IVU TRAFFIC TECHNOLOGIES AG

ANNUAL REPORT 2016

HIGHLIGHTS

MANAGEMENT REPORT

OUTLOOK

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

	2012 € million	2013 € million	2014 € million	2015 € million	2016 € million	Change 2016 zu 2015 € million
Revenues	44.4	46.3	47.2	58.1	59.8	**+1.7**
Gross profit	31.8	34.8	37.1	40.1	42.8	**+2.7**
Personnel expenses	21.4	22.8	23.9	25.2	28.6	**+3.4**
EBIT	3.4	3.9	4.3	4.9	1.4	**-3.5**
Consolidated net profit	3.6	3.8	4.4	3.6	-0.2	**-3.8**

KEY FIGURES

	2012	2013	2014	2015	2016
Equity ratio (Equity/total assets)	60%	55%	56%	63%	66 %
EBIT / Gross profit	10.6 %	11.1 %	11.7 %	12.1 %	3.3 %
Full-time equivalents as annual average	301	322	332	353	393
Gross profit per FTE (in € thousand)	106	108	112	114	109

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COMPANY
LETTER TO THE SHAREHOLDERS

Dear shareholders,
Dear friends of IVU,

Matthias Rust Martin Müller-Elschner

2016 was a turbulent year for IVU. While revenue and gross profit continued to rise, net profit was unfortunately down. Revenue increased by 3% to €59.8 million, and gross profit was actually up 7% year-on-year at €42.8 million. EBIT fell sharply to €1.4 million due to one-off effects but remained clearly positive. We have adjusted all negative one-off effects in these annual financial statements and expect to make a swift return to the strong profit margins of previous years in 2017.

We are optimistic on account of the strong demand for our IT solutions. In 40 years, IVU has made its name as a driver of digitalisation in public transport. Consequently, we are particularly delighted that IT and digital systems are now so highly valued in our industry. From the leading trade fair InnoTrans to industry events and specialist magazines, digitalisation is a hot topic. This mainly involves gathering data on a large scale and pooling it for further processing in an integrated system – an approach that we have been pursuing for a long time with our IVU.suite. In the last financial year, we successfully launched the IVU.pad, a solution that perfectly rounds off our range: The tablet app now also integrates mobile personnel in the electronic workflows of transport companies. As a result, the drivers' workplace is going digital.

On the following pages, you will find all details on the business performance of IVU. As you will see, we have taken note of your comments from previous years by revamping and expanding our annual report. The fresh layout based on our new promotional brochure, clearer separation of content and the fully integrated notes are designed to make the report easier to read and help you to find the information of interest to you quickly. We hope you like the report as much as we do, and we look forward to receiving your feedback!

We are confident that IVU will continue to earn your loyalty in 2016.

Yours sincerely,

The Executive Board
Berlin, March 2017

COMPANY
REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

During the 2016 reporting period, the Supervisory Board continuously monitored the work of the Executive Board in accordance with the law and company statutes and offered advice accordingly. The Supervisory Board obtained detailed information about the company's commercial and financial development, important business events and about the strategy and planning of the company. The Executive Board informed the Supervisory Board regularly and in a timely fashion. The Supervisory Board was made aware in good time of all matters of importance regarding decisions to be taken. The Chairman of the Supervisory Board was in regular contact with the Executive Board between meetings.

Changes in the Executive Board

Dr Helmut Bergstein has reached an agreement with the Supervisory Board of IVU Traffic Technologies AG to terminate his collaboration with the company. This decision was taken due to different ideas regarding IVU's future direction. Dr Bergstein resigned from his position on the Executive Board as at 31 October 2016. The Supervisory Board and the company would like to thank Dr Bergstein for his successful work as a Executive Board member for the company.

At the same time, the Supervisory Board of IVU Traffic Technologies AG appointed Mr Matthias Rust as a new Executive Board member starting from 1 November 2016. He will manage IVU together with the Chairman of the Executive Board, Martin Müller-Elschner, whose contract was extended until the end of 2022.

Meetings

Four scheduled meetings were held in 2016: on 18 March, 25 May, 30 August and 23 November 2016.

The Supervisory Board did not establish any committees, and all transactions requiring approval were jointly decided on.

Main focus of deliberations

The deliberations focussed on the economic situation of the company, its prospects and its future orientation in the international competitive environment.

Key points during the meetings included:
- Scrutiny and approval of planning for the financial year 2016
- Approval of the consolidated financial statements
- Approval of the separate financial statement
- Liquidity planning
- Discussion of the quarterly results
- Personnel development
- Risk management
- Major projects and their economic consequences for the company
- Preparations for the Annual General Meeting
- The internationalisation strategy
- Changes in the Executive Board

Corporate Governance

Responsible corporate management and sustainable value creation are of great importance to IVU Traffic Technologies AG. The Supervisory Board and Executive Board therefore also discussed the recommendations and proposals of the German Corporate Governance Code in the 2016 reporting year and submitted the declaration of compliance in accordance with Section 161 AktG.

Annual and consolidated financial statements

At our balance sheet meeting on 21 March 2017, we considered in detail the financial statements of IVU Traffic Technologies AG, the consolidated financial statements of 31 December 2016 as well as the respective management reports. The auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, were available during the meeting to answer questions. After detailed examination and discussion, we approved both the consolidated financial statements and the separate financial statement of the AG.

Berlin, March 2017

For the Supervisory Board
Prof Herbert Sonntag
Chairman of the Supervisory Board

André Neiß Uli Mayer-Johanssen Prof Herbert Sonntag

COMPANY
INTERVIEW WITH THE EXECUTIVE BOARD

Mr Müller-Elschner, how satisfied are you with the 2016 financial year?
MARTIN MÜLLER-ELSCHNER: After several years in which the development of all key figures was consistently positive, 2016 proved to be more difficult, and we posted a lower net profit. By contrast, our revenue and gross profit continued to rise, we gained several important customers and demand for our products remained strong. So the one-off effects took off the sheen, but at least we are still profitable. And we aim to return to the healthy profit margins of previous years in 2017.

You mentioned the one-off effects that impacted on results. What caused them?
MARTIN MÜLLER-ELSCHNER: Unfortunately, we had to incur impairment losses on two projects in Israel, and this impacted on our net income for the year. One project we had scheduled was unexpectedly cancelled. In another project, already in progress, the customer terminated the contract, entirely without justification in our opinion.

Have you taken any further steps as a result of this?
MARTIN MÜLLER-ELSCHNER: We stepped up our risk management in order to weight the particular risks of export business more strongly in the offer phase and to monitor them even more closely during project implementation.
MATTHIAS RUST: In future, we will also focus on reliable and high-margin countries in the run-up to potential projects, i.e. during the order acquisition and tendering phase.

Mr Rust, you joined the Executive Board in November. Alongside Mr Müller-Elschner, who is responsible for finance and sales as well as chairing the Executive Board, you are now the COO. What tasks are assigned to you?
MATTHIAS RUST: As COO, I look after IVU's operating business. My work mainly centres on managing product development and project delivery across all divisions and locations. One task here is to exploit and enhance synergies between the segments.

You have risen through the ranks at IVU. What do you bring to your new position?
MATTHIAS RUST: I am familiar with all divisions of IVU. I started back in 1993 as a developer for the operations scheduling system of the Berlin public transport operator BVG. Later on, I also worked on logistics projects and headed the division from 2005. I know what the relevant factors are and have a good overview of the products and markets. Also, people say that I am able to get things done, which certainly helps in my new position.

According to the review of last year, there are lots of new projects on the cards for IVU.rail. Is this a misleading impression?
MARTIN MÜLLER-ELSCHNER: It's not a misleading impression at all. We are delighted with the extremely positive performance of our business with national and international railways. We gained several important customers in 2016, including MTR Pendeltågen and Transdev in Sweden, the second-largest Swiss railway company BLS and Albtal-Verkehrs-Gesellschaft in Germany.
MATTHIAS RUST: IVU.rail is still the only standard system on the market that allows integrated planning and dispatching of vehicles and personnel of a railway company. Our optimisation algorithms are global leaders here. Customers are impressed.

With the IVU.pad, you have a totally new product in the range. How have customers responded to the new system?
MARTIN MÜLLER-ELSCHNER: The IVU.pad is an app for mobile personnel. It digitalises the driver's workplace to a certain extent. This is a huge step forward for transport companies, where notice boards are still widely used for communication and each driver carries a bag full of important documents. In future, all this will be done via the tablet. When we unveiled

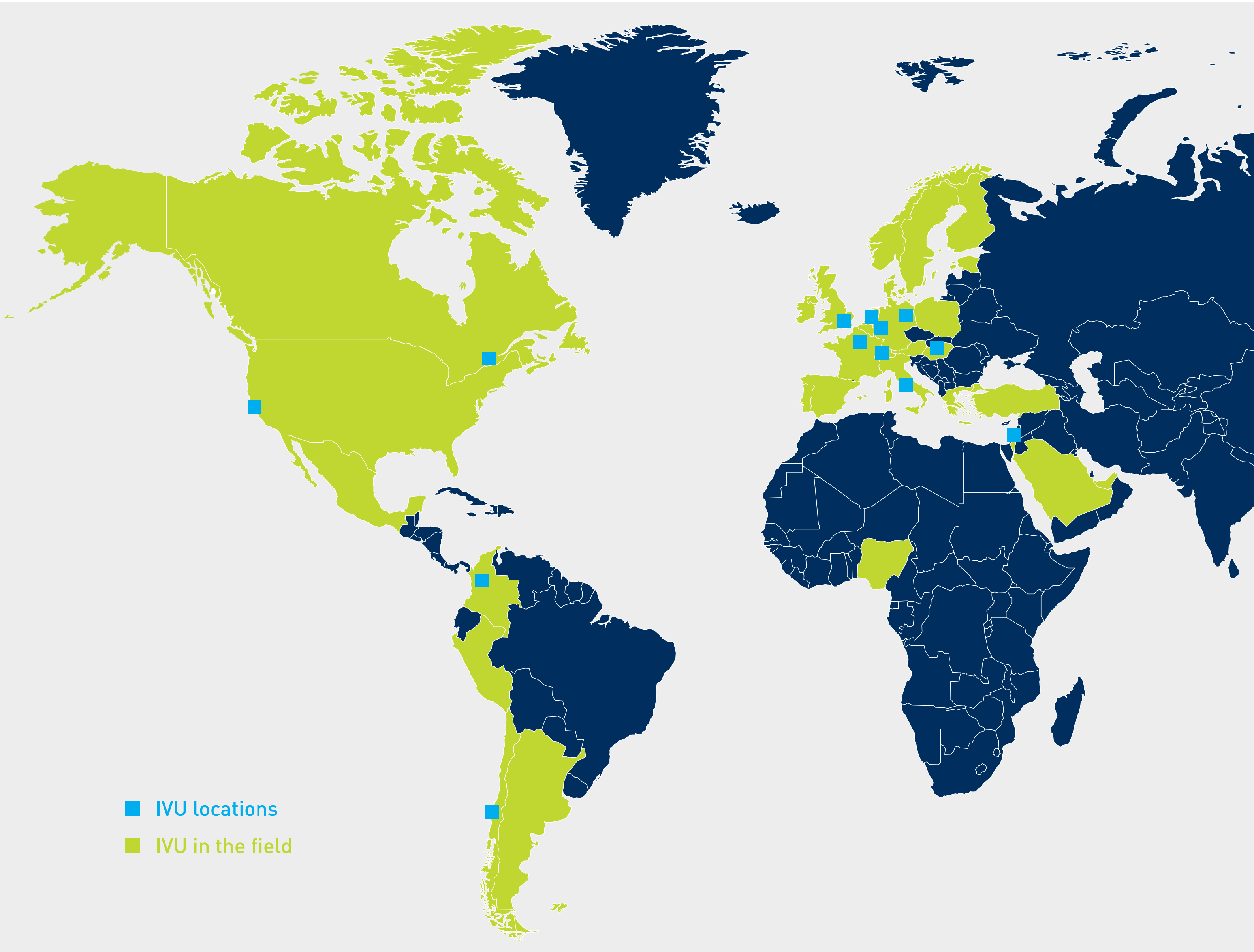
the solution at our user forum in March, the response was uniformly positive. The system is now being used by a customer, and several other transport companies have ordered it.
MATTHIAS RUST: The IVU.pad is also a great example of the synergies between the segments. Logistics has lots of expertise with systems of this kind and has applied it to enhancing the IVU.pad.

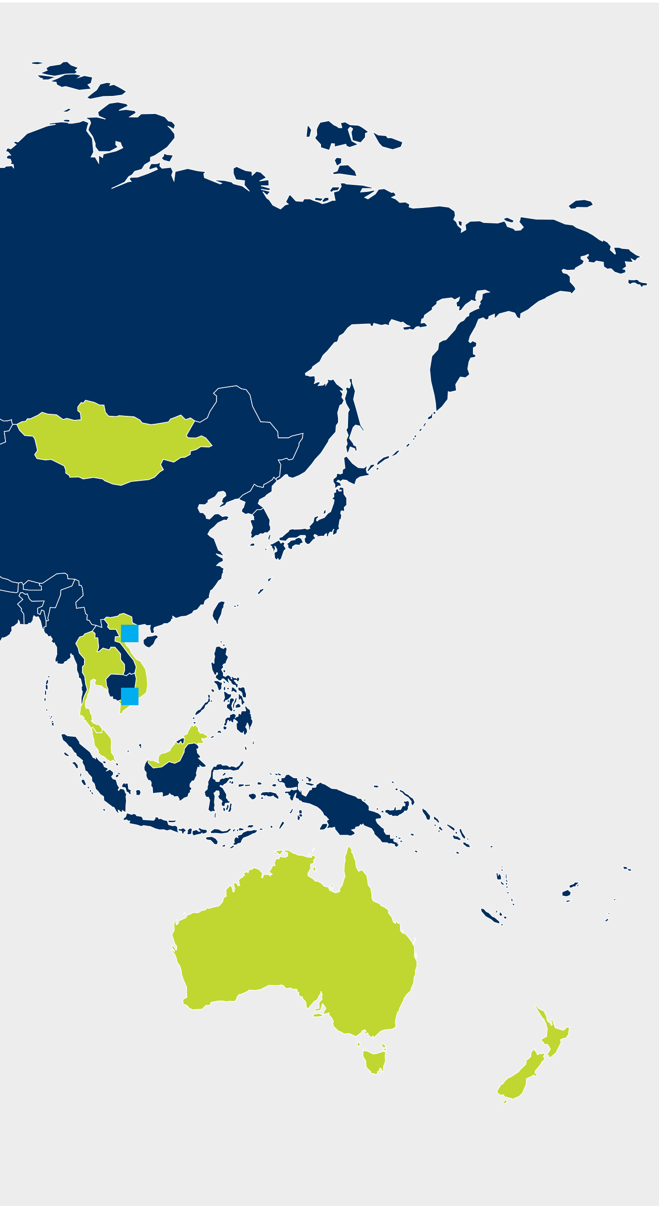
What news is there from the Logistics division?
MATTHIAS RUST: With IVU.elect, we have an exciting niche product in our range that has met with a great response from the electoral authorities. Recently, we were involved in determining the election results in Berlin with it. In addition, business with our other solutions IVU.locate and IVU.workforce is stable.

Let's take a look to the future. Where do you see potential for further growth?
MARTIN MÜLLER-ELSCHNER: The digitalisation megatrend is radically changing the transport industry, and we are embracing this: Our products help transport companies to use the opportunities of digitalisation. There is a growing trend towards ever-greater networking of systems – with our integrated product suite, we are ideally placed for this.
MATTHIAS RUST: And at the same time, project lead times for launching our IT systems are to be reduced. We are also in exactly the right place here with IVU.xpress. The same applies to IVU.cloud, all-round operations management of our software as a service. These developments will continue in the years ahead and make us both optimistic for the future.

COMPANY IVU WORLDWIDE

BERLIN (HEADQUARTERS), **AACHEN** (DE),
BASEL (CH), **VEENENDAAL** (NL),
PARIS (FR), **ROME** (IT), **BIRMINGHAM** (GB),
BUDAPEST (HU), **TEL AVIV** (IL),
MONTRÉAL (CA), **SAN FRANCISCO** (US),
BOGOTÁ (CO), **SANTIAGO** (CL),
HANOI (VN), **HO CHI MINH CITY** (VN)





SELECTED REFERENCES 2016

SWEDEN

After SJ, MTR Pendeltågen und Transdev Sverige now also trust in IVU.rail for their planning needs. With these companies, IVU is counting the three most important train operators in the country amongst its customers.

MEXICO

Puebla introduces a modern passenger information system. In future, IVU.realtime and IVU.fleet inform in real-time about departure times at urban stations.

FRANCE

Using IVU.plan, transport authority STIF organises and manages about 1,100 lines in the Île-de-France region, which are run by 70 private companies with more than 4,700 vehicles.

THAILAND

In August, regular services started on the Purple Line in the Thai capital Bangkok. Since then, IVU.rail ensures efficient planning of all transport operations.

TURKEY

In 2009, the first tram route opened in the Turkish city Kayseri. IVU.plan and IVU.crew are used for the planning and dispatching of vehicles and personnel.

COMPANY HIGHLIGHTS 2016 PUBLIC TRANSPORT

AARAU. DIGITAL WORKPLACE FOR DRIVERS WITH THE IVU.PAD

The future is digital for drivers at AAR bus+bahn. All the drivers of the Swiss public transport company are set to be issued with tablets. In doing this, AAR bus+bahn aims to make information more accessible, while streamlining and accelerating work flows. This is enabled by the new IVU.pad. It contains all information that the roughly 180 bus and train drivers need for their duty. The tablet app displays up-to-date, personalised messages about forthcoming journeys and vehicles and automatically synchronises all key documents. In future, AAR bus+bahn's drivers will be able to use the IVU.pad to enter their working hours on the move, submit holiday requests and view current messages from the dispatching unit. The integrated interfaces connect the IVU.pad to the corresponding peripheral systems and ensure seamless data transfer.

