



Annual Report 2007
InVision Software AG

Overview



InVision Software at a glance

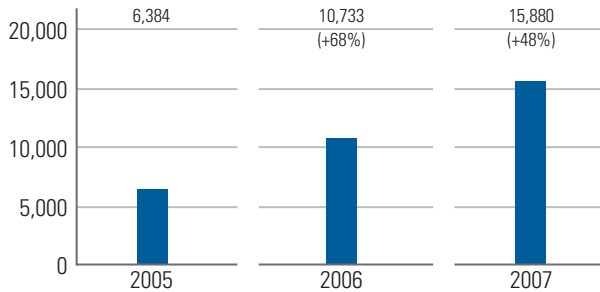
In 1995 InVision Software was formed with a mission to provide every company with the best possible solution to its workforce management issues. InVision has never lost sight of this goal and has since become one of the global leaders in workforce management solutions and frequently sets technological trends in this field.

By using the InVision Software Group's products, the Group's international customers are able to optimise their staff deployment and increase productivity. At the same time, they can reduce planning and administrative costs and significantly improve employee motivation. Thus, investments made in workforce management solutions as a rule can be amortised within a few months, thereby yielding an impressive return on investment.

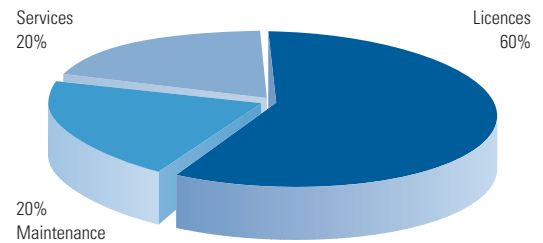
Since 18 June 2007, InVision Software has been listed on the Prime Standard segment of the German Stock Exchange in Frankfurt.

Financial Summary

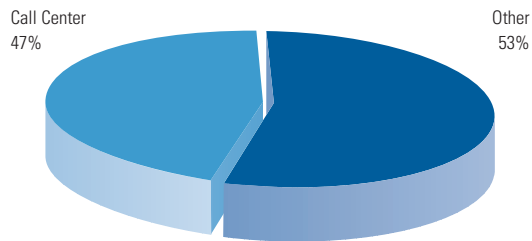
Revenue development 2005-2007 (TEUR)



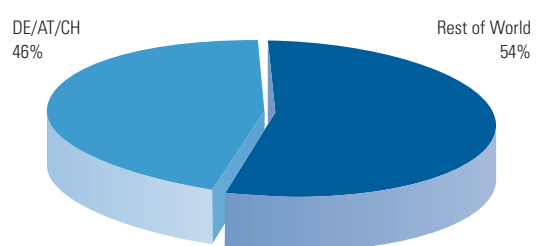
Revenue allocation 2007 (licences, maintenance, services)



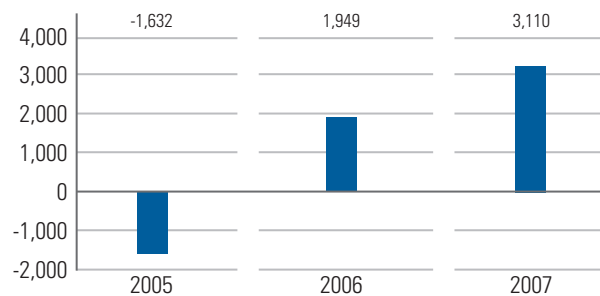
Revenue allocation 2007 (according to customer segment)



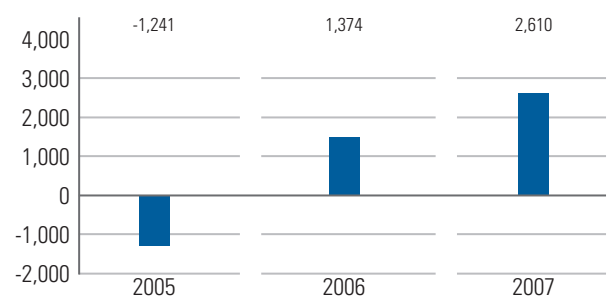
Revenue allocation 2007 (according to region)



