Supervisory Board can receive detailed monthly reports about the situation and are able to take any measures that are necessary.

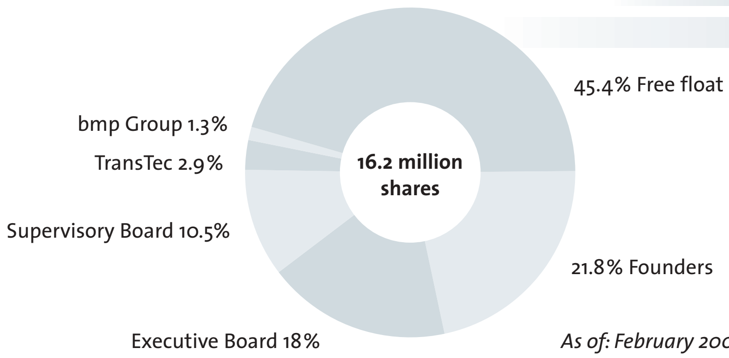
IVU stock in the Prime Standard segment
We cannot be happy with the price of the IVU stock, even though it has risen over 35 percent since October 2002. Nevertheless, the stock lost half its value over a twelve-month period, during which the NEMAX All Share Index also dropped nearly seventy percent. We are optimistic that our successful actions to consolidate IVU and give it a new direction – the restructuring and integration efforts, the new financing base, the turn-around in earnings – will be recognised by the capital market over the medium term.

On 19 December 2002, the Deutsche Börse admitted the stock of IVU Traffic Technologies AG into the newly created segment of the regulated market with extended post-admission duties (Prime Standard). From the beginning of the new market segmentation, IVU's stock will be traded in the more demanding of the two segments and thus remain in the public eye.

Shares held by the Company's Board Members as of February 11, 2003

	No. of shares
Executive Board	
Prof. Dr. Ernst Denert	1,808,132
Dr. Olaf Schemczyk	1,097,895
Total Executive Board	**2,906,027**
Supervisory Board	
Dr. Ulrich Abshagen	1,904
Dr. Manfred Garben	1,205,975
Ralph Günther	0
Klaus-Gerd Kleversaat	52,980
Hans G. Kloß	438,217
Dr. Gunnar Streidt	0
Total Supervisory Board	**1,699,076**
No. of IVU shares owned by The Group	**0**

Shareholder Structure



As of: February 2003

IVU-Share Price compared to Indices

Consolidated Profit and Loss Account in Accordance with IAS for Financial Year 2002

	2002 T€	2001 T€
1. Earnings	**35,587**	**25,450**
2. Reduction in volume of finished and unfinished goods (previous yeare: increase)	(3,366)	1,957
3. Other activated services on own account	2,288	3,983
4. Other operating earnings	5,362	3,405
5. Costs of material	(7,904)	(6,803)
Gross profit	**31,967**	**27,992**
6. Personnel expenses	(18,888)	(23,278)
7. Write-offs on intangible assets of the fixed and tangible fixed assets	(2,224)	(2,970)
8. Write-offs on original intangible assets	(2,484)	(4,500)
9. Write-offs on current assets	0	(458)
10. Write-offs on goodwill	(917)	(993)
11. Other operating expenses	(6,656)	(14,627)
Operating result (EBIT)	**798**	**(18,834)**
12. Earnings from holdings	10	8
13. Earnings from securities and loans from the financial assets	16	1
14.Other interest and other income	420	2,013
15. Write-offs on financial assets and securites from the current assets	(136)	(5,024)
16. Interest and similar expenses	(1,100)	(1,122)
17. Results of operating activities	**8**	**(22,958)**
18. Extraordinary expenses	0	(19,488)
19. Taxes on income and earnings	(3,530)	5,300
20. Other taxes	(20)	(11)
21. Group net annual loss before minority interests	**(3,542)**	**(37,157)**
22. Portion of other partners on the net profit	109	48
23. Group net annual loss after minority interests	**(3,433)**	**(37,109)**
24. Loss carried forward	(32,066)	5,043
25. Consolidated net loss	**(35,499)**	**(32,066)**

The consolidated financial accounts were made in accordance with the International Finance Reporting Standards of the International Accounting Standards Committee (IAS) also in consideration of the interpretations of the Standing Interpretations Committee (SIC). The regulations of the Handelsgesetzbuch (HGB) differ in some important aspects from those IAS regulations.