THE APPROXIMATELY 180 BUS DRIVERS AND LOCOMOTIVE ENGINEERS AT AAR BUS+BAHN IN SWITZERLAND WORK DIGITALLY. THEY RECEIVE A STEADY FLOW OF UP-TO-DATE AND PERSONALISED INFORMATION ABOUT THEIR DUTIES VIA THEIR TABLETS. IVU'S INTEGRATED SYSTEM INVOLVES THEM DIRECTLY IN PLANNING.

DIGITALISATION PRESENTS AN OPPORTUNITY TO TRANSPORT PEOPLE IN ENTIRELY NEW WAYS. IVU SYSTEMS HELP TRANSPORT OPERATORS TO PROVIDE THE **BEST POSSIBLE SERVICES** AND SAFEGUARD THE LONG-TERM FUTURE OF MOBILITY.

COMPANY HIGHLIGHTS 2016 PUBLIC TRANSPORT

KALTENKIRCHEN. AKN USING IVU.RAIL

AKN Eisenbahn AG is a firmly established part of the Schleswig-Holstein rail sector. In order to be able to provide reliable connections between Neumünster and Hamburg-Eidelstedt in future as well, the company introduced IVU.rail. Since November, AKN is handling all of its planning tasks using the system from IVU: from network planning, timetable planning and vehicle working scheduling for all trains through to duty scheduling for around 70 train drivers.

IVU.rail makes it possible for duty schedule planners to readily access data from timetable planning and vehicle working scheduling. The powerful optimisation engine assists the planners in creating balanced and efficient shifts. Also, all planning steps benefit from an automated suggestion system that speeds up scheduling significantly. Standardised RailML interfaces ensure that data is exchanged with the various peripheral systems used at AKN without any problems.

KARLSRUHE. AVG OPTS FOR IVU

Albtal-Verkehrs-Gesellschaft (AVG), an international role model for tram-train systems, will be using IVU.rail in future for planning and dispatching of vehicles and staff. In December, the two companies signed a corresponding cooperation agreement in Karlsruhe.

With the Karlsruhe light rail system, AVG operates the world's oldest dual light-rail system. Its route network now covers around 400 kilometres. The combination of trams and trains also places particular demands on the flexibility and functional scope of planning systems. From now on, AVG will be handling all its operational planning with the IVU.rail software: from vehicle working scheduling and vehicle usage planning of all trams and trains to duty scheduling and personnel dispatch of its drivers. The integrated IVU system is replacing a heterogeneous system landscape of many individual software solutions at AVG. The information relevant to dispatchers is now bundled for them and accessible from a single source.

BERN. GROUP-WIDE PLANNING SYSTEM FOR BLS

BLS, the largest independent private railway company in Switzerland, ordered the integrated planning system IVU.rail to deploy all its railway and shipping resources and its stationary personnel as effectively as possible. BLS is one of the leading railway companies in Switzerland and operates the standard gauge section of Bern's S-Bahn (commuter railway), the western section of the Lucerne S-Bahn, as well as multiple regional transport lines in seven cantons. The company is also active in rail freight transport, operates an extensive bus network and navigation on Lake Thun and Lake Brienz.

BLS is replacing several legacy systems and developing a centralised, homogeneous system environment. The integrated IVU solution provides a uniform workflow for all operational areas. Sophisticated automation and optimisation functions ensure that rolling stock, ships and personnel are deployed efficiently. BLS will also use IVU.control to perform evaluations and invoicing services.

IN GERMANY, AUSTRIA AND SWITZERLAND **INTEGRATED SOLUTIONS** ARE IN DEMAND. FROM THE LEADING TRANSPORT CORPORATION TO THE REGIONAL TRAIN OPERATOR NUMEROUS RAILWAY COMPANIES HAVE OPTED FOR **IVU.RAIL**.

COMPANY HIGHLIGHTS 2016 PUBLIC TRANSPORT

THAILAND. PLANNING FOR BANGKOK'S PURPLE LINE

In August, regular services started on the Purple Line in the Thai metropolis Bangkok. Since then, IVU.rail ensures efficient planning of all transport operations. The planning module of the IVU solution enables BEM to perform integrated planning of the network and timetable. It maps the routes between the network points down to the last detail and takes into account attributes such as the expected passenger volume. BEM also uses IVU.rail for duty and vehicle working scheduling. On the basis of flexibly configurable rules, the system automatically suggests duties and vehicle schedules and calculates changes of direction, empty runs and maintenance times, ensuring that all resources are used efficiently. BEM has been performing all planning processes for the Blue Line, Bangkok's first metro railway service, with the IVU system since back in 2003.

BANGKOK, A METROPOLIS HOME TO MILLIONS OF PEOPLE, IS ONE OF THE LARGEST CITIES IN THE WORLD AND CONSTANTLY IN MOTION. NEW UNDERGROUND RAIL LINES ARE BEING BUILT TO SATISFY RISING DEMAND FOR MOBILITY. THE BANGKOK METRO PLANS AND OPTIMISES ITS NETWORK, TIMETABLE AND PERSONNEL USING SYSTEMS FROM IVU.

COMPANY HIGHLIGHTS 2016 PUBLIC TRANSPORT

FRANCE. IVU.PLAN FOR PARIS

As the public transport authority for the Île-de France-region, STIF organises and finances all public transport in Paris and the surrounding area. In future, the IVU software will make management much easier and help to harmonise services on 1,100 lines, which are run by 70 private companies with more than 4,700 vehicles.

IVU.plan will enable STIF to handle current time-tabling, schedule-planning and staff-roster details of all bus operators centrally. With the IVU solution, the authorities will be able to manage and evaluate this large volume of data much more efficiently than before. IVU.plan ensures consistent storage and preparation of the information through visualisation and statistical evaluation. This gives STIF a constant overview of all duty and vehicle working schedules as well as lines, depots and non-revenue trips. The entire system is hosted and maintained by IVU as part of IVU.cloud.

SWEDEN. TWO NEW CUSTOMERS FOR IVU.RAIL

A year after reallocation of the Pendeltågen network contract, MTR Pendeltågen AB took over operation of the Stockholm commuter rail system in December 2016. Like the previous operator Stockholmståg, the company is using IVU.rail for planning, optimisation and dispatching of its trains and employees. The contract between MTR and the Stockholm transport authority, SL, will run for an initial ten years, with the option of a four-year extension.

Transdev Sverige AB, the Swedish branch of the global transport company Transdev, also opted for IVU.rail in 2016. The software makes it possible for planners in Sweden to create efficient timetables, vehicle work-ings and run schedules for their train offerings.

In 2015, the biggest Swedish railway company SJ had already ordered IVU.rail. With these companies, IVU is now counting the three most important train operat-ors in the country amongst its customers.

TURKEY | MEXICO. NEW MARKETS

With its roughly one million inhabitants, Kayseri is one of the country's most important industrial and trade centres. Ever since the first line was opened in 2009, the city has continued to expand its tram network, which now spans a length of more than 34 kilometres and comprises 55 stops. The city's transport operator commissioned IVU to deliver IVU.plan and IVU.crew for the planning and dispatching of the tram system's vehicles and personnel.

The public transport system in the Mexican metro-polis of Pubela is also currently being significantly expanded. The first BRT line opened back in 2013 and a tram network is currently in the planning stage. In order to be able to provide passengers with up-to-date transport information and departure times at urban stations, the regional government of Puebla decided to introduce a modern passenger information system. To this end IVU is delivering the technical basis in IVU.realtime and IVU.fleet.

IVU ALSO ENJOYED FURTHER **SUCCESS AT INTERNATIONAL LEVEL** IN 2016: IN SWEDEN, TURKEY AND THAILAND, IVU.SUITE AND IVU.RAIL ARE MEETING **COMPLEX CHALLENGES** AND HELPING TRANSPORT COMPANIES WITH THEIR TASKS.

COMPANY HIGHLIGHTS 2016 LOGISTICS

IVU.LOCATE. DELIVERY AT PREFERRED TIMES

DHL Paket Germany offers same-day delivery and a preferred time window alongside its conventional delivery options. Last year, this was introduced on an all-day basis in some urban areas and in the evening throughout Germany. IVU.locate makes this new service possible. The system calculates and optimises dynamic delivery routes, thus ensuring that parcels arrive exactly when the customer wants them. From the order details, the powerful optimisation engine of the IVU solution calculates efficient delivery routes – in record time: it takes only around 30 minutes to calculate all routes throughout Germany.

IVU.WORKFORCE. NBB OPTIMISES FIELD SERVICE

With around 800,000 customers and a gas grid over 13,700 kilometres in length, NBB – a subsidiary of the Berlin natural gas vendor GASAG – is one of the largest local distribution grid operators in Germany. Each day, dozens of service providers are out and

about in Berlin and the regions on behalf of NBB, inspecting gas pipes, house connections and fittings to ensure that they are functioning properly. NBB has been planning and handling on-site operational and maintenance visits with IVU.workforce since back in 2012. Since April 2016, it has also been using the IVU solution for metering in Berlin in order to provide efficient support for tasks such as replacement and resetting of meters.

ELECTIONS IN BERLIN. IVU.ELECT WAS USED IN THE ELECTIONS TO BERLIN'S STATE PARLIAMENT FOR THE FIRST TIME IN SEPTEMBER. IVU'S ELECTION SOFTWARE ENSURED CORRECT COUNTING OF THE VOTES AND PUBLICATION OF THE RESULTS – BOTH PROVISIONAL AND FINAL.

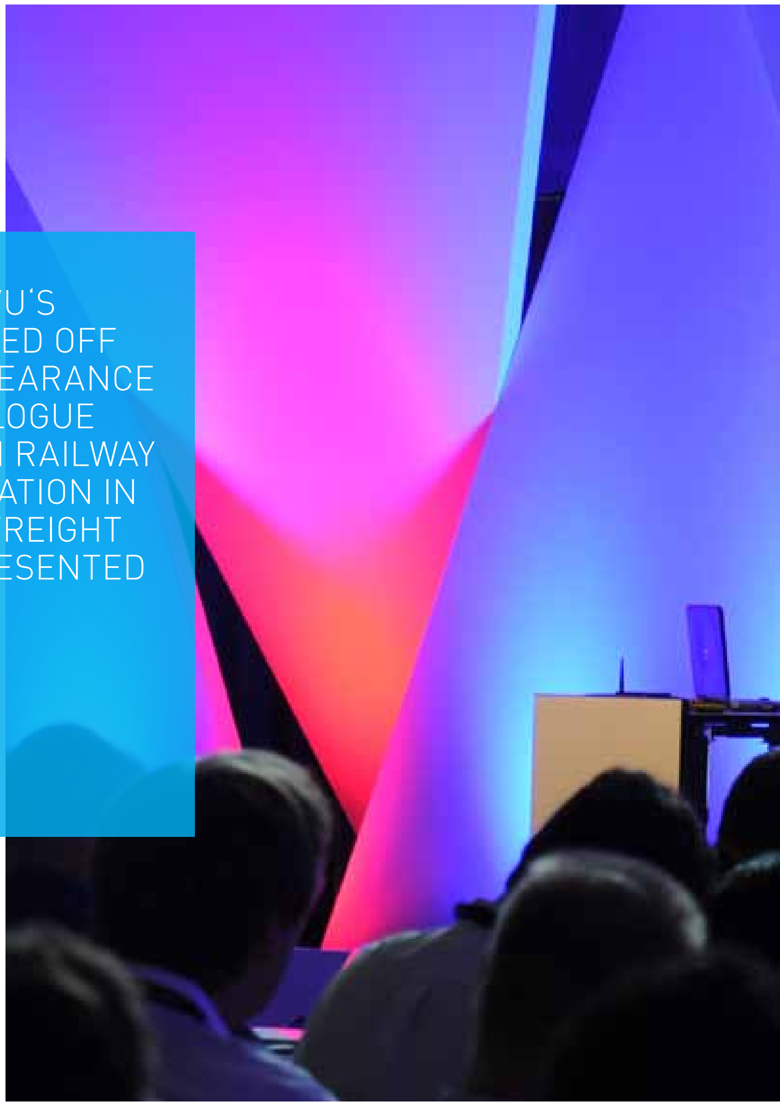
COMPANY
HIGHLIGHTS 2016
EVENTS

USER FORUM. FUTURE MOBILITY

During early March 2016, over 500 representatives of transport companies from all over the world met once again in Berlin. In presentations, expert discussions and an accompanying exhibition, the participants discussed the use of IT systems and found out about the latest solutions from IVU. After the opening keynote, presented by Dirk Flege, Managing Director of the German Pro-Rail Alliance, several presentations devoted themselves to innovation and trends in public transport. The international speakers shed light on their companies' operations and described their experience with IVU's products.

IT-TRANS. IVU SHOWCASES NEW SOLUTIONS

IT-Trans 2016 was marked by digitalisatoin and virtualisation. We presenting new solutions for improved efficiency and service in the fields of passenger information, driver communication and hosting amongst others. IVU unveiled its new IVU.pad. This



INNOTRANS 2016. MARC SCHAFFERT, HEAD OF IVU'S SWISS BRANCH, ROUNDED OFF IVU'S SUCCESSFUL APPEARANCE BY ATTENDING THE DIALOGUE FORUM OF THE GERMAN RAILWAY INDUSTRY ON DIGITALISATION IN RAIL PASSENGER AND FREIGHT TRAFFIC, WHERE HE PRESENTED IVU'S SOLUTIONS.

app turns the tablet into a full digital briefcase for drivers. Another innovation was the new version of IVU.realtime.app, which makes the system a full digital travel companion from door to door. IVU.cloud was also introduced, which allows transport companies to use most of the proven IVU solutions as software as a service, as well as the process IVU.xpress for short project lead times.

COMPANY HIGHLIGHTS 2016 INNOVATION

IVU.PAD. DIGITAL DRIVER WORKPLACE

While planners and dispatchers have been preparing staff rosters and schedules, deploying vehicles and allocating duties mainly on the basis of software for some time now, processes in transport services have changed little in the last few decades. The new IVU.pad fills this gap. This tablet app digitalises the workplace of drivers and all mobile employees. It shows current, personalised messages regarding forthcoming journeys and vehicles and makes all important documents easily accessible. Employees can enter working hours, request days off and view current notifications from the dispatching team directly in the IVU.pad. All communication is digital – this accelerates processes and ensures efficiency.

IBIS-IP. MODERN VEHICLE COMMUNICATION

With publication of VDV recommendation 301, the new IBIS-IP standard for on-board communication in vehicles came into force in 2014. IVU played a key role in its development in the context of the VDV's IP-KOM-ÖV research project. In conjunction with Daimler AG, IVU has now taken a further step towards establishing the protocol on a large scale. Buses have been factory equipped with network technology and components in line with the IBIS-IP standard for the first time. In addition to project planning, IVU was also responsible for implementing the vehicle components.

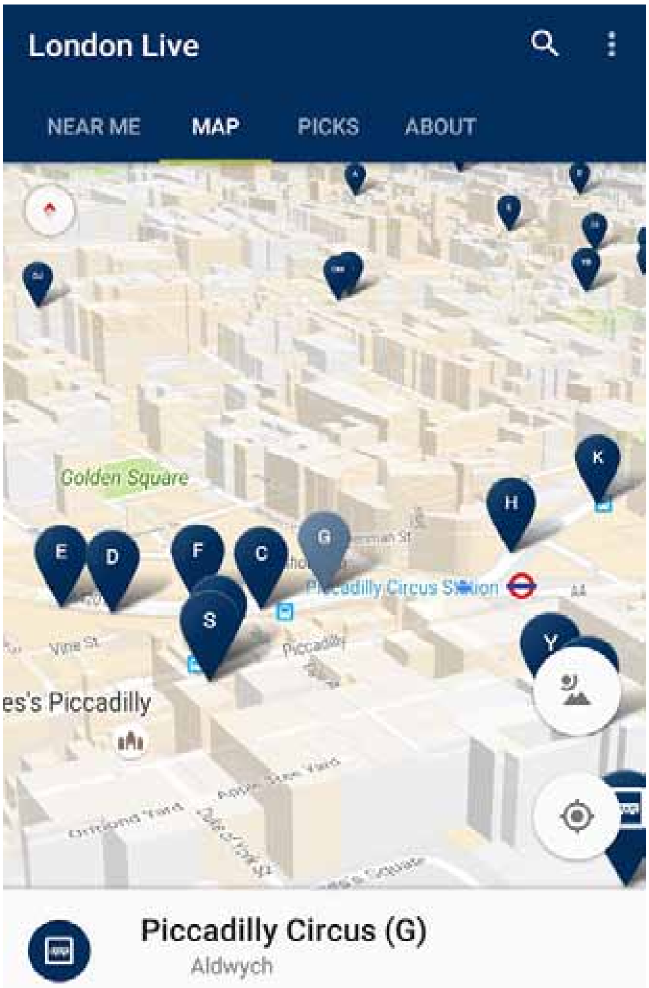
IVU.REALTIME.APP. INNOVATIVE DESIGN

The IVU.realtime.app is also being continuously enhanced for mobile passenger information. The latest version has an innovative user interface that was developed in joint field tests by IVU and the Aachen-based transport company ASEAG. Test users used beta versions of the app in their daily journeys and reported on their experiences. The feedback was subsequently incorporated in the design of the user interface, which has benefited from numerous innovative new features. As a result, the various improvements ensure higher levels of customer satisfaction along with greater customer loyalty for the transport companies.

MOBILITY BROKER. ONE APP FOR EVERYTHING

ASEAG, IVU Traffic Technologies AG and other project partners looked at the future of mobile applications in the research project "Mobility Broker", completed in 2016. The joint aim was to explore the possibilities of a central platform for people's full range of mobility needs, from local transport to car and bike sharing and long-distance transport. The result was an app that maps travel chains in which public transport appears on an equal footing with private services, and that gives users maximum flexibility and freedom in choosing modes of transport.

IVU HAS BEEN DEVELOPING **INNOVATIVE SYSTEMS** FOR PUBLIC TRANSPORT AND LOGISTICS FOR OVER 40 YEARS. OUR SOLUTIONS ARE ADVANCING **DIGITALISATION** AND CREATING NEW OPPORTUNITIES.