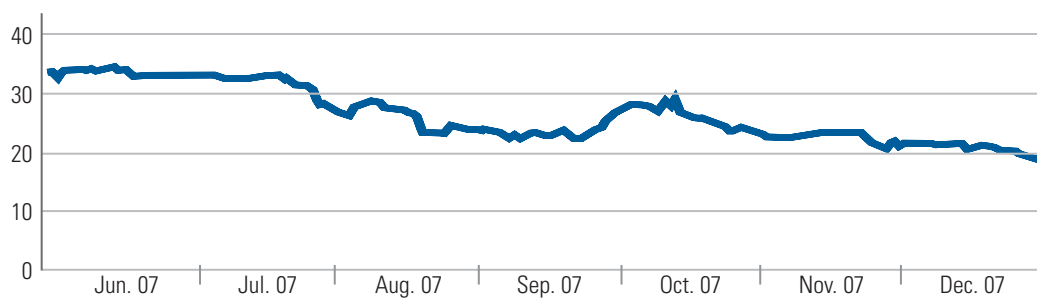
EBIT development 2005-2007 (TEUR)



Net profit development 2005-2007 (TEUR)



Share price development 2007 (XETRA)



Contents



Overview	2
Contents	4
Foreword of the Executive Board	6
The Business	8
The Share	22
Corporate Governance	24
Report by the Supervisory Board	30
Financial Information	32

Foreword of the Executive Board



Peter Bollenbeck, CEO

"We will be the world's leading supplier of solutions for company-wide workforce management."

Peter Bollenbeck (*1973) is a founding shareholder of the Company and, as Executive Board Chairman, is responsible for strategy, sales, professional services and finances. He has been a member of the Executive Board or the managing directorship since the formation of InVision in 1995 and has been appointed to serve in this office until 19 February 2012.

Matthias Schroer, CTO

"We are a global trendsetter in technology and are constantly expanding our technological position."

Matthias Schroer (*1967) is a founding shareholder of the Company and is responsible for research, development and IT. He has been a member of the Executive Board or the managing directorship since the formation of InVision in 1995 and has been appointed to serve in this office until 19 February 2012.

Dear shareholders, customers and business partners,

Fiscal year 2007 was the first year in which InVision Software AG operated as a publicly listed company. We are therefore happy to report that 2007 was also the most successful fiscal year in the corporate history of InVision.

We were able to persistently continue our economic success of the last few years by posting new records in revenue and earnings. Group revenues in 2007 rose by 48 percent to EUR 15.9 million, while the income generated from licences (+ 56 percent to EUR 9.5 million), services (+43 percent to EUR 3.3 million) and maintenance (+33 percent to EUR 3.1 million) increased, without exception, very dynamically. As a result, we are now one of the fastest growing software companies in Germany, but have grown without having had to sacrifice profitability. Our operating result (EBIT) was EUR 3.1 million, reflecting a 60 percent increase. Our Group also reported an 90 percent growth in results to EUR 2.6 million.

In 2007, we continued to push ahead with the globalisation of our business activities which began back in 1998. While the geographic expansion of our international platform has for the most part stood at the forefront in recent years, the increase in market penetration and establishment of roots in existing target markets has since gained priority. For us, the strategic international orientation has become a special factor of success since we are increasingly winning over customers who wish to implement the workforce management systems across national borders and therefore rely on suppliers who can meet the requisite international needs. We have since assumed an exceptional position – no other provider of department-wide workforce management solutions is in a position to offer comparable global coverage with subsidiaries in Europe, North America and Africa.

Another factor of success is our technological competence. By constantly innovating and devising technologically demanding solutions, we can set ourselves apart and create extraordinarily high barriers to market entry for potential competitors. In 2007, we have increased our expenses for research and development by 62 percent, which represents 27 percent of total revenues. Our customers also profit from this focus – this year we were once

again able to prove the value-creating effects of our solutions and demonstrate short amortisation periods among our customers.

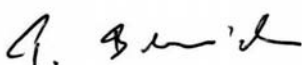
On 18 June 2007, the shares of InVision Software AG were listed for the first time on the Prime Standard segment of the German Stock Exchange in Frankfurt. By virtue of the capital increase carried out in connection with the IPO, we increased our equity capital as of 31 December 2007 to EUR 24.1 million, thereby achieving an equity capital ratio of 86 percent. This equity capitalisation affords us an opportunity to push our growth strategy and realise new growth potential. Moreover, there has been a significant increase in investment security for our customers. We continue to be in a position to help actively forge the consolidation of the market.