Consolidated Cash Flow Statement
in Accordance with IAS for Financial Year 2002

	2002 T€	2001 T€
1. Business activity		
Consolidated annual profit (previous year: loss) before income tax of the periods (according to minority interests)	97	(42,409)
Latent taxes	(3,553)	5,287
Depreciation	5,625	13,487
Depreciation of financial assets	136	0
Net change of provisions	(5,001)	12,566
Unrealised losses/profits from currency translation	45	0
Earnings from special items with accrual character	(83)	(73)
Profit from sale of fixed assets	793	(1,155)
	(1,941)	**(12,297)**
Change of items of the current assets and the short-term Capital		
Stocks	5,661	(8,262)
Receiveables and other assets	(3,200)	(5,244)
Securities	11,160	10,790
Short-term liabilities and provisions	(16,570)	19,225
Active latent taxes	3,553	(10,171)
Passive latent taxes	0	4,884
Cash flow in/out from normal business activities before income tax	**(1,337)**	**(1,075)**
Unscheduled depreciation of goodwill	0	18,446
Interests paid	(1,100)	(1,122)
Income taxes received/paid	4	13
Cash flow in/out from business activities	**(2,433)**	**16,262**
2. Investment activities		
Payments for acquisitions of holdings reduced by the holding's liquid funds	(53)	(7,964)
Earnings from disposal of holdings reduced by the holding's liquid funds	447	0
Investment in assets	(5,415)	(25,337)
Receipts of payments from disposal of tangible assets	54	0
Additions from initial consolidation	0	(10,591)
Disposal of assets from final consolidation	402	0
Interests earned	420	2,013
Cash flow in/out from investment activities	**(4,145)**	**(41,879)**
3. Financing		
Deposits from capital increase	1,960	3,068
Adjustment of off-the-line items	0	100
Additions/reduction from minoritiy interests	(314)	506
Increase/Decrease of middle and long-term liabilities	2,536	4,225
Cash flow in/out from financial activities	**4,182**	**7,899**
Change of liquid funds from final consolidation	**202**	**542**
Change in liquid funds	**(2,194)**	**(17,176)**
Liquid funds at beginning of period	**2,983**	**20,159**
Liquid funds at end of period	**789**	**2,983**

Consolidated Balance Sheet
in Accordance with IAS for Financial Year 2002

Assets	Dec. 31, 2002 T€	Dec. 31, 2001 T€
A. Short-term Assets		
1. Liquid funds	789	2,983
2. Securities from current assets	0	11,160
3. Trade receivables	11,432	10,109
4. Receivebales from assoc. companies	0	1
5. Stocks		
5.1 Unfinished goods	3,078	8,839
5.2 Finished goods	835	751
5.3 Down payments made	696	680
6. Prepayments and accrued income and other short-term assets	7,034	5,154
Short-term assets	**23,864**	**39,677**
B. Long-term assets		
1. Tangible assets		
1.1 Machinery and technical equipment	856	1,080
1.2 Other equipment, factory and office equipment	1,921	2,651
1.3 Construction in progress and advance payments on tangible assets	4	0
2. Intangible assets		
2.1 Licenses, commercial copyrights and similar rights and values and licenses to such rights and values	2,405	2,465
2.2 Original intangible assets	6,063	5,631
3. Financial assets		
3.1 Shares in assoc. companies	0	20
3.2 Guild shares	26	26
3.3 Securities in the fixed asets	0	93
5. Goodwill	16,013	16,836
6. Latent taxes	3,063	10,926
Long-term assets	**30,351**	**39,728**
Assets, total	**54,215**	**79,405**