Nächster Halt: 16:30 Aachen Hauptbahnhof			
Ihre Umstiegsmöglichkeiten zu Bussen			Bus
16:30	24	Bayernallee	H1
16:31	14	Brand	H2
16:32	27	Bayernallee	H1
16:35	24	Bayernallee	H1
16:37	29	Eilendorf Bahnhof	H1
16:39	26	Ponttor (LZ)	H2
16:40	29	Eilendorf Bahnhof	H1
16:41	151	Brand	H2

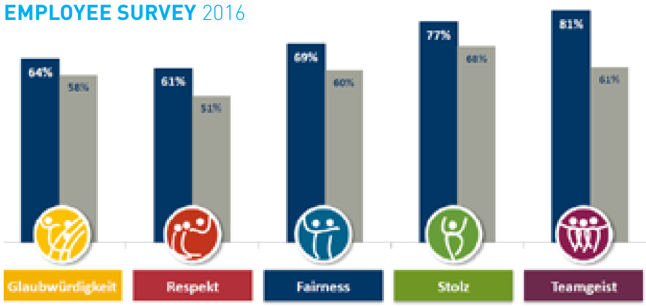
COMPANY HIGHLIGHTS 2016 PERSONNEL

IVU's greatest asset is its employees. They develop ideas, write software, implement projects, advise customers and provide support. Their motivation and commitment form the basis for corporate success. This is why IVU puts great emphasis on a healthy working environment. Whether they are playing table football or meeting with their supervisor, everyone who works at IVU should feel at home.

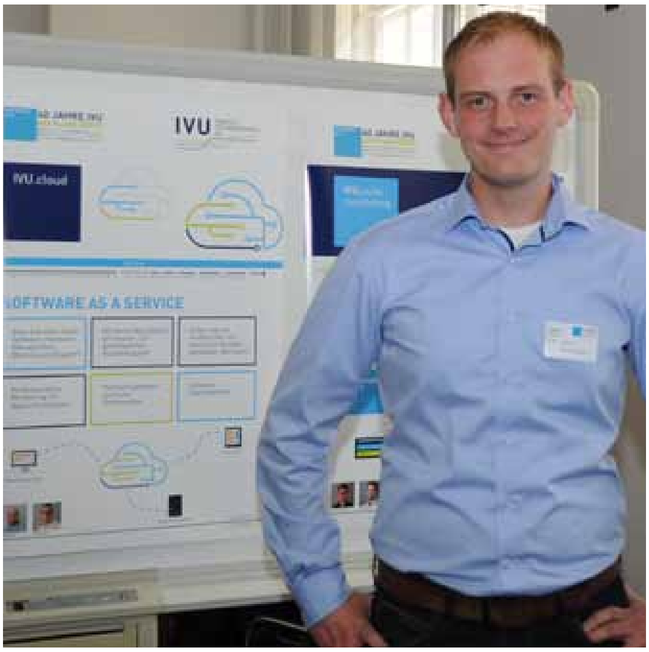
An employee survey conducted in the second half of 2016 highlights the positive vibe at IVU. The assessment of answers in five categories – credibility, respect, fairness, pride and team spirit – clearly shows that IVU beat the average of around 1,200 other companies in Germany in all areas. IVU employees enjoy going to work, praise the working atmosphere and appreciate the trust placed in them.

IVU's corporate culture makes it an attractive employer. The best minds work and blossom here. Customers also sense this – and see us as a partner on their level.

EMPLOYEE SURVEY 2016

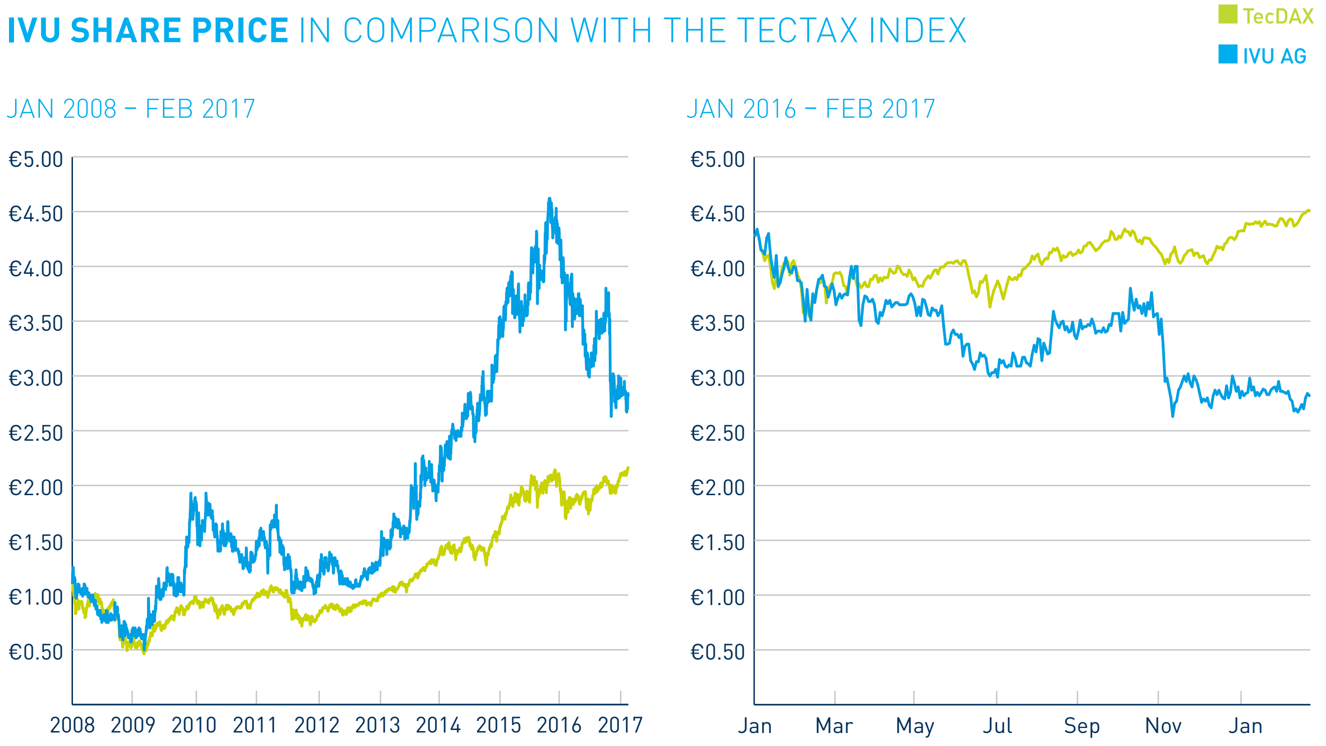


40 YEARS OF IVU – **40 YEARS OF DIGITALISATION**. AT AN IN-HOUSE EXHIBITION IN SUMMER 2016, IVU EMPLOYEES FROM ALL OVER THE WORLD SHOWED THEIR COLLEAGUES THE **DEVELOPMENTS, PRODUCTS AND PROJECTS** ON WHICH THEY WERE WORKING AT THE TIME.

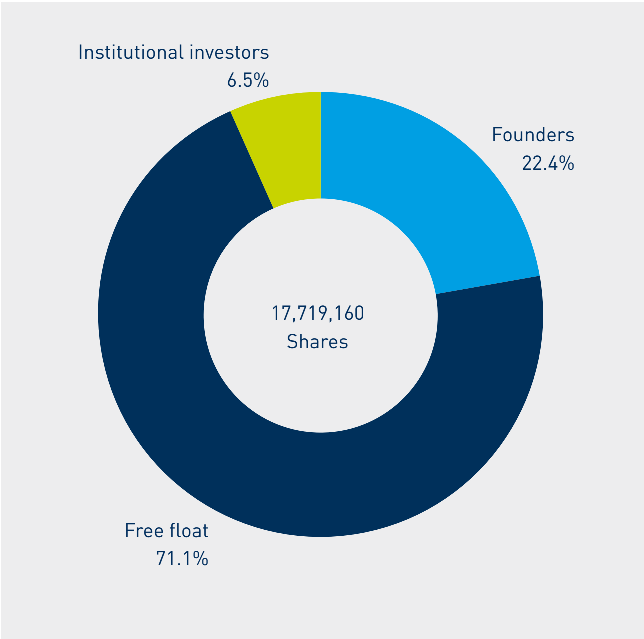


COMPANY
IVU SHARE

IVU SHARE PRICE IN COMPARISON WITH THE TECTAX INDEX



SHAREHOLDER STRUCTURE
AS AT 31 DECEMBER 2016

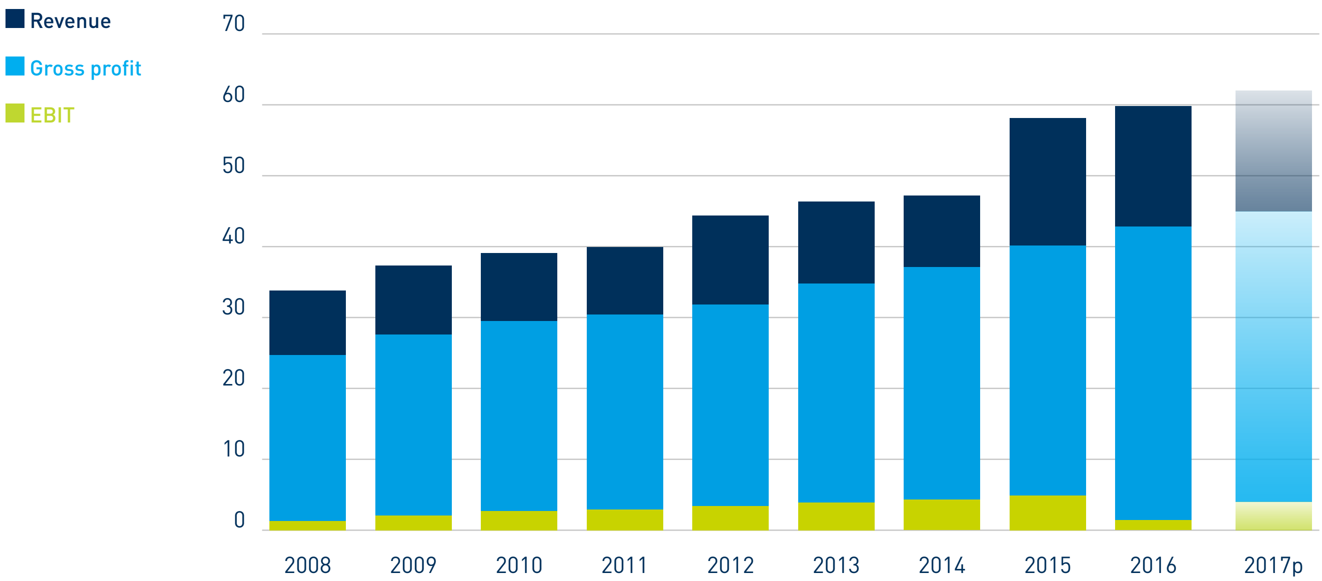


SHARES HELD BY BOARD MEMBERS
AS AT 31 DECEMBER 2016

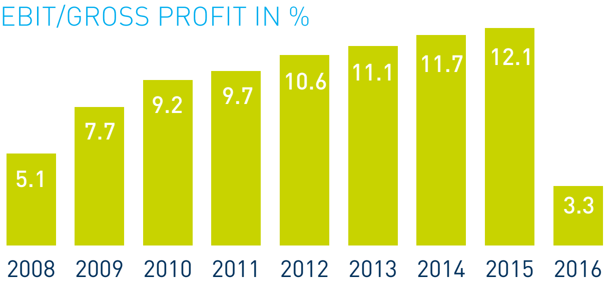
Executive Board	Shares
Martin Müller-Elschner	200,000
Matthias Rust	6,800
TOTAL, EXECUTIVE BOARD	**206,800**
Supervisory Board	
Prof Herbert Sonntag	866,000
TOTAL, SUPERVISORY BOARD	**866,000**
TOTAL, BOARD MEMBERS	**1,072,800**

COMPANY
KEY FIGURES

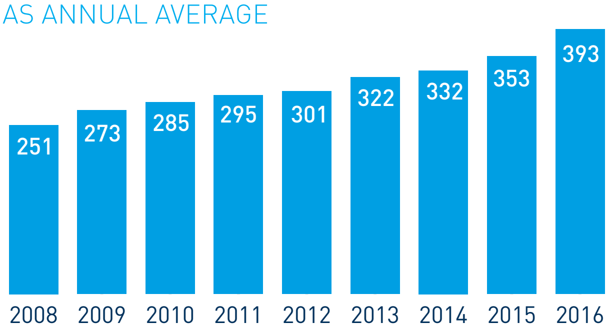
KEY FIGURES 2008–2016
€ MILLION



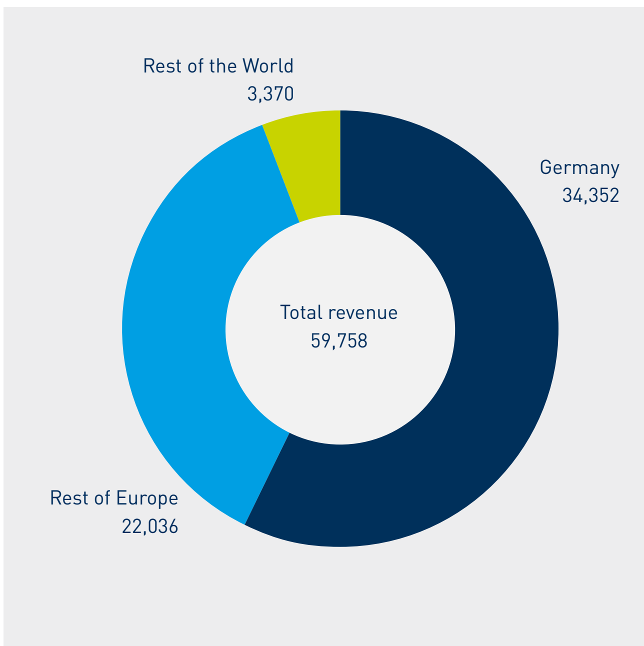
EFFICIENCY 2008-2016
EBIT/GROSS PROFIT IN %



FULL-TIME EQUIVALENTS 2008-2016
AS ANNUAL AVERAGE



REVENUE 2016
€ THOUSAND



CONSOLIDATED REPORT


THE METLIFE BUILDING
45TH STREET

CONSOLIDATED REPORT INTRODUCTION

GROUP FUNDAMENTALS

IVU is a provider of IT solutions for public transport and logistics. It develops and supplies integrated system solutions for mobility of people as well as transportation of goods and information. IVU operates in two segments – "Public Transport" and "Logistics":

Public Transport

The integrated standard products IVU.suite and IVU.rail cover the whole spectrum of planning, operation and quality assurance for public transport companies. IVU's software and hardware systems create timetables, plan and optimise the deployment of trains and buses, dispatch drivers and vehicles, control and monitor the operation of vehicle fleets, sell tickets, cash up takings and prepare statistics. Consequently, they increase the efficiency and improve the quality of public transport.

Logistics

IVU's logistics products optimise the operational processes in information and transport logistics. The GIS solution IVU.locate analyses geodata, plans dynamic routes in delivery logistics and optimises the location planning of major chain stores. IVU.workforce dispatches vehicles and employees (in the field) and helps to process orders efficiently and seamlessly. The election software IVU.elect supports the preparation and flawless running of political elections, and rounds off the IVU range in conjunction with bespoke IT solutions.

IVU services customers worldwide with its locations in Berlin (headquarters), Aachen (Germany), Basel (Switzerland), Veenendaal (Netherlands), Paris (France), Rome (Italy), Birmingham (UK), Budapest (Hungary), Tel Aviv (Israel), Montreal (Canada), San Francisco (US), Bogotá (Colombia), Santiago (Chile), Hanoi and Ho Chi Minh City (Vietnam). The core markets of IVU are Germany, Italy, the rest of Europe and railway companies worldwide.

IVU AND THE MARKET

The megatrend of digitalisation continues apace, transforming the way we live, communicate and work. Whole industries are on the verge of radical change – including public transport.

At InnoTrans 2016, the world's largest railway and transport trade fair, held every two years under the Berlin radio tower, digitalisation was the dominant topic once again. In conversations, in discussion forums and at the manufacturers' stands, it was apparent that the digital revolution of transport is only just beginning. Transport companies and suppliers are constantly developing new ideas for how to optimise processes, increase efficiency and create business models with digital support.

IVU is right at the forefront here. While many market players are only just beginning to understand the possibilities of digitalisation, IVU has been actively advancing development for 40 years, helping transport companies worldwide to achieve lasting improvements in their performance through digital systems. From planning and deployment of resources to operational control, passenger information and service accounting, numerous tasks benefit from IVU's solutions.

The integrated approach of IVU systems is a particular advantage. In the context of digitalisation, it opens up opportunities to link up departments, use data extensively and accelerate workflows on a long-term basis. The sales success of the past year is just one of several signs that solutions like these are in demand on the market.

Digitalisation of drivers

With the IVU.pad, IVU has successfully launched a new, innovative product. This tablet app is the constant companion for drivers, customer advisors and office-based staff. It keeps them in the loop – anytime, anywhere. Important documents such as staff rosters, manuals and forms are at their fingertips. At the same time, the IVU.pad also supports the most important processes: from damage reports and ticket sales to work scheduling. In this way, it fully integrates drivers in the existing workflow at transport companies so that all key tasks can be performed digitally in the future.

When the app was presented at the IVU user forum, numerous IVU customers already expressed considerable interest in the system. The tablet solution also met a positive response at the major trade fairs IT-Trans and InnoTrans. The project was started back in 2016 at the Swiss transport company AAR bus+bahn, which provided its approximately 200 drivers with new tablets. As a pilot customer, the company played a key role in developing the software. Many detailed improvements to the software's functionality are attributable to the feedback from users. In the course of the year, further customers were gained for the IVU.pad.

Rail solution remains in demand

Developed specifically for railways, the software solution IVU.rail remains the only fully integrated system on the market for planning and dispatching of vehicles and personnel alike. The IVU solution is a world leader in the field of highly complex schedule planning in particular. The planning conditions for trains present software with significant challenges: Trains always move on a track, run on sections with varying numbers of coaches and are often in operation for days at a time. IVU.rail enables automated optimisation of the challenging schedules of trains, thus saving valuable resources.