A key distinguishing feature of InVision Software – even after the IPO – is its stable shareholder structure which is intended to facilitate long-term growth and company value. The original founding shareholders continue to own more than 50 percent of the company and plan to remain invested for a long time. This will help to achieve a sustainable development of InVision Software to meet international competition.

Although 2007 was a record year, we are not sitting around idly. We have ambitious plans for the coming years. We are aiming at further growth and want to generate EUR 100 million in revenues in the medium and long term. By exploiting economies of scale, we would like to continue improving profitability in an effort to achieve a sustainable EBIT margin of over 25 percent. We are aware that these are ambitious goals. Nevertheless, through our strategic realignment and our IPO this past year, we now have the best opportunities to become a dominating supplier in a worldwide market for workforce management solutions, a market in which we already play a leading role. We are therefore certain that the best years still lie ahead.

We would therefore like to thank you, our dear shareholders, for giving us your trust even in this sometimes turbulent market environment. We would also like to extend our thanks to our customers and all employees, who have contributed their valuable work to ensure that today InVision Software is optimally positioned for the future.

Best regards



Peter Bollenbeck
Executive Board chairman



Matthias Schroer
Executive Board member

The Business



Overview	10
Markets & Strategy	12
Products & Solutions	14
Research & Development	18
Employees	20

Overview

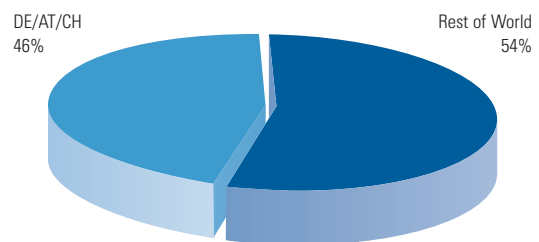


Since its founding in 1995, InVision Software's mission has been to offer every organisation the best possible workforce management solution. Every day, more than 170 specialists from over 15 countries help our customers gain competitive advantages by optimising their staffing requirements. This commitment – combined with in-depth technical and industry-specific expertise and technological know-how – forms the basis for a long-term success story. InVision now numbers amongst the leading providers of workforce management solutions worldwide and sets technological trends in the industry.

InVision has a clear focus, and concentrates exclusively on business- and corporate group-wide workforce management, with the main emphasis on optimising staff deployment. As a result, the company has succeeded in amassing invaluable expertise over the course of the past 13 years. That expertise is reflected in the algorithms used in our products. This ensures that we take a "best practice" approach to a whole range of issues.

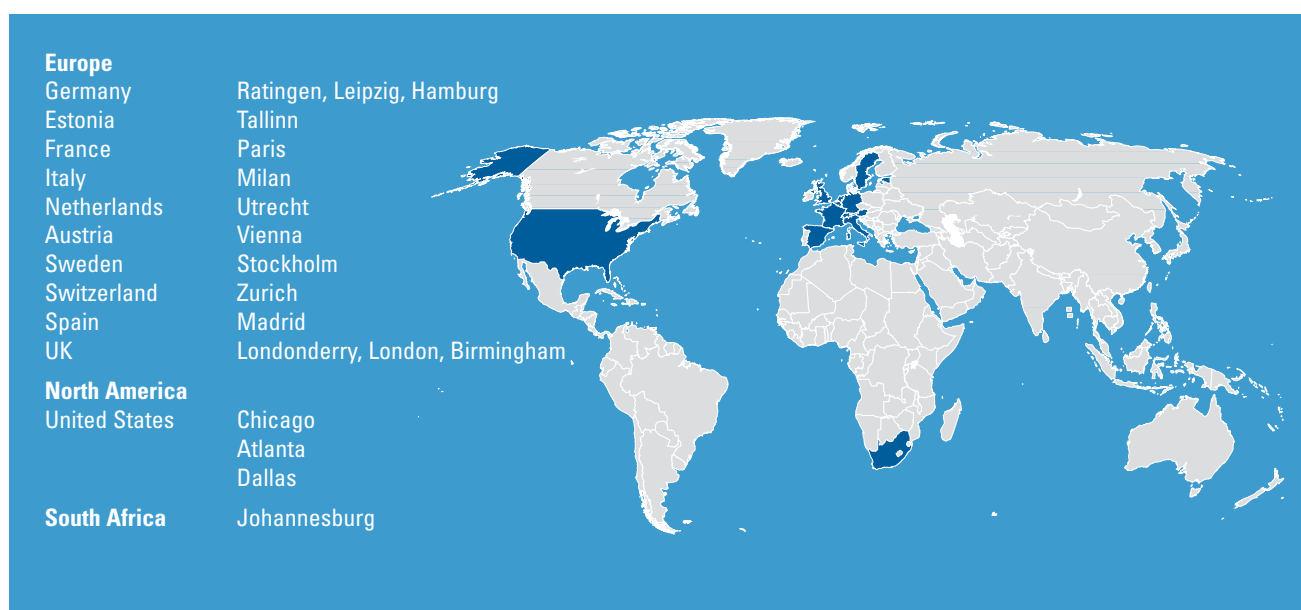
InVision is an international software solutions provider with European roots. We have fully-owned subsidiaries for distribution and consulting in Europe, the United States and South Africa, and are able to use our own resources to carry out pan-European and international projects. A host of international references underscore the multi-faceted utility of our products. 54 percent of our sales nowadays come from non-German-speaking countries.