Liabilities	Dec. 31, 2002 T€	Dec. 31, 2001 T€
A. Short-term Liabilities		
1. Short-term loans and short-term portion on long-term loans	3,367	5,148
2. Trade payables	2,214	7,422
3. Down payments retained	1,908	7,787
4. Provisions	1,830	6,518
5. Sales items of accrual and deferral	66	256
6. Short-term payables	6,069	9,581
Short-term liabilities	**15,454**	**36,712**
B. Long-term liabilities		
1. Long-term loans	6,150	4,288
2. Latent taxes	3,063	7,373
3. Pension reserves	1,569	1,902
4. Other	725	51
Long-term liabilities	**11,507**	**13,614**
C. Minority interests	**277**	**591**
D. Equity		
1. Subscribed capital	15,629	13,669
2. Capital reserves	46,456	46,456
3. Reserves	45	0
4. Consolidated Balance sheet profit /loss	(35,499)	(32,066)
Equity	**26,631**	**28,059**
Off-line-item investment grants and investment subsidies	**346**	**429**
Liabilities	**54,215**	**79,405**

Consolidated Group Assets in Accordance with IAS for Financial Year 2002

		Historical Purchase / Production Costs					
		Jan. 1, 2002 T€	Additions T€	Transfers T€	Disposals T€	Disposals final consolidation T€	Dec. 31, 2002 T€
1. Intangible assets							
1	Licenses, commercial copyrights and similar rights and values and licenses to such rights and values	4,079	2,014	(621)	801	124	4,547
2	Goodwill	36,887	132	0	41	0	36,978
3	Original intangible assets	12,053	2,288	628	0	0	14,969
		53,019	**4,434**	**7**	**842**	**124**	**56,494**
2. Tangible assets							
1	Machinery and technical equipment	2,396	372	75	220	125	2,498
2	Other equipment, factory and office equipment	4,912	140	(82)	267	506	4,197
3	Construction in progress and advance payments on tangable assets	0	469	0	120	0	349
		7,308	**981**	**(7)**	**607**	**631**	**7,044**
3. Financial assets							
1	Shares in assoc. companies	3,409	0	0	20	0	3,389
2	Holdings	1,635	0	0	0	0	1,635
3	Guild shares	26	0	0	0	0	26
4	Securities of fixed assets	93	0	0	0	93	0
		5,163	**0**	**0**	**20**	**93**	**5,050**
	Total	**65,490**	**5,415**	**0**	**1,469**	**848**	**68,588**

Group Equity Change Account
in Accordance with IAS for Financial Year 2002 and 2001

	Subscribed capital T€	Capital reserves T€	Other reserves T€	Balance sheet loss T€	Total T€
As of Jan. 1, 2001	13,200	43,857	0	5,043	62,100
Capital stock increase incorporated as of Nov. 9, 2001	469	2,599	0	0	3,068
Consolidated annual loss	0	0	0	(37,109)	(37,109)
As of Dec. 31, 2001	**13,669**	**46,456**	**0**	**(32,066)**	**28,059**
As of Jan. 1, 2002	13,669	46,456	0	(32,066)	28,059
Capital stock increase incorporated as of Sept. 20, 2002	1,960	0	0	0	1,960
Currency translation differences (Profits not considered in the consolidated profit and loss account)	0	0	45	0	45
Consolidated annual loss	0	0	0	(3,433)	(3,433)
As of Dec. 31, 2002	**15,629**	**46,456**	**45**	**(35,499)**	**26,631**