This is proving to be a winning concept: Last year, several major railway companies opted for IVU.rail, among them MTR Pendeltågen and Transdev Sverige. Both companies are subsidiaries of internationally operating transport groups. Along with the Swedish railway company SJ AB, which opted for the IVU system in the previous year, IVU now counts Sweden's three main railway operators among its customers. BLS AG, Switzerland's leading private railway, has also ordered IVU.rail for setting up a group-wide planning system. In Germany, the Karlsruhe-based Albtal-Verkehrs-Gesellschaft was among the companies that have placed orders for delivery of the IVU software.

Expertise in elections

IVU and its solutions are well established in the logistics sector. Deutsche Post used IVU.locate to expand its preferred-day service and its increasingly important same-day delivery service throughout Germany. IVU's expertise in running political elections and votes is also in demand. In the elections to Berlin's State Parliament and district councils, IVU.elect has been used for the first time for full determination of results from counting of the ballots to publication.

International development

Due to unforeseen events in 2016, IVU incurred an impairment loss of €2.2 million on receivables from construction contracts in the context of international projects in the last financial year. All known risks are therefore taken into account in the results for 2016. Despite this setback, international business continues to offer considerable potential that IVU will pursue in a targeted, prudent manner.

For instance, IVU has entered two new markets. The first order from Turkey stems from the industrial and commercial city of Kayseri in central Anatolia. The city's transport operator commissioned IVU to deliver IVU.plan and IVU.crew for planning and dispatching of tram vehicles and personnel. In Mexico, the regional government of Puebla has placed an order with IVU for setting up a modern passenger information system with the assistance of IVU.realtime and IVU.fleet.

RESEARCH AND DEVELOPMENT

IVU has been developing highly complex software solutions for public transport and logistics for over 40 years. Continued investment in the development and enhancement of pioneering products and involvement in promising research projects are a key part of the company's innovative strength and technical leadership role. Close collaboration with transport companies and partners in industry and science generates impetus for new functionalities and application models of IVU systems.

In user groups, IVU customers talk to IVU engineers on a regular basis about their requirements regarding the IVU software. Currently organised in six specialist categories, individual customers report in the groups on their practical experience and their requirements of IVU products. In this way, knowledge is transferred directly from the 'coalface' to the development process. IVU also has good contacts with technical colleges and universities, including Ilmenau University of Technology, RWTH Aachen University and the Technical University of Applied Sciences, Wildau. This results in constant exchange with researchers. In this way, the latest scientific findings are continuously incorporated in IVU's products.

In the past year, IVU invested €1.4 million in R&D. This long-term investment forms the basis for IVU's future competitiveness. Along with enhancement of existing products in the context of defined release cycles, research and development projects were focused on innovative solutions for public transport, particularly in the field of mobile applications. The two divisions of IVU cooperate closely in order to utilise existing potential across the entire product range.

PERSONNEL

The positive development of the order situation is also reflected by the growing headcount at IVU. To handle the acquired projects, enhance the product range and provide customers with high-quality support, IVU needs well-trained software and project engineers with sector-specific specialist knowledge. Their qualifications and motivation form the basis for lasting success and further growth. Therefore, most IVU employees are graduates. In 2016, the proportion averaged 84.5%.

The labour market for IT specialists remained challenging last year. The fact that the required employees were still recruited testifies to IVU's good reputation as an employer and the working environment at the company. As at 31 December 2016, IVU had a total workforce of 487 employees, including part-time employees and students (2015: 455). The average personnel capacity increased by 11% to 393 FTE (2015: 353). Accordingly, personnel expenses climbed by 14% to €28.6 million (2015: €25.2 million). In general, IVU operates in a high-salary environment.

	2016	2015	Change
Number of employees as at 31 December	487	455	+ 7%
Average full-time equivalents	393	353	+ 11%

Ongoing training

Only those who are constantly at the forefront of technical development are equipped to develop complex IT systems. For this reason, IVU provides its employees with ongoing further training opportunities. This is essential to the development of high-quality systems on which customers can rely. This has led to the development of an active knowledge culture within the company. One example of this is the in-house Developer School. It gives software engineers at IVU the opportunity to engage collectively with their colleagues with regard to new technologies and further developments in their programming environments.

Recruitment measures

To attract graduates, IVU regularly attends careers fairs, particularly at its main locations of Aachen and Berlin. Last year, IVU attended 15 of these events. IVU also presents itself to interested parties as a potential employer at trade fairs such as InnoTrans.

Cooperations with universities play a key role in recruitment. In this context, IVU's software engineers lend their expertise in projects or prepare seminars and lectures. As a result, students gain insight into the technical challenges in public transport and the day-to-day tasks at IVU. Cooperation partners in 2016 included the Technical University of Berlin, the Technical University of Applied Sciences, Wildau, Ilmenau University of Technology and the Karlsruhe Institute of Technology (KIT).

Qualification programme

Fast and extensive qualification of new employees is the main ingredient in the success of IVU projects. With this in mind, IVU has set up a structured induction programme. In intensive training courses, the future software and project engineers acquire the basic knowledge they need to be able to perform their tasks successfully. The seminars cover topics such as the how public transport works, IVU products and the requirements for customer-oriented project management. This brings new employees up to speed more quickly and enables them to take on their own projects in a short time frame.

Diversity

IVU is characterised by an open corporate culture. The aim is for employees to feel at home in the company. Therefore, diversity is hugely important to IVU. People from a total of 26 nations work at the various locations. The proportion of women is 40%. It is therefore well above the proportion of female graduates in the relevant MINT subjects, which averages 15%.

CONSOLIDATED REPORT
EARNINGS, FINANCES, ASSETS

2016: A CHALLENGING YEAR

IVU experienced a challenging year due to unforeseen one-off effects in international business. Even so, IVU achieved further profitable growth through increased revenue and gross profit and has a positive outlook for the future.

RISE IN **REVENUE**

IVU continued the growth trend of recent years in the 2016 financial year. Revenue climbed by 3% to €59.8 million (2015: €58.1 million). The forecast of €55 million was exceeded as a result of the pleasing business performance, particularly with railway companies.

REVENUE BREAKDOWN

57% of revenue was generated on the German market and 43% from export business in 2016. Revenue on the German market increased to €34.4 million (2015: €31.8 million), while international revenue amounted to €25.4 million (2015: €26.3 million).

The core market of Public Transport accounted for revenue of €54.0 million in 2016 (2015: €52.6 million). The contribution of the Logistics segment was virtually unchanged, with revenue of €5.7 million (2015: €5.4 million).

COST OF MATERIALS

The cost of materials fell by €1.5 million to €17.3 million (2015: €18.8 million) as a result of lower project-specific hardware deliveries and a write-down of €0.9 million on receivables from construction contracts.

RISE IN **GROSS PROFIT**

The value added within IVU was reflected mainly by its gross profit, which rose by 7% to €42.8 million (2015: €40.1 million). The gross profit forecast for 2016 of €42 million was therefore slightly exceeded for the reasons set out above.

COSTS, DEPRECIATION AND AMORTISATION

Staff costs climbed by 14% in 2016 to €28.6 million (2015: €25.2 million). In consideration of the herein included expenses for severance payments to former employees of €0.7 million, staff costs developed approximately in line with human resources capacity. In the competitive IT industry, IVU operates at a generally high salary level for well-trained specialists.

Depreciation and amortisation on non-current assets increased to €1.5 million (2015: €1.2 million) due to investments at the end of 2015 and resultant depreciation and amortisation that only took full effect in 2016, as well as special depreciation and amortisation of €0.1 million.

Other operating expenses climbed to €11.3 million in 2016 (2015: €8.8 million). This was because of impairment losses on receivables from construction contracts amounting to €2.2 million, mainly relating to two projects in Israel and one project in Colombia, due to unforeseen events.

FALL IN **OPERATING RESULT**

Unfortunately, earnings do not reflect the growth in revenue and gross profit. EBIT fell in the last financial year to €1.4 million due to unforeseen negative one-off effects (2015: €4.9 million). Accordingly, the EBIT margin (EBIT/revenues) was down from 8.4% to 2.3%.

The key performance indicator of EBIT/gross profit came to 3.3% in the reporting year (2015: 12.1%).

The one-off effects totalled around €-3.5 million, and mainly contained the above-mentioned impairment losses on receivables from construction contracts (€-2.2 million), severance payments to departed employees (€-0.7 million) and write-downs on inventories (€-0.4 million).

FINANCIAL STRENGTH EXCELLENT

Equity fell by €0.4 million to €38.8 million in the reporting year (2015: €39.2 million). In the financial year, in preparing the HGB annual financial statements, the Executive Board withdrew €2,866 thousand from the capital reserves to offset the residual net loss for the year. At 66%, the equity ratio for 2016 exceeded the level of the previous year slightly (2015: 63%). The company's net assets are stable and its overall financial strength remains very good.

GOOD LIQUIDITY

As a result of a reduction in trade receivables, IVU reported a cash flow from operating activities of €2.6 million (2015: €-5.0 million) in the 2016 financial year, despite a substantial reduction in liabilities. The significant improvement over the previous year by €7.6 million can be attributed to positive effects from receivables and other assets of €8.2 million. Taking into account the cash flow for investing activities (€-1.5 million), cash and cash equivalents increased by €1.1 million.

With €8.6 million in cash and cash equivalents as at 31 December 2016 (2015: €7.5 million), IVU's financial position remains good.

IVU was able to meet its financial obligations at all times in the reporting year. The company did not utilise its total credit facilities of €3.2 million. IVU's clients have a correspondingly positive assessment of its credit quality.

GOOD ORDER SITUATION

The order backlog for the current year was around €40 million as at 28 February 2017. A considerable portion of the targets for 2017 are thus already covered by the order situation.

SUMMARY

Overall, 2016 was a challenging year for IVU. Although pleasing growth in revenue and gross profit was attained, profit was hit by unforeseeable one-off effects.

For 2017, we expect our underlying growth trend to continue and are optimistic about the future on account of the strong order situation and promising sales prospects.

CONSOLIDATED REPORT
FORECAST

OUTLOOK

IVU further reinforced its position in the core market of public transport during 2016 and is a sought-after contact partner both in Germany and internationally. In addition to the integrated product range IVU.suite, the standardised implementation process IVU.xpress and the straightforward all-round operations management in IVU.cloud are appreciated by transport companies of all types and sizes.

With the integrated rail solution IVU.rail, we again acquired several new customers during the reporting year and further expanded our extremely strong position in the market. As it is still the sole standard product for the entire rail sector (local, intercity, regional and freight transport), the outlook for IVU.rail in 2017 is also favourable.

Development in the logistics segment was stable in 2016. Strong ties with existing customers in the sector are leading to repeated new orders.

The key performance indicators for achieving the strategic goals are the development of revenue as an indicator of the growth rate, gross profit (gross revenue plus other operating income and less cost of materials) as an indicator of value-added, and EBIT as an indicator of profitability. Our key performance indicator for efficiency is the ratio of EBIT/gross profit.

With the market environment remaining positive, we expect positive business performance in 2017 and with it a return to the strong profit margins of previous years. Revenue is strongly influenced by project-related hardware deliveries, which can possibly be deferred past the end of the year. On the basis of the order backlog and the transactions expected, consolidated revenue for 2017 is planned at around €62 million (actual figure for 2016: €59.8 million) and gross profit at around €45 million (actual figure for 2016: €42.8 million). We expect EBIT of at least €3 million for 2017.

CONSOLIDATED REPORT RISK AND OPPORTUNITY REPORT

RISK MANAGEMENT

To secure the long-term success of the company, we must identify and manage all types of risks. Our risk management aims to identify, analyse and manage risk at an early stage. The internal control system is embedded in the risk management system. Management uses deviation analyses as an instrument for corporate control.

The Executive Board assumes overall responsibility for internal controlling and risk management systems with regard to the accounting processes at the company. This includes all factors that can significantly influence the accounting and overall assessment of the financial statements, including the management report.

Risk management is based on the monthly reporting system, which contains important key performance indicators and compares planned figures with the actual figures. The subsidiaries are included in the reporting system. Regular meetings held with those responsible for revenue, cost and deadline development ensure that the Executive Board is provided with timely information about critical developments and that corrective measures can be initiated if required. To ensure that available liquidity and credit lines are adequate, liquidity is planned on a rolling basis and developments in cash and cash equivalents are monitored on a daily basis.

Risk management is a fixed item on the agenda at every meeting of the Supervisory Board and is discussed in detail at each of its meetings. The relevant risks are assessed based on the extent of possible damages and the probability of occurrence. The company has identified the following significant risks and classified them as low, medium or high based on its assessment of their estimated probability of occurrence and the extent of possible damages: The following risks and opportunities relate in equal measure to the Public Transport and Logistics segments.

RISKS

Export business

The opportunities presented by internationalisation have to be balanced against the costs of accessing new markets, which always represent an upfront investment in uncertain successes. In addition, IVU is subject to the general political and economic conditions of the countries in which it operates. This naturally brings with it risks that range from project delays to project cancellation and non-payment. Our assessment of the probability of occurrence and the extent of possible damages remains medium. To limit these types of risks, we try to minimise the costs of accessing new markets by adopting a strategic focus on more promising countries in target markets. To avoid the risk of non-payment, we use a range of instruments for securing payment, such as letters of credit, advance payments or payments on account.

Our experience from last year shows that the risks in new markets are more varied than anticipated. Consequently, we will assess them even more rigorously in future and limit the number of projects in progress simultaneously in markets that are new to us.

Defaults

Defaults are a potential risk in all large and, in particular, international projects as experience shows that political and economic conditions can change quickly. In particular, changes in decision makers can have an impact on payment deadlines. The probability of occurrence and the extent of damages remain unchanged at high and medium respectively. Measures to counter these risks include delivery-oriented payment plans and efficient project management. In addition, the payment practices of our customers can generally be considered good as the majority of them are from the public sector.

CONSOLIDATED REPORT
RISK AND OPPORTUNITY REPORT

Project business

The project business at IVU is based entirely on service contracts that are based on the standard products of IVU.suite. This naturally brings with it the risk that the workload involved turns out to be more than was planned. Any resulting delivery delays may lead to claims being made for compensation. Our assessment of the probability of occurrence and the extent of possible damages remains medium. Measures to reduce these risks are efficient project management as well as adherence to deadlines and quality standards.

Quality deficits

In the event of deficiencies in the software or hardware supplied, this can delay the acceptance and, consequently, the payment of invoices. The probability of occurrence and the extent of damages both remain unchanged at medium. One measure to counter this risk is consistent quality management in accordance with ISO 9001. In addition, the steadily increasing degree of standardisation of IVU systems reduces the risk of quality deficits because only customer-specific adaptations rather than special developments are required and all products can be subjected to intensive testing.

Currency risks

Since IVU conducts a part of its business outside the euro zone, exchange rate fluctuations may have an impact on results. Foreign currency risks apply to receivables, liabilities, cash in hand and cash equivalents that do not correspond to the functional currency used by IVU. The probability of occurrence and the extent of potential damages remain unchanged at high and low respectively. As a hedge for cash flows in foreign currency, IVU concludes currency forward transactions as required. Here, the anticipated inflows and outflows are estimated on the basis of contracts concluded and payment agreements made. Currently, no accounting units have been established for showing hedging relationships. On the balance sheet date, there were no open currency forward transactions (previous year: €0.5 million at nominal value).

Shortage of specialists and managers

A specialised software company such as IVU derives its strength on the market from the ability of its highly qualified specialists and managers to carry out demanding projects and meet special customer requirements. There are risks associated with the potential loss of expertise. Our assessment of the probability of occurrence remains unchanged at low with the extent of damages at medium. Measures to reduce these risks include a long-term human resources policy to ensure low rates of staff turnover and a corporate culture based on openness and trust, which promotes a high level of staff loyalty.

Overall risk assessment

We are still assuming low risk overall.

OPPORTUNITIES

The marketing strategy adopted by IVU aims to further expand the company's strong position in the domestic market and to systematically exploit the opportunities presented by internationalisation. As one of the few system manufacturers worldwide, IVU offers IT solutions for all processes at a transport company – from planning to operations and through to settlement. Our range of systems for public transport, IVU.suite, puts us among the market leaders for integrated solutions.

In particular, our business on the domestic market and in small and medium-sized projects is extremely stable and therefore easily predictable. Conversely, it is difficult to plan the placement of orders and the progress of major projects conducted in mega-cities outside of Germany and with national railway operators. In these situations, a single decision can have a major impact on IVU's result, also with the potential for significant upward adjustments.

Overall, the opportunities for IVU are assessed as very good. We are profiting from the sustained trend towards urbanisation, which is forcing cities to invest increasingly in the expansion and modernisation of their infrastructures. As a result of successfully implemented projects, IVU has become a sought-after project partner. We will capitalise on our strong reputation and will further expand our market position through targeted marketing activities in our chosen markets.

SUPPLEMENTARY REPORT

Since 31 December 2016, there have been no events of particular significance that have affected the situation regarding earnings, finances and assets.

CONSOLIDATED REPORT SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION AS PER SECTIONS 315 (1) SENTENCE 6, 315 (2) NO. 4 AND 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

The Executive Board of IVU AG received remuneration of €707 thousand (2015: €848 thousand) for the 2016 financial year. The remuneration of the Executive Board comprises a fixed (€527 thousand) and a variable portion (€180 thousand). The variable portion amounted to 25% (2015: 45%) of total remuneration in the year under review. In addition, one-off post-employment benefits were granted to a departed Executive Board member (€624 thousand). The variable portion is measured based on the earnings before taxes in the IFRS consolidated financial statements.

On 25 May 2016, the Annual General Meeting resolved to exempt the company from the duty to disclose the remuneration of individual members of the Executive Board for the financial years 2016 to 2020 inclusive. The remuneration of the Supervisory Board does not contain a performance-related component and consists of fixed basic remuneration. No attendance fee is agreed.

The company's subscribed capital of €17,719,160 is divided into 17,719,160 shares with a notional value of €1 each. By way of resolution of the Annual General Meeting on 25 May 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions by up to 30% of the current share capital of €17,719,160, i.e. by €5,315,748.00, by issuing new no-par value bearer shares against cash or non-cash contributions by 24 May 2021. The Executive Board can make use of this authorisation for any legally permissible purpose. In 2016, the Executive Board did not make use of this authorisation.