Revenue allocation 2007 (according to region)

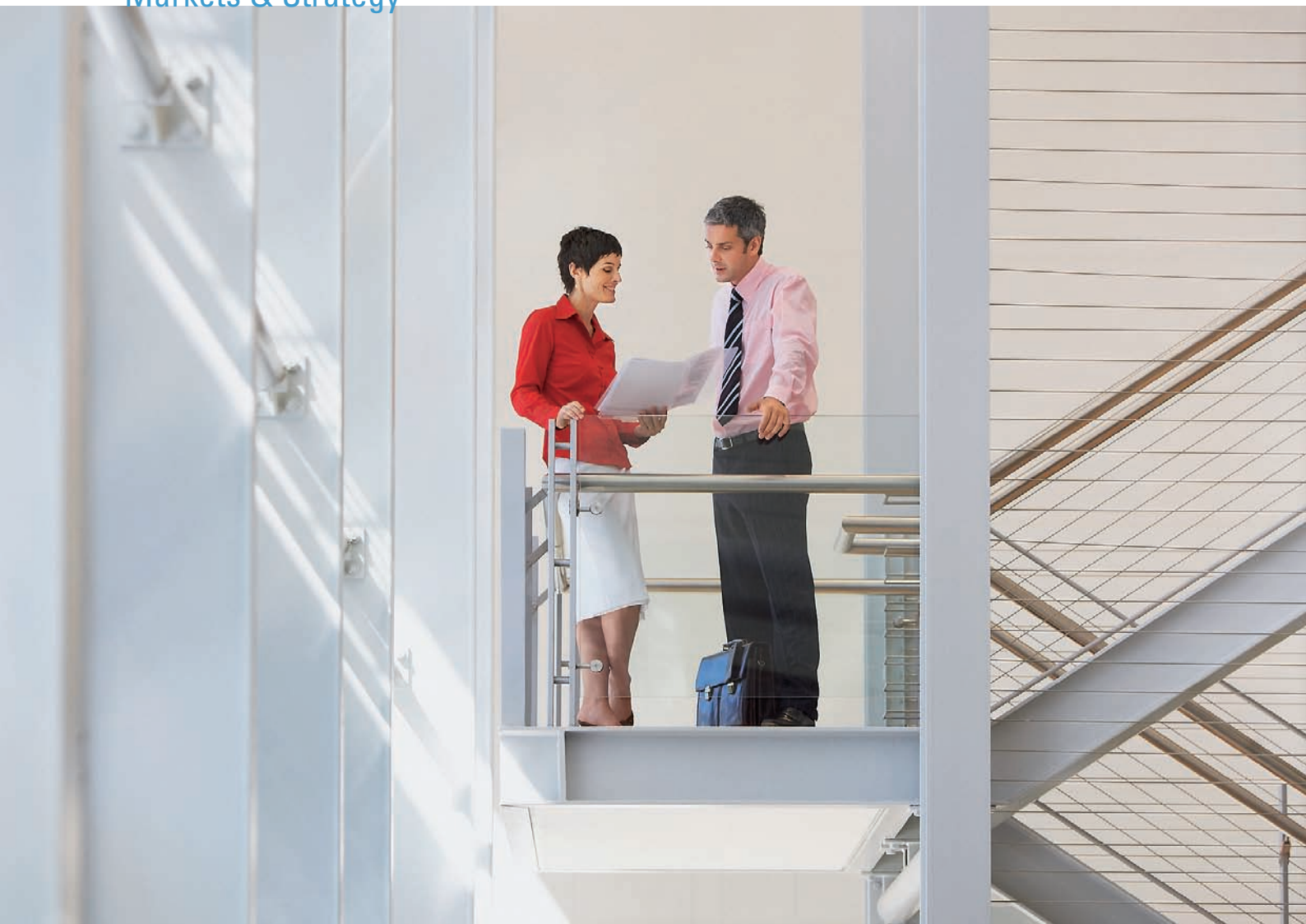


Following our IPO in June 2007, the founders of InVision continue to hold a majority of the investments in the business and are pursuing long-term and sustainable development of the Group. Thus, we are able to make use of, and shape, the longer-term trends in workforce management, largely without being affected by short-term factors and fashions.

Shareholder structure 31 December 2007



Markets & Strategy



Our objective is to maintain a leading global position in the market for workforce management software and to set the standard in the field of workforce management.

The key elements of our sales strategy include effective penetration of international markets, successive diversification of our target markets and geographic areas of application for our workforce management solutions and continuing advancement and development of our range of products in order to build upon our existing technological strengths. In addition, we feel that targeted acquisitions of companies and holdings in companies can be an appropriate means of implementing our strategy.

Internationalisation

Since 1999, we have continued the international expansion of our business by successively forming additional foreign subsidiaries and forging sales partnerships abroad. In addition to its headquarters in Germany, the Company has since set up sales and service companies in France, Italy, Spain, Sweden, the United Kingdom, Estonia, Austria, Switzerland, the Netherlands as well as in the United States and South Africa. In recent years, we have focused our activities primarily on building up local sales and consulting teams, gaining experience in local markets, and successfully acquiring local prestige customers. To expand our business, we intend to continue aggressively penetrating

local markets and expanding our local market presence by hiring more personnel, expanding our sales agent network and increasing our sales and marketing activities.

Since 2004, we have directed our sales and marketing activities to soliciting pan-European and large international customers in order to be better able to exploit our position as an internationally active provider. In this respect, we benefit from the fact that our software can be deployed across borders and can take into account complex cultural conditions and legal environments in the context of staff scheduling optimisation. In this way, the software may be deployed internationally without an immediate need to make complex adjustments to the software in order to adapt to the specific local environment.

Sector diversification