Write-offs						Residual value	
Jan. 1, 2002 T€	Additions T€	Currency translation differences T€	Disposals T€	Disposals final consolidation T€	Dec. 31, 2002 T€	Dec. 31, 2002 T€	Dec. 31, 2001 T€
1,614	765	0	175	62	2,142	2,405	2,465
20,051	917	0	3	0	20,965	16,013	16,836
6,422	2,484	0	0	0	8,906	6,063	5,631
28,087	**4,166**	**0**	**178**	**62**	**32,013**	**24,481**	**24,932**
1,316	604	0	205	73	1,642	856	1,080
2,261	510	2	186	311	2,276	1,921	2,651
0	345	0	0	0	345	4	0
3,577	**1,459**	**2**	**391**	**384**	**4,263**	**2,781**	**3,731**
3,389	0	0	0	0	3,389	0	20
1,635	0	0	0	0	1,635	0	0
0	0	0	0	0	0	26	26
0	0	0	0	0	0	0	93
5,024	**0**	**0**	**0**	**0**	**5,024**	**26**	**139**
36,688	**5,625**	**2**	**569**	**446**	**41,300**	**27,288**	**28,802**

Excerpts from the Notes on the Consolidated Accounts Statement of IVU Traffic Technologies AG as per December 31, 2002

Below are the most important points of the notes to the consolidated financial statements audited by the Ernst&Young auditors. The complete notes on the consolidated accounts are available on request or can be downloaded from the Internet at **www.ivu.de**.

Consolidation method

Consolidated companies
The following subsidiaries were consolidated in the group financial statement (figures before consolidation):

	Percentage of holding %	Equity per Dec. 31, 2002 T€	Annual result 2002 T€
IVU-Gesellschaft für Informatik, Verkehrs- und Umweltplanung GmbH, Berlin	100.0	480	0
IVU Traffic Technologies Italia s.r.l., Rome, Italy	90.0	(175)	(227)
IVU Traffic Technologies France SAS, Paris, France	100.0	(113)	(153)
IVU Traffic Technologies UK Ltd., Birmingham, United Kingdom	100.0	(381)	714
Effectivity Waste Management Solutions B.V., Veenendal, Netherlands	52.5	(620)	(49)

Changes to the consolidation method
As of 1 January 2002 TTi AG was merged into IVU AG. The merger was entered into the commercial register on 26 November 2002. The merger had no effect on the consolidated financial statements.

On 1 January 2002 TTi Entwicklungszentrum GmbH was merged into TTi AG, in Hannover. The merger was entered into the commercial register on 4 November 2002. The merger had no effect on the consolidated financial statements.

The newly founded IVU France SAS was consolidated into the group reporting for the first time as of 1 January 2002.

On 1 July 2002 IVU Traffic Technologies AG increased its shares in IVU Italia from 70% to 90% paying cash in the amount of € 80,121.55. The acquisition was financed through available liquid means. The differential created by the first time consolidation will be recorded as goodwill, and as of 1 July 2002 amortised over a useful economic life span of 20 years according to IAS 22 (revised 1998) using the straight line method.

On 15 January 2002, IVU Traffic Technologies AG sold its shares (53.87% of subscribed capital) of BLIC GmbH, for € 242,325. A further acquisition price amounting to € 242,325 will be paid if an EBIT of T€ 1,118 forecasted on the basis of the balance sheets for 2002 to 2006, is realised. The acquisition price features that depend on future results are not used to calculate income or losses from the sale of BLIC GmbH. The share transfer became effective on 1 January 2002. Earnings from final consolidation amounted to T€ 401.

On 13 February 2002, TTi AG, a fully owned IVU Traffic Technologies AG subsidiary, sold its shares (58% of subscribed capital) of id systeme GmbH, Hamburg, for € 407,000, resulting in a capital gain of € 349,000. Earnings from final consolidation amounted to T€ 3.

Intangible assets
(Balance sheet assets B2)

Net book values for reported intangible assets include the following significant items:

	31 Dec. 2002 T€	31 Dec. 2001 T€
Goodwill		
Goodwill from the merger of IVU GmbH	8,360	8,852
Goodwill from the acquisition of TTi AG	5,401	5,693
Goodwill from the acquisition of other TTi companies	1,765	1,876
Other	487	415
	16,013	**16,836**
Activated software development costs		
MICROBUS	1,547	2,081
Qbase	668	677
i.box	2,209	1,012
Other	1,639	1,861
	6,063	**5,631**
Other intangible assets	**2,405**	**2,465**
	24,481	**24,932**

Activated software development costs are recorded to the income statement as internally generated intangible assets.