Furthermore, by way of resolution of the Annual General Meeting on 25 May 2016, the Executive Board was authorised to acquire shares in the company for any purpose permitted under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) in the context of the statutory restrictions and in line with the following provisions. The authorisation is restricted to the acquisition of shares with a proportional amount of the share capital of €1,771,916, i.e. 10% of the share capital of €17,719,160.

There are no restrictions with regard to voting rights or transfer. The Executive Board is not aware of any agreements of this kind between individual shareholders. Furthermore, no material agreements have been made that contain regulations for a change of control as a result of a takeover bid.

According to Article 7 of the company statutes, the Supervisory Board appoints the Executive Board members and determines the number thereof. Further details on appointment and dismissal are governed by Sections 84 ff. AktG.

According to Article 17 of the company statutes, the Supervisory Board is authorised to make changes to the company statutes that relate solely to the wording. Otherwise, the company statutes are adopted as per Section 179 AktG by the Annual General Meeting by a majority of at least three quarters of the share capital represented at the time of voting on the resolution.

We represent that, to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements present a true and fair view of the Group's net assets, financial situation and results of operation, and that the Group management report describes fairly, in all material respects, the Group's business trend and performance, the Group's position and the significant risks and opportunities of the Group's expected future development.

DECLARATION ON CORPORATE GOVERNANCE AS PER SECTION 315 (5) OF THE GERMAN COMMERCIAL CODE (HGB)

The company has published the corporate governance declaration on its website, www.ivu.com. The corporate governance declaration comprises the declaration pursuant to Section 161 AktG regarding compliance with the German Corporate Governance Code.

Berlin, 9 March 2017

The Executive Board

Martin Müller-Elschner Matthias Rust

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS
FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN LINE WITH IFRS
AS AT 31 DECEMBER 2016

Assets	**Notes**	**31 Dec 2016** € thousand	**31 Dec 2015** € thousand
A. Current assets			
1. Cash and cash equivalents	(102)	8,614	7,505
2. Current trade receivables	(94)–(97)	14,291	18,013
3. Current receivables from contract manufacturing	(98)–(100)	15,135	13,351
4. Inventories	(92)–(93)	2,077	3,226
5. Other current assets	(101)	3,355	3,685
Total current assets		**43,472**	**45,780**
B. Non-current assets			
1. Property, plant and equipment	(88)–(91)	1,770	1,681
2. Intangible assets	(88)–(91)	11,770	12,170
3. Non-current trade receivables	(94)–(97)	768	514
4. Deferred taxes	(126)–(130)	1,020	2,234
Total non-current assets		**15,328**	**16,599**
TOTAL ASSETS		**58,800**	**62,379**

Liabilities	Notes	31 Dec 2016 € thousand	31 Dec 2015 € thousand
A. Current liabilities			
1. Current trade payables		2,568	3,533
2. Liabilities from contract manufacturing	(98)–(100)	4,850	7,136
3. Provisions	(122)–(123)	530	484
4. Provisions for taxes	(126)–(130)	42	61
5. Other current liabilities	(124)–(125)	7,102	7,273
Total current liabilities		**15,092**	**18,487**
B. Non-current liabilities			
1. Provisions for pensions	(107)–(118)	4,873	4,557
2. Other		5	94
Total non-current liabilities		**4,878**	**4,651**
C. Equity			
1. Share capital	(103)–(106)	17,719	17,719
2. Capital reserves	(103)–(106)	0	1,991
3. Retained earnings		-1,128	-935
4. Unappropriated surplus	(103)–(106)	22,199	20,415
5. Foreign exchange reconciling item		40	51
Total equity		**38,830**	**39,241**
TOTAL LIABILITIES		**58,800**	**62,379**

FINANCIAL STATEMENTS
INCOME

CONSOLIDATED INCOME STATEMENT IN LINE WITH IFRS
FOR THE 2016 FINANCIAL YEAR

	Notes	2016	2015
		€ thousand	€ thousand
Sales revenues	(132)	**59,758**	**58,064**
Other operating income	(133)	426	795
Cost of materials	(134)	-17,345	-18,762
Gross profit		**42,839**	**40,097**
Personnel expenses	(135)	-28,614	-25,205
Depreciation and amortisation on non-current assets	(136)	-1,513	-1,188
Other operating expenses	(137)	-11,318	-8,837
Operating results (EBIT)		**1,394**	**4,867**
Financial income		2	7
Financial expenses		-172	-230
Pre-tax profit (EBT)		**1,224**	**4,644**
Income taxes	(126)–(130)	-1,431	-1,043
Consolidated net loss / profit		**-207**	**3,601**
		€	€
Earnings per share (basis and diluted)	(138)–(139)	-0.01	0.20
Average shares outstanding (in thousand shares)	(138)–(139)	17,719	17,719

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 2016 FINANCIAL YEAR

	Notes	2016 € thousand	2015 € thousand
Consolidated net loss / profit		**-207**	**3,601**
Currency translation		-11	4
Items that may be reclassified subsequently to profit or loss		**-11**	**4**
Actuarial gains / (losses) from the remeasurement of pension commitments		-279	488
Income tax effect		86	-151
		-193	**337**
Items that will not be reclassified subsequently to profit or loss		**-193**	**337**
Other comprehensive income after taxes		**-204**	**341**
CONSOLIDATED TOTAL COMPREHENSIVE INCOME AFTER TAXES		**-411**	**3,942**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN LINE WITH IFRS
FOR THE FINANCIAL YEARS 2015 AND 2016

	Share capital	Capital reserves	Retained earnings	Foreign exchange reconciling item	Unappro-priated surplus / cumulative loss	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Notes	(103)–(106)	(103)–(106)				
As at 1 January 2015	**17,719**	**3,696**	**-1,272**	**47**	**15,995**	**36,185**
Consolidated net income 2015	0	0	0	0	3.601	3,601
Other comprehensive income, net of tax	0	0	337	4	0	341
Consolidated recognised results after tax	**0**	**0**	**337**	**4**	**3,601**	**3,942**
Payment of dividends (€ 0.05 per share)	0	0	0	0	-886	-886
Offsetting	0	-1,705	0	0	1,705	0
AS AT 31 DECEMBER 2015	**17,719**	**1,991**	**-935**	**51**	**20,415**	**39,241**
As at 1 January 2016	**17,719**	**1,991**	**-935**	**51**	**20,415**	**39,241**
Consolidated net loss 2016	0	0	0	0	-207	-207
Other comprehensive income, net of tax	0	0	-193	-11	0	-204
Consolidated recognised results after tax	**0**	**0**	**-193**	**-11**	**-207**	**-411**
Offsetting	0	-1,991	0	0	1,991	0
AS AT 31 DECEMBER 2016	**17,719**	**0**	**-1,128**	**40**	**22,199**	**38,830**

CONSOLIDATED STATEMENT OF CASH FLOWS IN LINE WITH IFRS
FOR THE 2016 FINANCIAL YEAR

	Notes	2016 € thousand	2015 € thousand
1. Operating activities			
Group earnings before tax of the period		1,224	4,644
Depreciation and amortisation on non-current assets	(136)	1,513	1,188
Change in provisions		83	-319
Net interest income		170	223
Other non-cash expenses/income		-11	3
		2,979	**5,739**
Change of items of working capital and borrowings			
Inventories		1,149	70
Receivables and other assets		1,990	-6,226
Liabilities (without provisions)		-3,209	-3,655
		2,909	**-4,072**
Interest paid		-172	-230
Income taxes paid		-128	-714
CASH FLOW FROM OPERATING ACTIVITIES		**2,609**	**-5,016**
2. Investing activities			
Outflows for investments in non-current assets		-1,502	-1,267
Interest received		2	7
CASH FLOW FROM INVESTING ACTIVITIES		**-1,500**	**-1,260**
3. Financing activities			
Payment of dividends		0	-886
CASH FLOW FROM FINANCING ACTIVITIES		**0**	**-886**
4. Cash and cash equivalents			
Change in cash and cash equivalents		1,109	-7,162
Cash and cash equivalents at beginning of period		7,505	14,667
CASH AND CASH EQUIVALENTS AT END OF PERIOD	(102)	**8,614**	**7,505**

+ = Cash inflow
– = Cash outflow

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION ON THE COMPANY

(1) The parent company of the IVU Group is IVU Traffic Technologies AG (IVU AG), based at Bundesallee 88, 12161 Berlin, Germany. It was founded on 4 August 1998 and is entered in the commercial register of the Berlin-Charlottenburg Local Court under HRB 69310.

(2) The Executive Board adopted the consolidated financial statements as at 31 December 2016 and the Group management report for the 2016 financial year on 7 March 2017 and then submitted them to the Supervisory Board for approval. The Supervisory Board is expected to approve them at its meeting on 21 March 2017.

(3) The business activities of the Group comprise the development, manufacture and marketing of software for planning, organisation and information processing for public administrations, transport companies and other public and private sector operators. This includes research, the formulation of expert reports, consulting and training in these areas. The average number of employees in the Group was 476 in 2016 and 438 in 2015.

(4) The Group is divided into two main segments: Public Transport and Logistics.

(5) The main customers of the Group are operators of public transport in Germany, Europe and selected countries in the world. The IVU Group is represented at locations in Berlin, Aachen, Basel (Switzerland), Birmingham (UK), Bogotá (Colombia), Budapest (Hungary), San Francisco (USA), Hanoi (Vietnam), Ho Chi Minh City (Vietnam), Montreal (Canada), Paris (France) Rome (Italy), Santiago de Chile (Chile), Tel Aviv (Israel) and Veenendaal (Netherlands).

(6) The company is listed in the Prime Standard (Deutsche Börse AG) on the Frankfurt stock exchange.

B. ACCOUNTING POLICIES

Basis of preparation

(7) The consolidated financial statements of IVU AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU and the applicable regulations of section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code). The consolidated financial statements were prepared in euro. Unless stated otherwise, all amounts are in thousands of euro.

(8) The consolidated financial statements of IVU AG were prepared on the basis of the historical cost principle. This does not apply to financial assets available for sale and carried at fair value.

Changes in accounting policies

(9) The accounting policies applied in the 2016 financial year are the same as those used in the previous year with the following exceptions.

Effects of new accounting standards

(10) The IFRS standards already published but not yet adopted are presented below.

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all prior versions of IFRS 9. IFRS 9 combines the three project phases for accounting for financial instruments, "Classification and Measurement", "Impairment" and "Hedge Accounting". IFRS 9 is effective for the first time for financial years beginning on or after 1 January 2018. Earlier adoption is permitted. With the exception of hedge accounting, the standard is effective retroactively, though comparative information does not have to be disclosed. Generally, barring a few exceptions, the regulations for hedge accounting are to be applied prospectively. The Group intends to adopt the new standard as at its prescribed effective date. In the 2015 financial year, the Group conducted a comprehensive assessment of the effects of all three aspects of IFRS 9. This preliminary assessment is based on the information currently available and may change on the basis of further detailed analysis or additional appropriate and reliable information made available to the Group in future. Overall, the Group does not expect any significant effect on its statement of financial position or equity, except for the effect of applying the impairment regulations of IFRS 9. The Group expects to recognise higher risk provisions, which would have a negative effect on equity, and will conduct a detailed review in future to determine the extent of this impact.

IFRS 15 was published in May 2014 and introduces a five-step model framework for accounting for revenue from contracts with customers. Under IFRS 15, revenue is recognised at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer (the transaction price as defined in IFRS 15). The new standard on revenue will replace all current regulations on revenue recognition under IFRS. It is effective for financial years beginning on or after 1 January 2018, either in the form of full retrospective adoption or modified retrospective adoption. Early adoption is permitted. In 2016, the Group performed an assessment of the impacts of IFRS 15 with regard to major long-term projects. Furthermore, the Group is taking into account clarifications published in an Exposure Draft by the IASB in July 2015 and will monitor further developments. The Group provides installation services. These services are sold either singly in contracts with customers or as a package together with the sale of equipment to customers. The Group's assessment is that the services give rise to assets that do not present any alternative potential uses for the customers. In terms of the major contracts analysed, the Group always has a legal claim to appropriate remuneration for the services performed. Therefore, the Group does not expect any major impacts on the accounting of these service contracts.

In January 2016, the IASB published the new standard on accounting for leases. For most leases, this requires the lessee to report its right to use the leased asset and a corresponding lease liability. For lessors, however, there are only minor changes compared to the classification and recognition of leases in accordance with IAS 17. IFRS 16 requires additional disclosures in the notes for both lessees and lessors. IFRS 16 is effective for the first time for financial years beginning on or after 1 January 2019. Early adoption is permitted with the proviso that IFRS 15 (Revenue from Contracts with Customers) has already been adopted or is adopted as at the same date as IFRS 16. The Group intends to adopt the new standard as at its prescribed effective date. It is estimated that the new standards will lengthen the statement of financial position. However, the precise extent of their effects has yet to be determined.

As part of its general "Disclosure Initiative" project to evaluate and improve presentation and disclosure requirements, the IASB has published initial amendments to IAS 1 "Presentation of Financial Statements". The amendments to IAS 1 Presentation of Financial Statements are more a clarification than a substantial modification of the existing requirements of IAS 1. The amendments are effective for financial years beginning on or after 1 January 2016. Early adoption is permitted. The amendments essentially contain concept clarifications and are therefore not expected to affect the consolidated financial statements.

(11) The IASB and the IFRS IC published further proclamations in the reporting period that had or will have no material impact on the consolidated financial statements.

Significant judgements, estimates and assumptions

(12) In preparing the consolidated financial statements, the management makes judgements, estimates and assumptions that affect the amount of the income, expenses, assets and liabilities reported, the

related disclosures and the disclosure of contingent liabilities.

(13) The key forward-looking assumptions and other main sources of uncertainty in the estimates at the end of the reporting period, on account of which there is a significant risk that a material adjustment to the carrying amounts of assets and liabilities could be necessary within the next financial year, are discussed below. The assumptions and estimates of the Group are based on parameters as at the time the consolidated financial statements were prepared. However, these conditions and the assumptions about future developments can change due to market developments and market conditions beyond the control of the Group. Such changes are not taken into account in the assumptions until they occur.

(14) Impairment on goodwill: The IVU Group tests goodwill for impairment based on the regulations of IAS 36. Impairment testing is based on the future cash flows to be generated for individual assets or groups of assets combined as cash-generating units. Further details on impairment testing can be found in paragraphs (89) and (90). The carrying amount of the tested goodwill was €11,349 thousand as at 31 December 2016 (previous year: €11,349 thousand).

(15) Project measurement: The IVU Group recognises revenue on the basis of the estimated performance in projects. Performance estimates are made based on an estimated quantity of hours or on the basis of contractually agreed milestones and continuously updated. Further details on revenue from projects recognised but not yet invoiced can be found in paragraphs (98) and (99). The amount of the partial revenue recognised was €16,464 thousand as at 31 December 2016 (previous year: €12,855 thousand).

(16) Deferred tax assets: Deferred tax assets are recognised for all unutilised tax loss carryforwards and temporary accounting differences to the extent that it is likely, or that there is substantial objective evidence, that there will be future taxable profit available against which the losses can actually be used. The calculation of the amount of deferred tax assets requires an estimate by the management based on the expected timing and amount of future taxable income together with future tax planning strategy (timing of tax events, consideration of tax risks, etc.). Deferred tax assets on loss carryforwards amounted to €4,465 thousand (2015: €3,292 thousand) as at 31 December 2016. Unutilised corporation tax losses for which no deferred tax assets have been recognised amount to €26.8 million (2015: €26.2 million), and unutilised trade tax losses to €22.0 million (2015: €21.2 million). Deferred tax assets amount to €1,020 thousand (2015: €2,234 thousand) as at 31 December 2016; the deferred tax liabilities to €0 thousand (2015: €0 thousand). Further details can be found in paragraphs (126) through (130).

(17) Pensions and other post-employment benefits: The cost of post-employment defined benefit plans is determined on the basis of actuarial calculations. The actuarial valuation is based on assumptions regarding discount rates, the expected pension age, future wage and salary increases, mortality and future pension increases. Owing to the long-term nature of these plans, such estimates are subject to significant uncertainty. The provision for pensions and similar obligations was €4,873 thousand (2015: €4,557 thousand) as at 31 December 2016. Further details can be found in paragraph (107) and the following.

Consolidation principles

a) Subsidiaries

(18) The consolidated financial statements comprise the financial statements of IVU AG and the subsidiaries it controls as at 31 December 2016. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group controls an investee if, and only if, all the following criteria are met:

- control of the investee (i.e. based on its currently existing rights, the Group has the ability to control the activities of the investee that have a significant influence on its returns),
- risks from or rights to variable returns from its exposure in the investee and
- the ability to utilise its control so as to influence the returns from the investee.

If the Group does not hold a majority of the voting or similar rights in an investee, it takes into account all relevant facts and circumstances in assessing whether it controls an investee. These include:

- a contractual arrangement with other parties entitled to vote,
- rights resulting from other contractual arrangements,
- voting rights and potential voting rights of the Group.

If facts and circumstances suggest evidence indicating that one or more of the three control criteria have changed, the Group must check again whether it controls an investee. Subsidiaries are included in consolidation from the date when the Group gains control of them. It ends when the Group loses control of them. The assets, liabilities, income and expenses of a subsidiary that was acquired or disposed of during the reporting period are recognised in the statement of financial position or the statement of comprehensive income respectively from the date on which the Group gains control of the subsidiary until the date on which control ceases.

The gain or loss and each component of other comprehensive income are attributed to the holders of ordinary shares of the parent company and the non-controlling interests, even if this results in a negative balance for non-controlling interests. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. The following steps are taken if the parent company loses control of a subsidiary:

- derecognition of the assets (including goodwill) and liabilities of the subsidiary,
- derecognition of the carrying amount of non-controlling interests in the former subsidiary,
- derecognition of the cumulative translation differences recognised in equity,
- recognition of the fair value of the consideration received,
- recognition of the fair value of the investment retained,
- recognition of surplus or deficit in profit or loss,
- reclassification of the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, if the Group had directly disposed of the related assets or liabilities directly.

(19) The purchase method in accordance with IFRS 3 is applied in accounting for acquisitions. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or up to the time of sale.

(20) The excess of the cost of an acquisition over the share in the fair values of the identifiable assets and liabilities as at the date of the acquisition is referred to as goodwill and recognised as an asset. The identifiable assets and liabilities are measured at their fair values as at the acquisition date.

(21) The following companies are included in the consolidated financial statements as subsidiaries. IVU AG's interests in them are identical to the existing voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Share %
IVU Traffic Technologies Italia s.r.l., Rome, Italy ('IVU Italia')	100
IVU Traffic Technolgies UK Ltd., Birmingham, Great Britain ('IVU UK')	100
IVU Benelux B.V., Veenendaal, Netherlands ('IVU Benelux')	100
IVU Chile LTDA., Santiago de Chile, Chile ('IVU Chile')	100
IVU Traffic Technologies Israel Ltd., Tel Aviv, Israel ('IVU Israel')	100
IVU Traffic Technologies Inc., Wilmington, Delaware, USA ('IVU USA')	100

b) Consolidation adjustments and uniform measurement in the Group

(22) The annual financial statements of the subsidiaries included in the consolidated financial statements are based on uniform accounting standards and reporting periods.

(23) Intercompany balances and transactions, and the resulting intragroup gains and unrealised gains and losses between consolidated companies, have been eliminated in full. Unrealised losses were eliminated only if the transactions gave no substantial indication of an impairment of the asset transferred.

Measurement at fair value

(24) Fair value is defined the price that would have to be received from the sale of an asset or that would have to be paid for the transfer of a liability between market participants as part of an orderly transaction on the measurement date. In measuring fair value it is assumed that the transaction in which the asset is sold or the liability is transferred takes place on

- the principal market for the asset or liability, or
- the most advantageous market if there is no principal market.

The Group must have access to the principal market or the most advantageous market. The fair value of an asset or liability is measured based on the assumptions that market participants would use when pricing the asset or liability. It is assumed that the market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its best use. The Group applies measurement methods that are appropriate in the circumstances and for which there are sufficient data to measure fair value. In doing so, the use of relevant, observable input factors is maximised and that of non-observable input factors is minimised.

All assets and liabilities that are measured at fair value or reported in the notes are assigned to the following levels of the fair value hierarchy based on the lowest input factor that is material overall for measurement:

- Level 1 – (non-adjusted) prices quoted on active markets for identical assets or liabilities
- Level 2 – measurement method in which the lowest input factor that is material overall for measurement can be observed directly or indirectly on the market
- Level 3 – measurement method in which the lowest input factor that is material overall for measurement cannot be observed on the market

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether reclassifications between the levels of the hierarchy have occurred by checking the classification at the end of each reporting period.

Currency translation

(25) The consolidated financial statements of IVU AG are prepared in euro, the reporting currency of the Group. Each company within the Group determines its own functional currency. The items included in the financial statements of the respective companies are measured using this functional currency. Foreign currency transactions are initially converted using the spot rate between the functional and the foreign currencies on the day of the transaction. Monetary assets and liabilities in foreign currencies are converted into the functional currency at the closing rate. All exchange differences are recognised in profit or loss for the period.

The functional currency of the foreign operation IVU UK is its national currency (pound sterling). As at the end of the reporting period the assets and liabilities of this subsidiary are translated into the reporting currency of IVU AG (euro) at the closing rate (GBP/EUR = 1.1674; 2015: 1.3566). Income and expenses are translated at the weighted average exchange rate for the financial year (GBP/EUR = 1.2252; 2015: 1.3771). Exchange rate differences are recognised as a separate component of equity.

The functional currency of the foreign operation IVU Chile is its national currency (Chilean peso). As at the end of the reporting period the assets and liabilities of this subsidiary are translated into the reporting currency of IVU AG (euro) at the closing rate (CLP/EUR = 0.0013; 2015: 0.0013). Income and expenses are translated at the weighted average exchange rate for the financial year (CLP/EUR = 0.0014; 2015: 0.0014). Exchange rate differences are recognised as a separate component of equity.

The functional currency of the foreign operation IVU Israel is its national currency (Israeli new shekels). As at the end of the reporting period the assets and liabilities of this subsidiary are translated into the reporting currency of IVU AG (euro) at the closing rate (ILS/EUR = 0.2471; 2015: 0.2345). Income and expenses are translated at the weighted average exchange rate for the financial year (ILS/EUR = 0.2354; 2015: 0.2314). Exchange rate differences are recognised as a separate component of equity.

The functional currency of the foreign operation IVU USA is its national currency (US dollars). As at the end of the reporting period the assets and liabilities of this subsidiary are translated into the reporting currency of IVU AG (euro) at the closing rate (USD/EUR = 0.9490; 2015: 0.9152). Income and expenses are translated at the weighted average exchange rate for the financial year (USD/EUR = 0.9040; 2015: 0.9012). Exchange rate differences are recognised as a separate component of equity.

Non-current assets

a) Intangible assets

(26) Intangible assets are measured at cost on initial recognition. Intangible assets are recognised if it is likely that the company will derive future economic benefit from them and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any cumulative amortisation and cumulative impairment losses (reported under depreciation and amortisation). Intangible assets – excluding goodwill – are amortised on a straight-line basis over their estimated useful lives. The amortisation period and the amortisation method are reviewed at the end of each financial year. With the exception of goodwill, the Group has no intangible assets with indefinite useful lives.

- Goodwill

(27) Goodwill is initially measured at cost, which is the excess of the total consideration transferred and the amount of the non-controlling interest in the net identifiable assets acquired and the liabilities assumed. If the fair value of the net assets acquired exceeds the

total consideration transferred, the difference is recognised in profit or loss. After initial recognition goodwill is measured at cost less cumulative impairment. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

- Industrial rights and licenses, software

(28) Amounts paid for the purchase of industrial rights and licenses are capitalised and then amortised on a straight-line basis over their expected useful life.

(29) The cost of new software is capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight-line basis over a period of three or five years, unless it has a shorter useful life.

(30) Costs incurred to restore or preserve the future economic benefits that the company had originally anticipated are expensed as incurred.

- Capitalised development costs for internally developed software

(31) Research costs are expensed in the period in which they are incurred. An intangible asset arising from the development of an individual project is recognised only when the IVU Group can demonstrate the technical feasibility of completing the intangible asset so that it is available for internal use or for sale, and the intention to complete the intangible asset and use or sell it. Furthermore, the Group must demonstrate the generation of future economic benefits by the asset, the availability of resources to complete the asset and the ability to reliably determine the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any cumulative amortisation and cumulative impairment losses. Amounts capitalised in previous years are amortised over the period of expected future revenue from the project (straight-line depreciation over a period of three to five years). The capitalised amount of development costs is reviewed annually for impairment, if the asset is not yet in use, or during the year if there is evidence of impairment.

(32) No development costs were capitalised in the 2016 and 2015 financial years.

b) Property, plant and equipment

(33) Property, plant and equipment is carried at cost less cumulative depreciation and cumulative impairment losses. If property, plant and equipment are sold or scrapped, the corresponding cost and cumulative depreciation are derecognised; any gain or loss from the disposal is reported in the income statement.

(34) The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other incidental purchase taxes in connection the acquisition non-refundable and any directly attributable costs incurred to bring the asset to its location and in a working condition for its intended use. Subsequent costs such as maintenance and repair costs incurred after the assets have been put into operation are expensed in the period in which they are incurred. If it is likely that expenditure will result in the company deriving a future economic benefit above the originally assessed standard of performance from the existing asset, the expenditure is capitalised as an

additional cost of items of property, plant and equipment.

(35) Depreciation is calculated on a straight-line basis over the estimated useful life assuming a residual carrying amount of €0. If assets contain several components that have different useful lives, these components are depreciated individually over their respective useful lives. The following estimated useful lives are used for the individual groups:

(36)

Hardware	3 years
Other office equipment	3 to 15 years

(37) Useful lives and depreciation methods for property, plant and equipment are reviewed periodically to ensure that depreciation methods and periods reflect the expected economic benefit of the assets.

c) Impairment of non-current assets

(38) Non-current assets are tested for impairment when facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The first step in impairment testing is calculating the recoverable amount of the asset or cash-generating unit (CGU). This is defined as the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell is defined as the price that can be achieved in the sale of an asset or CGU between two knowledgeable, willing and independent parties less costs to sell. The value in use of an asset or a CGU is determined by the present value under the current use on the basis of expected cash flows. No impairment of non-current assets was recognised in the 2016 and 2015 financial years.

d) Financial assets

(39) Financial assets are classified into the following categories:

- loans and receivables,
- held-to-maturity investments,
- held-for-trading financial assets and
- available-for-sale financial assets.

As at 31 December 2016 and 31 December 2015, the IVU Group had only receivables and derivative financial instruments.

(40) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised, become impaired, or for amortisation.

(41) The IVU Group uses derivative financial instruments such as forward foreign exchange contracts to hedge against exchange rate risks.

(42) The IVU Group uses the following hierarchy for determining and reporting the fair value of financial instruments by measurement method: Level 1: quoted (unadjusted) prices on active markets for identical assets or liabilities. Level 2: methods in which all input parameters with a significant effect on the recognised fair value are either directly or indirectly observable. Level 3: methods that use input parameters with a significant effect on the recognised fair value that are not based on observable market data.

(43) Financial assets are tested for impairment at the end of each reporting period. For financial assets at amortised cost, if it is likely that the company cannot recover all amounts contractually due for loans, receivable or held-to-maturity investments, an impairment loss, or a write-down on receivables is recognised in profit or loss. The impairment loss is defined as the difference between the carrying amount of the asset and the present value of expected future cash flows using the effective interest method. The carrying amount of the asset is reduced using an allowance

account. The impairment loss is recognised in profit or loss. An impairment loss previously recognised in profit or loss is reversed, also in profit or loss, if the subsequent partial recovery can objectively be linked to an event occurring after the original impairment. However, an increase in value is recognised only to the extent that the amortised cost that would have been without impairment is not exceeded. The financial asset is derecognised when it is classified as uncollectible.

(44) As in the previous year, the carrying amounts of financial assets and liabilities are approximately their fair values.

Objective and methods of financial risk management

(45) In addition to trade receivables, the main financial instruments of the company are cash and cash equivalents and liabilities to banks. The aim of these financial instruments is to finance operations. The material risks are from credit and liquidity risks. Exchange rate risks are only insignificant due to the immateriality of foreign currency receivables and liabilities. Fair value risks relate solely to available-for-sale financial assets and are also insignificant.

(46) Credit risks, or the risk that a counterparty does not fulfil its payment obligations, are managed through the use of credit lines and control procedures. The company obtains collateral where appropriate. The Group does not have a significant concentration of credit risk with either a single counterparty or a group of counterparties with similar characteristics. The maximum credit risk is equal to the amount of the reported carrying amounts of financial assets.

(47) Liquidity risk arises from the fact that customers may not be able to fulfil their obligations to the company under the agreed conditions.

(48) Moreover, the IVU Group endeavours to have sufficient cash and cash equivalents or corresponding lines of credit to meet its future obligations.

(49) The maturities of financial liabilities as at 31 December 2016 are as follows:

	Due	**Within 1 year**	**More than 1 year**	**Total**
	€ thou.	€ thou.	€ thou.	€ thou.
Trade payables	0	2,568	0	2,568
Other liabilities	0	7,102	5	7,107
	0	**9,670**	**5**	**9,675**

Given the short-term nature of financial liabilities, as at 31 December 2016 there are no material differences between the carrying amounts shown in the statement of financial position and the undiscounted cash flows.

(50) The maturities of financial liabilities as at 31 December 2015 are as follows:

	Due	**Within 1 year**	**More than 1 year**	**Total**
	€ thou.	€ thou.	€ thou.	€ thou.
Trade payables	178	3,355	0	3,533
Other liabilities	0	6,085	94	6,179
	178	**9,440**	**94**	**9,712**

Regarding reconciliation to other liabilities as reported in the consolidated statement of financial position, the other liabilities shown in the table do not include liabilities to the tax office for VAT (€1,188 thousand).

Given the short-term nature of financial liabilities, as at 31 December 2015 there are no material differences between the carrying amounts shown in the statement of financial position and the undiscounted cash flows.

Current assets

a) Inventories

(51) Inventories are measured at the lower of cost or the expected sales proceeds less costs yet to be incurred.

b) Cash and cash equivalents

(52) Cash and cash equivalents comprise cash, time deposits and demand deposits. Cash and cash equivalents are defined in line with this in the consolidated statement of cash flows.

Equity

(53) Equity comprises the issued capital, the capital reserves, retained earnings, cumulative earnings and currency translation adjustments.

(54) The premiums paid in IVU AG's IPO, net of IPO costs, are reported under capital reserves.

(55) Actuarial gains and losses from the measurement of pension commitments are reported in retained earnings.

(56) Unrealised gains and losses from currency translation are reported under currency translation adjustments.

Provisions for pensions

(57) The IVU Group has three defined benefit pension plans. Each year, the net pension obligations (pension obligations less plan assets) are measured by recognised, independent actuaries. The cost of the benefits granted is calculated separately for each plan using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. The amount recognised as an asset or liability from a defined benefit plan includes the present value of the defined benefit obligation less the unrecognised past service cost and the fair value of plan assets for the immediate settlement of obligations. The plan assets consist of cash and cash equivalents and reinsurance. Plan assets are protected from the creditors of the Group. The fair value of the reinsurance policy is based on information about its asset value.

Current liabilities

a) Other provisions

(58) Provisions are recognised only when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed as at the end of each reporting period and adjusted to the current best estimate. If the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

b) Financial liabilities

(59) Financial liabilities are classified into the following categories:

- held-for-trading financial liabilities and
- other financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The financial liabilities reported in the IVU AG consolidated financial statements were classified as financial liabilities.

(60) A financial liability is carried at cost on initial recognition, which is the fair value of the consideration given; transaction costs are included. Financial liabilities from regular way acquisitions and sales are recognised as at the trade date.

(61) Financial liabilities are no longer reported when they are repaid, i.e. when the contractual obligation is discharged, cancelled, or expires.

Contingent liabilities and contingent assets

(62) Contingent liabilities are not reported in the financial statements. They are disclosed in the notes, unless it is highly unlikely that they will result in an outflow of economic benefits.

(63) Contingent assets are not reported in the financial statements. However, they are disclosed in the notes if the inflow of economic benefits is likely.

Government grants

(64) A government grant is recognised if there is reasonable assurance that the company will comply with the conditions attached to it. Government grants are recognised as income systematically in line with the expenses that they are intended to compensate. Grants received for the acquisition of property, plant and equipment are recognised in other liabilities as deferred income. The income recognised in connection with grants is reported as other operating income in the income statement.

(65) The investment grants to the company from various bodies are linked to compliance with future conditions. The investment grants received from the tax authorities are subject to compliance with retention guarantees for the subsidised assets. No investment grants or subsidies were recognised as at 31 December 2016.

(66) In 2016, IVU AG recognised funding under various government projects for the development of software applications in the amount of €116 thousand (previous year: €350 thousand). The income is included in other operating income.

Research and development costs

(67) Research and development costs amounted to €1,421 thousand in the 2016 financial year (2015: €1,801 thousand).

Leases

(68) The determination as to whether an agreement is or contains a lease is made on the basis of the economic content of the agreement and requires an assessment of whether the fulfilment of the contractual agreement is dependent on the use of a particular asset or assets, and of whether the agreement grants the right to use the asset.

(69) A lease is classified as an operating lease if all the risks and rewards of ownership substantially remain with the lessor. Lease payments for operating lease are recognised as expenses on a straight-line basis over the term of the lease.

(70) The IVU Group has primarily entered into leasing agreements for motor vehicles. The terms of these operating leases are usually three to four years.

(71) Finance leases in which essentially all risks and opportunities associated with ownership of the leased asset are transferred to the Group result in the capitalisation of the leased asset at the inception of the lease. The leased asset is capitalised at the lower of its fair value or the present value of the minimum lease payments. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable

certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

(72) In 2016, no new hire-purchase agreements were concluded, There were payments for investments in the amount of €305 thousand (2015: €400 thousand) made under hire purchase contracts. This relates primarily to software licenses and hardware (workstations, servers and infrastructure). The term of the finance leases for software is three years and for hardware four years.

Recognition of revenue and income

(73) The IVU Group mainly generates its revenue from project business. In this, it enters into agreements with customers for the development/production of software and its adaptation. Revenue is also generated by the sale of hardware and services, e.g. installation, consulting, training, maintenance and the sale of licenses.

a) Project business

(74) For long-term project agreements that satisfy the conditions for applying the percentage of completion method, revenue from the development and sale of software products is deferred and recognised in accordance with the percentage of completion method based on the percentage of completion of the project. The percentage of completion is determined by the ratio of costs incurred to the total planned costs. Advance payments received from customers are netted against the corresponding receivables in equity. Changes in the project conditions can lead to adjustments to the originally recognised costs and revenue for individual projects. The changes are recognised in the period in which these changes are established, which is usually the case when supplementary agreements are concluded between the company and its customers. Furthermore, provisions for expected losses from executory contracts are recognised in the period in which these losses are established and offset against the project's receivables.

b) Sale of licenses

(75) The IVU Group recognises its revenue on the basis of a corresponding contract, once the license has been delivered, the sale price is fixed or determinable, there are no significant liabilities to customers and collection of the receivables is deemed probable.

c) Maintenance, consulting and training

(76) Revenue from maintenance contracts is recognised based on past experience on a straight-line basis over the term of the contract. Income from consulting and training is recognised when the service is rendered.

d) Supply of hardware

(77) Proceeds from the sale of goods (project-related hardware deliveries) are recognised when delivery has taken place and the risks and rewards have been transferred to the buyer. The corresponding revenue is included in paragraph (132) under revenue for goods/services/works contracts.

e) Recognition of interest income

(78) Interest is recognised on a time proportion basis taking into account the effective yield on the asset.

Income taxes

(79) Current tax assets and tax liabilities for both the current period and prior periods are measured at the amount expected in the form of a refund from the tax authorities or to be paid to the tax authorities respectively. The calculation of this amount is based on the tax rates and tax laws in effect at the end of the reporting period or that will shortly be in effect thereafter.