In the financial year 2002, exceptional depreciation for down-payments for non-tangible assets amounted to € 345,000.

Active latent taxes
(Balance sheet assets B6)

Taxation on income and earnings includes both the turnover taxes paid or owed, as well as latent tax expenditures or receipts. The latent taxation costs or receipts are calculated in accordance with IAS 12 (revised 2000).

Provisions
(Balance sheet liabilities position A4)

	31 Dec. 2002 T€	31 Dec. 2001 T€
Provisions for taxes	0	90
Provisions for warranties	913	997
Provisions for restructuring measures	151	5,431
Other	766	0
	1,830	**6,518**

Provision for warranties concern work to be performed on already completed projects. Provisions for restructuring in 2001 could largely be written back since the integration of TTi activities was basically been concluded and obligations did not have to be met at the expected level. The restructuring provisions were for a social plan, undertakings arising from individual contracts, and threatened contractual penalties arising from the restructuring. In particular it was possible to avoid the contractual penalty and this freed some € 1.2 million of provisions. The remaining provisions relate to office rental payments and leasing charges for office furnishings. The remaining provisions provide an allowance for legal disputes arising in connection with employee layoffs.

Other operating income

(Profit and loss account position 4)

	2002 T€	2001 T€
Research and Development endowments	1,777	2,035
Booking of liabilities due to an out-of-court agreement (TransTec)	1,201	0
Earnings from the final consolidation	404	0
Earnings from the sale of shareholdings forming part of current assets	349	0
Other	1,631	1,370
	5,362	**3,405**

The R&D endowments result from several projects, which are provided among others by the Federal Ministry for Education and Research, the Berlin Senate and the European Union. They were recorded to other operating income for the applicable reporting period.

Personnel expenses

(Profit and loss account position 6)

	2002 T€	2001 T€
Personnel expenses	15,574	20,492
Social Security and other pension costs	3,314	2,786
	18,888	23,278

Personnel expenses include expenses amounting to T€ 4,980 (previous year: T€ 1,728) for research and development activities.

Appropriations to pension provisions amounting to T€ 20 occurred during business year 2002.

The personnel expenditure for the financial year was reduced by realising reserves amounting to € 1.6 million, since the actual payments incurred by the restructuring were not as high as expected.

In the business year 2002 the members of the management board received payments amounting to € 352,000 (previous year: € 559,000). Payments to the members of the supervisiory board amounted to € 72,000 (previous year: € 58,000).

Supervisory Board Report

During the reporting year, the Supervisory Board of IVU Traffic Technologies AG, Berlin, discharged its duties in accordance with the law and the statutes and supervised and advised the company's Management Board. The Board dealt continuously and intensively with the company situation, the course of business, corporate planning and business policy. Extensive consultation was provided in six joint meetings between the Supervisory Board and the Management Board. Even outside these meetings, the Supervisory Board was kept informed about important business activities by the Management Board.

Topics of intensive consultation during the 2002 business year included:

- Company restructuring efforts arising from the merger of TTi with IVU
- Efforts to secure liquidity
- Implementation of the capital increase decided on by the Shareholders' Meeting, among other things, by issuing stock to IVU employees
- Discontinuation of the Mobile Services department and further streamlining of the investment portfolio
- Introduction of a new internal reporting system
- Formation of Supervisory Board committees for balances sheets and personnel
- The German Corporate Governance Code

The year end financial statement and the Management Board Report for the company, which were prepared by the Management Board for the 2002 business year, were audited by Ernst & Young auditors and tax consultants in Berlin by order of the Shareholders' Meeting and at the request of the Supervisory Board and provided with an unqualified audit report.

The company's individual financial statement was prepared according to the current laws and directives of the Federal Republic of Germany. The consolidated financial statement was prepared according to the rules and principles of the International Accounting Standards (IAS).