(80) Deferred taxes are recognised using the asset and liability method on all temporary differences between the carrying amounts for assets and liabilities in the statement of financial position and their amounts in the tax base as at the end of the reporting period. Deferred tax liabilities are recognised for all taxable temporary differences with the following exceptions:

- The deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss is not recognised.
- The deferred tax liability is not recognised for taxable temporary differences in connection with investments in subsidiaries, associates or interests in joint ventures if the timing of the reversal of the temporary difference can be controlled and it is probably that the temporary differences will not reverse in the foreseeable future.

(81) Deferred tax assets are recognised for all deductible temporary differences, unutilised tax loss and interest carryforwards and unused tax credits to the extent that it is likely that future taxable income will be generated against which these deductible temporary differences and the unutilised tax loss and interest carryforwards and unused tax credits can be offset.

(82) The following exceptions apply:

- The deferred tax assets from deductible temporary differences from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss are not recognised.
- Deferred tax assets from taxable temporary differences in connection with investments in subsidiaries, associates or interests in joint ventures are only recognised to the extent that the temporary differences will reverse in the foreseeable future and there will be sufficient taxable profit against which the temporary differences can be used.

The carrying amount of deferred tax assets is assessed at the end of each reporting period and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially offset. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(83) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled. The tax rates (and tax laws) which are in effect or that have been announced as at the end of the reporting period apply. Deferred and current taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

(84) Deferred tax assets and deferred tax liabilities are offset against each other if the Group has a legally enforceable right to offset current tax assets against current tax liabilities and these income taxes relate to the same taxable entity, which is assessed by the same tax authority.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Segment reporting

a) Segments

(85) For the purposes of management the IVU Group is divided into two main segments:

- Public Transport
- Logistics

(86) The divisions are the basis on which the IVU Group presents its primary segment information. The financial information on the business segments and geographical segments are presented in note F. and in a separate annex to these notes.

b) Transactions between segments

(87) Segment income, segment expenses and segment results contain only negligible transfers between segments. Such transfers are accounted for at general market prices that are charged to unaffiliated customers for similar services. These transfers were eliminated in consolidation.

C. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Intangible assets and property, plant and equipment

(88) Please see the attached development in intangible assets and property, plant and equipment for details of changes in non-current assets in the financial year ended 31 December 2016.

(89) The IVU Group tested its goodwill for impairment as at 31 December 2016 and as at 31 December 2015. The impairment test is based on the following cash-generating units with their carrying amounts for goodwill:

Cash-generating unit	31 Dec 2016	31 Dec 2015
	€ thousand	€ thousand
Public Transport	8,980	8,980
Logistics	2,369	2,369
	11,349	**11,349**

(90) The impairment test is based on the cash flow forecast for the individual cash-generating units over a period of five years. Beyond the planning horizon, further cash flows were included assuming growth of 1.0% (2015: 1.0%). Furthermore, for the detailed planning period the management is planning growth in gross profit of approximately 1%. The cash flows shown were derived from past information and contractually agreed orders for the 2016 financial year. The assumptions by management regarding business development trends in the software industry are consistent with the expectations of industry experts and market observers. The software sector is expected to experience somewhat moderate growth rates. Further new investment is needed to achieve long-term growth. Discount rates of 5.94% after taxes and 7.06% before taxes (previous year: 6.14% after taxes and 6.56% before taxes) were applied. The adjustment of

interest rates reflects current economic conditions (real economy developments and financing conditions). As there is significant uncertainty regarding projected cash flows and financing terms in the light of the existing economic conditions, the Executive Board of the IVU Group conducted the impairment test on the basis of a worst-case scenario of 10% lower cash flows combined with a discount rate of 7% after taxes. This also did not give rise to impairment requirements.

(91) In the reporting year IVU AG did not enter into finance leases for hardware and software. The leases from previous years have a term of four years. The carrying amount of the assets that are the subject of finance leases is €30 thousand (2015: €330 thousand) as at the end of the reporting period.

CURRENT ASSETS

Inventories

(92) Inventories are composed of merchandise and advance payments as follows:

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Merchandise (measured at the lower of cost and net realisable value)	1,183	2,306
Advance payments	894	920
	2,077	**3,226**

(93) There was impairment of €367 thousand (2015: €157 thousand) on merchandise in the year under review.

Trade receivables

(94) Trade receivables include value adjustments as follows:

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Trade receivables	15,229	20,668
Specific valuation allowances	-170	-2,141
	15,059	**18,527**

(95) Trade receivables do not bear interest and mature in between 0 and 90 days. The specific valuation allowances recognised developed as follows:

	2016 € thou.	2015 € thou.
As at 1 January	2,141	2,117
Charge for the year	165	267
Utilised	-2,114	-173
Unused amounts reversed	-22	-70
AS AT 31 DECEMBER	**170**	**2,141**

(96) In the financial year, trade receivables were derecognised due to being uncollectible. Accordingly, the specific valuation allowances made for these trade receivables in previous years have been utilised to the same extent.

(97) The maturity structure of trade receivables was as follows as at 31 December:

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Neither past due nor impaired	9,195	9,419
Past due, not impaired		
< 30 days	3,495	5,300
31 to 60 days	1,020	512
61 to 90 days	153	762
> 90 days*	1,196	2,534
	5,864	**9,108**
AS AT 31 DECEMBER	**15,059**	**18,527**
Of which current receivables	14,291	18,013
Of which non-current receivables	768	514

* Of which paid by 28 February 2017: €715 thousand (previous year: €1,211 thousand)

CURRENT RECEIVABLES/LIABILITIES FROM CONSTRUCTION CONTRACTS

(98) Percentage-of-completion method receivables arise when revenue was recognised but cannot yet be invoiced under the contractual terms. These amounts are usually calculated by the ratio of costs incurred to the total planned costs (cost-to-cost method). This item includes directly allocable costs (staff costs and third-party services) and an appropriate portion of overheads.

(99) Receivables measured using the percentage-of-completion method include the following components:

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Costs incurred	19,520	14,320
Profit shares	16,464	12,855
Contract revenue	35,984	27,175
Advance payments received	-25,699	-20,960
Of which offset against contract revenue	-20,849	-13,824
Current receivables from construction contracts	15,135	13,351
Liabilities from construction contracts	4,850	7,136

Liabilities from construction contracts include advance payments received in excess of the corresponding receivables.

(100) There are normal warranty obligations for goods accepted under construction contracts.

Other current assets

(101) Other current assets essentially consist of demand deposits, which are to secure guarantees and are not freely available.

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Demand deposits to secure guarantees	2,686	2,635
Receivables from tax credit	352	634
Receivables from government grants	0	99
Other	317	317
	3,355	**3,685**

Cash and cash equivalents

(102) Cash and cash equivalents nearly exclusively consist of bank balances.

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Bank balances	8,611	7,502
Cash balances	3	3
	8,614	**7,505**

Equity

(103) Please see the statement of changes in consolidated equity for details.

(104) The fully paid-in share capital entered in the commercial register as at the end of the reporting period amounts to €17,719,160.00 (2015: €17,719,160.00) and consists of 17,719,160 (2015: 17,719,160) no-par value shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(105) By way of resolution of the Annual General Meeting on 25 May 2016, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the company's share capital on one or several occasions by up to 30% of the current share capital of €17,719,160, i.e. by €5,315,748, by issuing new no-par value bearer shares against cash or non-cash contributions by 24 May 2021. The Executive Board can make use of this authorisation for any legally permissible purpose. In 2016, the Executive Board did not make use of this authorisation.

Furthermore, by way of resolution of the Annual General Meeting on 25 May 2016, the Executive Board was authorised to acquire shares in the company for any purpose permitted under Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) in the context of the statutory restrictions and in line with the following provisions. The authorisation is restricted to the acquisition of shares with a proportional amount of the share capital of €1,771,916, i.e. 10% of the share capital of €17,719,160.

(106) As part of the preparation of the HGB annual financial statements for the financial year the Executive Board withdrew €2,866 thousand from the capital reserves to offset the residual net loss for the year. As declared in the HGB annual financial statements, capital reserves amount to €1,772 thousand as at 31 December 2016. For the purpose of the consolidated financial statements only an amount of €1.991 thousand was set off against the net profit, resulting in capital reserves of now €0 as declared in the consolidated financial statements.

NON-CURRENT LIABILITIES

Pension provisions

(107) Pension provisions are recognised for benefit obligations (pension, invalidity, widows' and orphans' pensions) and for current payments to eligible active and former employees of IVU AG and their surviving dependents.

(108) The amount of the pension obligation (defined benefit obligation) was calculated using actuarial methods on the basis of the following assumptions:

	2016	2015
	%	%
Discount rate	1.81	2.30
Salary trend	2.50	2.50
Pension trend	2.00	2.00
Turnover	3.00	3.00

(109) The salary trend includes expected future salary increases, which are estimated annually depending on inflation and the period of service with the company.

The net pension expenses are as follows:

	2016	2015
	€ thou.	€ thou.
Service cost	10	13
Interest expense	105	91
EXPENSE FOR THE PERIOD	**115**	**104**

(110) The following table shows the composition of pension obligations:

	2016	2015
	€ thou.	€ thou.
Present value of pension obligations, 31 December	5,529	5,355
Less fair value of plan assets	656	798
PROVISIONS FOR PENSIONS	**4,873**	**4,557**

(111) The following table shows the development of pension obligations:

	2016 € thou.	2015 € thou.
Present value of pension obligations, 1 January	5,355	5,954
Service cost	10	13
Interest expense	121	105
Pension payments	-220	-214
Actuarial gains and losses from changes in financial assumptions recognised in equity	336	-365
Actuarial gains and losses from experience adjustments recognised in equity	-73	-138
PRESENT VALUE OF PENSION OBLIGATIONS, 31 DECEMBER	**5,529**	**5,355**

(112) The following table shows the development of plan assets:

	2016 € thou.	2015 € thou.
Fair value of plan assets, 1 January	798	938
Net return on plan assets	15	15
Additions to plan assets	10	12
Payments from plan assets	-151	-151
Actuarial gains and losses recognised in equity	0	0
PLAN ASSETS, 31 DECEMBER	**656**	**798**

(113) A quantitative sensitivity analysis of the main assumptions as at 31 December 2016 is presented below.

Assumption	Interest sensitivity		Pension trend sensitivity
Scenario	Increase by 0.50%	Decrease by 0.50%	Increase by 1.00%
Effect on defined benefit obligation (in € thousand)	-341	378	720

The above sensitivity analysis was performed using a method that extrapolates the effect of realistic changes in the key assumptions as at the end of the reporting period on the defined benefit obligation.

(114) The average term of defined benefit obligations as at the end of the reporting period is 13.01 years (2015: 13.03 years).

(115) The expected return on plan assets is based on an expected return of 1.81% (2015: 2.3%). No contributions will be paid into the plan in the next twelve months.

(116) The plan assets are composed exclusively of cash and cash equivalents.

(117) The anticipated payment structure for the years 2017 to 2021 is shown below:

	€ thou.
Pension payments made	
2015	214
2016	220
Expected pension payments	
2017	230
2018	242
2019	260
2020	262
2021	266

(118) Defined contribution plans exist only in the form of the mandatory contributions by IVU AG to the state pension. Employer contributions of €1,829 thousand (2015: €1,634 thousand) were paid in the reporting year.

CURRENT LIABILITIES

Financial liabilities

(119) IVU has the following credit facilities:

	Utilisation 31 Dec 2016	Utilisation 31 Dec 2015	Credit facility
	€ thou.	€ thou.	€ thou.
Berliner Sparkasse	0	0	1,500
Deutsche Bank AG	0	0	1,500
Monte del Paschi di Siena	0	0	150

(120) As in the previous year, the revocable credit facilities with Deutsche Bank AG and Berliner Sparkasse of €1,500 thousand each are secured by the general assignment of trade receivables and the allocation of licences. Credit facilities were not used as at the end of the period.

(121) Expenses for interest and commission amounted to €172 thousand (2015: €230 thousand) in the 2016 financial year.

Provisions

(122) Provisions developed as follows:

	As at 1 Jan 2016	Utilised	Unused amounts reversed	Arising during the year	As at 31 Dec 2016
	€ thou.	€ thou.	€ thou.	€ thou.	€ thou.
Warranty	428	168	124	394	530
Onerous contract	56	54	2	0	0
	484	**222**	**126**	**394**	**530**
of which current	484				530

(123) Warranty provisions relate to work yet to be done on projects that are essentially complete. The provisions do not include interest.

Other current liabilities

(124) Other current liabilities are composed as follows:

	31 Dec 2016	31 Dec 2015
	€ thousand	€ thousand
Staff-related liabilities	3,254	3,024
Liabilities from contract risks	296	147
Tax liabilities (sales tax, wage tax)	1,739	1,487
Social security liabilities	4	0
Liabilities from outstanding invoices	1,026	1,002
Other	783	1,613
	7,102	**7,273**

(125) The staff-related liabilities essentially include holiday entitlements, overtime obligations and special payments.

Deferred taxes/income taxes

(126) German trade income tax is levied on the trade income derived from income subject to corporation tax. The effective trade tax rate depends on the municipality in which the IVU Group operates. The average trade tax rate for 2016 was 15.0% (2015: 15.1%). The

corporation tax rate for the 2015 and 2016 financial years is 15%. In addition to corporation tax, there is a solidarity surcharge of 5.5% on the assessed corporation tax. Thus, the effective tax rate for the calculation of current income taxes for the 2015 and 2016 financial years is 30.8%.

(127) Income tax expense for the current financial year breaks down as follows:

	2016 € thou.	2015 € thou.
Current tax expenses		
Current year	-131	-419
Deferred tax income/expense		
Change in tax loss carryforwards	1,172	402
Software	-36	121
Goodwill amortisation affecting tax	-132	-137
Change in long-term construction contracts	-1,223	-357
Liabilities from construction contracts IVU Italy	-1,059	-732
Change in pension provisions	-21	-20
Change in other assets	0	35
Change in other provisions	-1	64
	-1,300	**-624**
INCOME TAX EXPENSE	**-1,431**	**-1,043**

(128) The following table shows the reconciliation of income tax expense:

	2016 € thou.	2015 € thou.
Earnings before taxes	1,224	4,644
Notional income tax expense (30.82%; 2015: 30.90%)	-377	-1,435
Foreign withholding taxes	-8	-120
Tax deviation in treatment of certain expenses	-91	-122
New not capitalized German tax loss carryforwards	-1,441	0
Utilisation of tax loss carryforwards	0	126
Remeasurement of German tax loss carryforwards	584	501
Effects of tax rate differences	-122	-36
Tax expense from prior periods	11	26
Other	13	17
CURRENT TAX INCOME	**-1,431**	**-1,043**

(129) The deferred taxes reported in IVU's consolidated statement of financial position break down as follows:

	2016 € thou.	Change € thou.	2015 € thou.	Change € thou.	2014 € thou.
Deferred tax assets					
Tax loss carryforwards	4,465	1,173	3,292	402	2,890
Software	85	-36	121	121	0
Provisions for pensions	806	65	741	-170	911
Liabilities from construction contracts IVU Italia	586	-1,059	1,645	-732	2,377
Other provisions	**66**	**-1**	**67**	**63**	**4**
	6,008	**142**	**5,866**	**-316**	**6,182**
Deferred tax liabilities					
Receivables from long-term construction contracts	-3,256	-1,223	-2,033	-357	-1,676
Goodwill amortisation affecting tax	-1,732	-133	-1,599	-137	-1,462
Other assets	0	0	0	35	-35
	-4,988	**-1,356**	**-3,632**	**-459**	**-3,173**
DEFERRED TAX ASSETS, NET	**1,020**	**-1,214**	**2,234**	**-775**	**3,009**
- of which change recognised in profit or loss		-1,300		-624	
- of which change in equity		86		-151	
Carrying amount					
Deferred tax assets	1,020		2,234		3,009
Deferred tax liabilities	0		0		0

(130) The IVU Group has the following tax loss carryforwards:

	31 Dec 2016 € million	31 Dec 2015 € million
Loss carryforward for German trade tax	36.6	32.0
Loss carryforward for German corporation tax	41.2	36.7

There are no foreign loss carryforwards. The German loss carryforwards do not expire.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(131) The income statement has been prepared in accordance with the total cost format.

Revenue

(132) Revenue is distributed to the various revenue types as follows:

	2016	2015
	€ thou.	€ thou.
Goods/services/works contracts	34,926	35,156
Licences	7,066	8,205
Maintenance	17,766	14,703
	59,758	**58,064**

The position „goods/services/work contracts" include returns from licenses as part of consistent work contracts.

Other operating income

(133) Other operating income is composed as follows:

	2016	2015
	€ thou.	€ thou.
Income from the reversal of impairment losses	22	70
Government grants	116	350
Exchange rate gains	93	105
Other	195	270
	426	**795**

Cost of materials

(134) Cost of materials is distributed to purchased goods and purchased services as follows:

	2016	2015
	€ thou.	€ thou.
Cost of purchased goods	10,240	11,532
Cost of purchased services	7,105	7,230
	17,345	**18,762**

Staff costs

(135) Staff costs distribute as follows:

	2016	2015
	€ thou.	€ thou.
Wages and salaries	24,206	21,146
Social security, post-employment and other employee benefit costs	4,408	4,059
	28,614	**25,205**

Depreciation and amortisation on assets

(136) Depreciation and amortisation on non-current assets break down into the following parts:

	2016	2015
	€ thou.	€ thou.
On intangible assets	611	275
On property, plant and equipment	902	913
	1,513	**1,188**

The depreciations contain one-off effects of €117 thousand for software licenses.

Other operating expenses

(137) Other operating expenses can be distributed as follows:

	2016	2015*
	€ thou.	€ thou.
Selling expenses	3,069	3,243
Operating expenses	2,081	2,140
Administrative expenses	2,000	1,842
Other	4,168	1,612
	11,318	**8,837**

* The distribution of the previous year's values was adjusted accordingly with the assignment in the period. In the previous year the following values were reported: Selling expenses: €3,096 thousand, operating expenses: €1,892 thousand, administrative expenses: €1,558 thousand, and other: €2,291 thousand.

The position "Other" contains value adjustments on receivables from construction contracts amounting to €2,187 thousand and third-party services for the subsidiary IVU Israel amounting to €316 thousand.

Earnings per share

(138) Under IAS 33, the calculation of basic earnings per share is determined by dividing the consolidated net income by the weighted number of shares.

	2016	2015
Net profit / loss for the period (€ thousand)	-207	3,601
Number of ordinary shares as at 1 January (thousands)	17,719	17,719
Number of ordinary shares as at 31 December (thousands)	17,719	17,719
Number of weighted shares (thousands)	17,719	17.719
BASIC EARNINGS PER SHARE (EUR/ SHARE)	**-0.01**	**0.20**

(139) Diluted earnings per share are calculated by adjusting the profit attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all the dilutive potential ordinary shares arising on the exercise of share subscription rights. For this purpose, the number of ordinary shares to be included is equal to the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued as a result of the conversion of all the dilutive potential ordinary shares into ordinary shares. The conversion of stock options into ordinary shares is considered effective on the date on which the options were granted. There was no dilutive effect from stock options issued as at 31 December 2016 and 2015.

E. NOTES TO THE STATEMENT OF CASH FLOWS

(140) The reported cash and cash equivalents are not subject to any restriction by a third party. Interest and income tax payments are reported. There was no dividend distributed. The composition of cash and cash equivalents is shown in paragraph (102).

F. NOTES TO SEGMENT REPORTING

(141) The IVU Group applies IFRS 8 Operating Segments. This standard requires the disclosure of information on the Group's operating segments. The IVU Group is divided into two segments, Public Transport and Logistics.

(142) Reporting by business segment is attached as a separate annex.

Public Transport

(143) This segment develops software solutions for the customer groups of transport operations (buses, trains, ferries) and purchasers (associations, states, municipalities) with the aim of supporting and optimising the planning and operation of transport services with intelligent IT systems. In the financial year the company generated revenue of €7.6 million (14% of total revenue) with one customer in the Public Transport segment.

Logistics

(144) Software products are used to integrate the mapping of business processes and to optimise transport operations for the market segments of waste service and supply logistics and construction materials. Partly Internet-based products are developed for our customer groups Deutsche Post, retail chains and other public administrations. In the financial year, the company made revenues of €685 thousand and €666 thousand respectively with two customers of the Logistics segment (12.1% and 11.7% respectively of total revenues).

Reconciliation of segment assets

(145) Segment assets are reconciled to gross assets as follows:

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Gross assets as per statement of financial position	58,800	62,379
- Deferred tax assets	-1,020	-2,234
SEGMENT ASSETS	**57,780**	**60,145**

G. OTHER DISCLOSURES

COMMITMENTS AND CONTINGENCIES

Rental and lease agreements

(146) Vehicles, office equipment and other equipment are rented under operating leases. In 2016 €373 thousand (2015: €455 thousand) was incurred in lease and maintenance fees.

(147) Under finance leases, lease fees of €123 thousand (2015: €230 thousand) were incurred for hardware and €5 thousand (2015: €15 thousand) for office equipment in 2016. Finance lease liabilities are included under trade payables.

(148) As at the end of the reporting period the finance lease liabilities had the following present values and remaining terms:

Remaining term	Up to 1 year € thou.	1 to 5 years € thou.	Total € thou.
Liability	24	6	30
Finance charges	1	0	1
PRESENT VALUE	**25**	**6**	**31**

(149) The finance lease liabilities had the following present values and remaining terms as at 31 December 2015:

Remaining term	Up to 1 year € thou.	1 to 5 years € thou.	Total € thou.
Liability	300	30	330
Finance charges	11	1	12
PRESENT VALUE	**311**	**31**	**342**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(150) The following rental and lease payments result from rental and lease agreements:

	31 Dec 2016 € thousand	31 Dec 2015 € thousand
Remaining term up to one year		
Rent payments	1,199	1,228
Lease payments	178	404
Subtotal	**1,377**	**1,632**
Remaining term of between one and five years		
Rent payments	1,489	2,127
Lease payments	160	206
Subtotal	**1,649**	**2,333**
SUBTOTAL	**3,026**	**3,965**
TOTAL		

The lease payments include payments under a hire purchase of €27 thousand (remaining term of less than one year) and € 3 thousand (remaining term of between one and five years).

Letters of credit

(151) As at the end of the reporting period, letters of credit of €12,989 thousand, €676 thousand of which in foreign currency (2015: €16,061 thousand, €464 thousand of which in foreign currency) were assumed by various banks for IVU AG.

EMPLOYEES

(152) The average number of employees of the IVU Group was 476 in the financial year (2015: 438). The breakdown of employees by function is as follows:

	2016	2015
Production/software development	174	172
Administration	48	47
Project work/sales	254	219
TOTAL	**476**	**438**

AUDITING AND CONSULTANCY FEES

(153) The auditor's fees recognised as expenses in the financial year amount to €110 thousand. The breakdown of expenses for other services performed by the auditor is as follows:

	€ thou.
Tax advisory services	60
Transfer pricing documentation for various countries	50
Advice relating to secondments	11
Other services	5

(154) The non-audit services performed by the auditor solely relate to compliance activities, i.e. preparation of tax declarations and documentation.

RELATED PARTY DISCLOSURES

(155) Related parties are those with the ability to control the IVU Group or significantly influence its financial and operating policies. In addition to control, the existence of trust relationships was also taken into account in determining the significant influence of related parties on the financial and operating policies of the IVU Group.

Related companies

(156) The affiliated companies included in the consolidated financial statements are considered related parties. There are no other related parties.

(157) Transactions between IVU AG and its subsidiaries consisted of the reallocation of license revenue, development services and allocations for services rendered that were eliminated in consolidation.

Related persons

(158) The following persons are considered related parties:

- Executive Board members of IVU AG

- Martin Müller-Elschner (CEO and, since 1 November 2016, CFO)
- Dr Helmut Bergstein (member of the Executive Board, CFO and Aachen branch manager until 31 October 2016)
- Matthias Rust (member of the Executive Board since 1 November 2016)

- The members of the Supervisory Board were:

- Prof Herbert Sonntag, Berlin (Chairman)
  Professor for Transport Logistics and Head of the Transport Logistics Research Group at the Technical University of Applied Sciences, Wildau,
  Member of the Executive Board of Allianz pro Schiene e.V, Berlin.

- André Neiss, Hanover
  CEO of üstra Hannoversche Verkehrsbetriebe AG, Hanover,
  Managing Director of Versorgungs- und Verkehrsgesellschaft Hannover mbH, Hanover,
  Member of the Advisory Board of Hannover Region Grundstücksgesellschaft mbH HRG & Co. Passerelle KG, Hanover,
  Chairman of Haftpflichtgemeinschaft Deutscher Nahverkehrs- und Versorgungsunternehmen (HDN), Bochum,
  Vice Chairman of the association committee of Großraum-Verkehr Hannover GmbH (GVH), Hanover,
  Member of the Executive Board of VDV-Akademie e.V., Cologne,
  Member of the Advisory Board of VDV-Akademie GmbH, Cologne.

- Ulrike Mayer-Johanssen, Berlin
  Founder and Non-Executive Chairwoman of MetaDesign AG, Berlin,
  External economics expert on the Supervisory Board of University Hospital Düsseldorf, Düsseldorf,
  Honorary Senator and Member of the University Board at the Schwäbisch Gmünd University of Design, Schwäbisch Gmünd,
  Member of the German Advertising Standards Council, Berlin,
  Member of the German Designer Club, Frankfurt/Main,
  Member of the Board of Trustees of the Stiftung Berlinische Galerie, Berlin.

Related party transactions

(159) With the exception of those described below, there were no other business transactions between related parties and companies of the IVU Group in the reporting year or the previous year.

(160) In the financial year 2016, Martin Müller-Elschner, CEO, acquired 22,800 IVU shares.

(161) The Executive Board and the Supervisory Board of IVU AG did not acquire or transfer any shares in the 2015 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REMUNERATION OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

(162) The Executive Board of IVU AG received remuneration of €707 thousand (2015: €848 thousand) in the 2016 financial year. The remuneration of the Executive Board comprises a fixed (€527 thousand) and a variable portion (€180 thousand). The variable portion amounted to 25% (2015: 45%) of total remuneration in the year under review. In addition, a one-off benefit (€624 thousand) was granted because of the termination of an employment contract. On 25 May 2016 the Annual General Meeting resolved to exempt the company from the duty to disclose the remuneration of individual members of the Executive Board for the financial years 2016 until 2020, inclusive.

(163) Pension provisions of €2,784 thousand (2015: €2,743 thousand) were reported for former members of the Executive Board. Furthermore, pension payments of €151 thousand (2015: €151 thousand) were made for former members of the Executive Board.

(164) The Supervisory Board received remuneration of €45 thousand (2015: €45 thousand) in 2016.

(165) The shareholdings of the members of the Executive Board and the Supervisory Board are as follows:

	31 Dec 2016 Shares	**31 Dec 2015** Shares
Executive Board		
Martin Müller-Elschner (Chairman)	200,000	177,200
Dr Helmut Bergstein	-	30,000
Matthias Rust	6,800	-
Supervisory Board		
Prof Herbert Sonntag	866,000	866,000

DISCLOSURES ON THE GERMAN CORPORATE GOVERNANCE CODE

(166) The 2016 declaration of compliance was issued by the Executive Board and the Supervisory Board on 12 February 2016 and can be accessed by shareholders at all times on the IVU AG homepage (www.ivu.com) under Investor Relations.

Berlin, 9 March 2017

Martin Müller-Elschner

Matthias Rust

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS SEGMENT REPORTING

CONSOLIDATED SEGMENT REPORTING FOR THE 2015 FINANCIAL YEAR (IFRS)

Business segments	Public Transport		Logistics		Central services		**Consolidated**	
€ thousand	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Total revenue	54,368	53,534	5,791	5,529	345	1,126	60,504	60,189
Revenue from transactions with other segments	-365	-959	-117	-125	-264	-1,041	-746	-2,125
Revenue from external customers	**54,003**	**52,575**	**5,674**	**5,404**	**81**	**85**	**59,758**	**58,064**
Segment result (gross profit)	**37,732**	**35.290**	**4,993**	**4,802**	**114**	**5**	**42,839**	**40,097**
Expenses*	-31,027	-25,109	-3,593	-3,161	-6,825	-6,960	-41,445	-35,230
EBIT	**6,705**	**10,181**	**1,400**	**1,641**	**-6,711**	**-6,955**	**1,394**	**4,867**
Financial expenses, net					-170	-223	-170	-223
EBT							**1,224**	**4,644**
Income taxes					-1,431	-1,043	-1,431	-1,043
CONSOLIDATED NET LOSS / PROFIT							**-207**	**3,601**
Notes							(141)–(145)	(141)–(145)
Segment assets	**49,199**	**51,438**	**5,194**	**5,312**	**3,387**	**3,395**	**57,780**	**60,145**
Investment expenditure	941	979	137	157	127	131	1,205	1,267
Impairments	1,182	917	175	150	156	121	1,513	1,188

Geographic segments	Germany		Europe		Others		**Consolidated**	
€ thousand	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue from external customers	34,352	31,728	22,036	18,739	3,370	7,597	59,758	58,064
Segment assets	51,300	53,665	6,396	6,396	84	84	57,780	60,145
Investment expenditure	1,181	1,202	24	65	0	0	1,205	1,267
Impairments	1,363	1,114	150	74	0	0	1,513	1,188

* Due to an editorial error, expenses for the "Public Transport" segment and "Central Services" were stated as €16,061 thousand and €16,008 thousand respectively in 2015. This misstatement has been corrected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS NON-CURRENT ASSETS

DEVELOPMENT IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT 2016 (IFRS)

	Cost				
	As at 1 Jan 2016 € thousand	Addition € thousand	Reclassification € thousand	Disposal € thousand	As at 31 Dec 2016 € thousand
I. Intangible assets					
1. Industrial rights and licenses, software	7,616	211	0	780	7,047
2. Goodwill	14,626	0	0	0	14,626
3. Primary intangible assets	15,505	0	0	0	15,505
	37,747	**211**	**0**	**780**	**37,178**
II. Property, plant and equipment					
1. Technical equipment and machinery	1,008	0	0	15	993
2. Other equipment, operating and office equipment	8,502	677	0	139	9,040
3. Advance payments and assets under construction	18	317	0	18	317
	9,528	**994**	**0**	**172**	**10,350**
	47,275	**1,205**	**0**	**952**	**47,528**

DEVELOPMENT IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT 2015 (IFRS)

	Cost				
	As at 1 Jan 2015 € thousand	Addition € thousand	Reclassification € thousand	Disposal € thousand	As at 31 Dec 2015 € thousand
I. Intangible assets					
1. Industrial rights and licenses, software	7,289	327	0	0	7,616
2. Goodwill	14,626	0	0	0	14,626
3. Primary intangible assets	15,505	0	0	0	15,505
	37,420	**327**	**0**	**0**	**37,747**
II. Property, plant and equipment					
1. Technical equipment and machinery	2,795	0	0	1,787	1,008
2. Other equipment, operating and office equipment	7,662	940	2	102	8,502
3. Advance payments and assets under construction	20	0	-2	0	18
	10,477	**940**	**0**	**1,889**	**9,528**
	47,897	**1,267**	**0**	**1,889**	**47,275**

Depreciation and amortisation				Residual carrying amounts	
As at 1 Jan 2016 € thousand	Addition € thousand	Disposal € thousand	As at 31 Dec 2016 € thousand	As at 31 Dec 2016 € thousand	As at 31 Dec 2015 € thousand
6,795	611	780	6,626	421	821
3,277	0	0	3,277	11,349	11,349
15,505	0	0	15,505	0	0
25,577	**611**	**780**	**25,408**	**11,770**	**12,170**
770	55	12	813	180	238
7,077	829	139	7,767	1,273	1,425
0	18	18	0	317	18
7,847	**902**	**169**	**8,580**	**1,770**	**1,681**
33,424	**1,513**	**949**	**33,988**	**13,540**	**13,851**

Depreciation and amortisation				Residual carrying amounts	
As at 1 Jan 2015 € thousand	Addition € thousand	Disposal € thousand	As at 31 Dec 2015 € thousand	As at 31 Dec 2015 € thousand	As at 31 Dec 2014 € thousand
6,349	446	0	6,795	821	940
3,277	0	0	3,277	11,349	11,349
15,505	0	0	15,505	0	0
25,131	**446**	**0**	**25,577**	**12,170**	**12,289**
2,499	55	1,784	770	238	296
6,489	687	99	7,077	1,425	1,173
0	0	0	0	18	20
8,988	**742**	**1,883**	**7,847**	**1,681**	**1,489**
34,119	**1,188**	**1,883**	**33,424**	**13,851**	**13,778**

RESPONSIBILITY STATEMENT

RESPONSIBILITY STATEMENT

We represent that, to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements present a true and fair view of the Group's net assets, financial situation and results of operation, and that the Group management report describes fairly, in all material respects, the Group's business trend and performance, the Group's position and the significant risks and opportunities of the Group's expected future development.

Berlin, March 2017

The Executive Board

Martin Müller-Elschner   Matthias Rust

AUDITOR'S REPORT

The auditors, the Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, have drawn up the following auditor's report for the consolidated financial statements and consolidated management report:

"We have audited the consolidated financial statements prepared by IVU Traffic Technologies AG, Berlin, comprising the balance sheet, the income statement, the comprehensive income, the notes to the consolidated financial statements, the cash flow statement, and the statement of changes in equity together with the group management report for the fiscal year from 1 January 2016 to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ("Handelsgesetzbuch": German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the legal requirements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, 21 March 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Canzler
Wirtschaftsprüfer
(German public auditor)

Seifert
Wirtschaftsprüfer
(German public auditor)

FINANCIAL CALENDAR 2017

Tuesday, 21 March 2017
Publication of the 2016 Annual Report

Tuesday, 30 May 2017
Three-months report as at 31 March

Wednesday, 31 May 2017
Annual General Meeting

Wednesday, 30 August 2017
Six-months report as at 30 June

Wednesday, 22 November 2017
Nine-months report as at 30 September

ADVISORY BOARD

Dr Heiner Bente, Hamburg
- Deputy Chairman of the Advisory Board of G. A. Schürfeld & Co. GmbH
- Chairman of the Advisory Board of X-label GmbH
- Chairman of the Advisory Board of civity Management Consultants GmbH & Co. KG
- Senior Advisor @VISORY partners GmbH

Prof Manfred Boltze, Darmstadt
- Head of the Section Transport Planning and Traffic Engineering at the Technical University Darmstadt
- Chairman of the Steering Committee of the WCTRS – World Conference on Transport Research Society
- Member of the Scientific Advisory Boards of the trade magazines "Straßenverkehrstechnik" and "Der Nahverkehr"

Prof Adolf Müller-Hellmann, Cologne
- Member of the Executive Board of Forum für Verkehr und Logistik e.V.
- Honorary Professor at the ISEA – Institute for Power Electronics and Electrical Drives, RWTH Aachen University

Prof Ronald Pörner, Berlin
- Member of the Faculty Council of the degree course Business Economics at HTW Berlin
- Member of the Advisory Board of ABELLIO GmbH
- Member of the Executive Board of VDV Stiftung Führungsnachwuchs
- Member of the Advisory Board of FOGTEC GmbH
- Member of the Executive Board of Deutsche Maschinentechnische Gesellschaft – Forum für innovative Bahnsysteme, Berlin
- Member of the Advisory Board of Eisenbahntechnische Rundschau (ETR)
- Member of the Advisory Board of Privatbahn -Magazin

Volker Sparmann, Hofheim am Taunus
- Mobility officer of the Ministry of Economics, Energy, Transport and Regional Development, State of Hessen
- Chairman of the Executive Board of House of Logistics and Mobility (HOLM) e.V.

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Contact
Investor Relations
T +49.30.859 06 -0
F +49.30.859 06 -111
ir@ivu.de

Editorial
Dr Stefan Steck
Corporate Communications

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IVU Traffic Technologies AG
Bundesallee 88
12161 Berlin
Germany

T +49.30.85906 -0
F +49.30.85906 -111

contact@ivu.com
www.ivu.com