The documents mentioned above were handed out to the members of the Supervisory Board immediately after they were prepared. They were discussed in detail during the Supervisory Board meeting of 26 February 2003 in the presence of the auditor, who provided an extensive report on the results of his audit. The Supervisory Board raised no objections after making its own examination and accepted the year-end financial statement of IVU Traffic Technologies AG on 31 December 2002, thereby adopting it.

The Supervisory Board would like to thank all the employees for their tireless work on behalf of our shared company during the 2002 business year.

Berlin, 26 February 2002
Dr. Hans Ulrich Abshagen
Chairman of the Supervisory Board

Declaration on Compliance with the German Corporate Governance Code

The Management Board and Supervisory Board hereby declare that, in accordance with the provisions of the new Section 161 of the German Stock Corporation Act, IVU Traffic Technologies AG complied with the provisions and recommendations of the German Corporate Governance Code in 2002 and will continue to do so with the following exceptions (the numbers below correspond to the same items in the Code):

2.3.3 Appointment of a proxy
During the Shareholders' Meeting held in 2002 for the 2001 business year, the Management Board did not appoint a representative entrusted with the duty of exercising shareholder voting rights.

4.2.4 Reporting of Management Board compensation
The compensation of members of the Management Board will not be individualised in the Annex to the Consolidated Financial Statements for the 2002 business year.

5.1.2 Age limit for members of the Management Board
The Supervisory Board shall not impose an age limit for members of the Management Board.

5.1.3 Rules of procedure for the Supervisory Board
The Supervisory Board of IVU AG considers the provisions of the German Stock Corporation Law to be sufficient for the work of the six-member Supervisory Board.

5.4.1 Age limit for members of the Supervisory Board
The imposition of an age limit would necessitate the resignation of the current Chairman of the Supervisory Board, who has played an important role in the company's recovery and continues to do so today. The Supervisory Board will therefore not impose an age limit at this time.

5.4.5 Performance-related compensation for members of the Supervisory Board
Performance-related compensation for the members of the Supervisory Board will be proposed at the next Shareholders' Meeting.

5.4.6 Efficiency review of the Supervisory Board
The Supervisory Board will undergo a review.

7.1.2 Reporting
Due to the restructuring effort, the consolidated financial statements for 2001was published 90 days after the end of the reporting period, the interim reports for the 2002 business year were published 45 days after the end of the reporting period. IVU shall make every effort to meet the deadlines set by the Code in 2003.

Berlin, 18 December 2002
Management Board and Supervisory Board of
IVU Traffic Technologies AG

Members of the supervisory board and management board

Supervisory board

Dr. Hans-Ulrich Abshagen (chairman)
Consultant, managing director of Abshagen & Partner KG, Berlin
Other supervisory board positions:
RÖNTEC Holding AG, Berlin, Chairman
Energis Online AG, Berlin, Chairman

Hans G. Kloß (vice-chairman)
Managing director of BEROMAT Consulting GmbH, Berlin

Klaus-Gerd Kleversaat
Managing board of Consors Capital Bank AG
Other supervisory board positions:
E*Trade Germany AG, Berlin
EURO Change Wechselstuben AG, Berlin
Stream Films AG

Dr. Gunnar Streidt
Managing director of STREIDT CONSULTING GmbH, Berlin

Ralph Günther
Managing board of bmp AG, Berlin
Other supervisory board positions:
GOC AG, Dreieich

Dr. Manfred Garben
Managing board Stiftung heureka

Executive board

Prof. Dr. Ernst Denert (Chairman)
Dr. Olaf Schemczyk

Imprint

Published by
IVU Traffic Technologies AG

Editor
IVU Traffic Technologies AG
Gerd Henghuber
Head of Corporate Communications

Layout
Studio Quitta, Munich

The 2002 Annual Report
(German/English)
can also be downloaded
in PDF format from
www.ivu.de.

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2003 Financial Calendar

Friday, 16 May 2003	1st Quarter Report
Thursday, 5 June 2003	Shareholders' Meeting
Friday, 15 August 2003	Semi-Annual Report
Friday, 14 November 2003	3rd Quarter Report

IVU Traffic Technologies AG

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