A general principle of successfully deploying workforce management solutions and, in particular, software-based solutions for highly complex staff scheduling optimisation is that it is not limited to certain industry sectors or companies, to the extent that a larger number of employees are intended to be scheduled. However, the demand for workforce management solutions is highly dependent on whether the (legal) environment in the specific sector or in the specific area of application favours the use of workforce management solutions. The factors that favour the deployment of workforce management solutions include, among other things, the legal and practical ability to undertake flexible employee scheduling, long business hours and hours of operation, high quality of services sought by the user, the desire to increase efficiency potential, and heightened competition for qualified personnel. Because these factors weigh differently in the various countries and in the various sectors, there are currently substantial differences between the individual countries and sectors with respect to the opportunities for broad-based deployment of workforce management systems. In Germany and continental Europe, workforce management systems are currently used primarily by companies that operate call centres (call centre departments). Additionally, workforce management systems are also being used by retail companies to optimise staff schedules in the context of operating their indi-

vidual stores, as well as by airport operators and airlines in connection with staff schedule optimisation of ground personnel. In the United States and the United Kingdom, the use of workforce management systems is more wide-spread than in Germany and continental Europe due to a more favourable legal and cultural environment, so that workforce management systems in the above-referenced applications and, above all, in retail, are used to a much greater degree than in Germany and continental Europe. Moreover, other sectors in the US and UK already use workforce management systems. In an effort to achieve early identification and exploitation of other sales potentials, we are closely monitoring the industries and areas of application, which have not used workforce management to-date or which do so on a very limited basis.

Technology

In the development of our product base, we have carefully focused, and will continue to carefully focus, on ensuring that the developed software solutions for staff scheduling and optimisation can be deployed in various sectors and in various areas of application. We intend in future to offer more special programme versions on this basis that are tailored to the special requirements of individual sectors. These include mapping sector-specific processes in order to thereby strengthen the Company's competitiveness in certain market segments.

InVision also invests in the further development of algorithms to resolve highly complex optimisation problems within workforce management, in an effort to further extend its strong position in this area. In this manner, the Company intends to effectively raise the barriers to market entry for other potential competitors so as to provide effective limits on the competitive field.

Corporate acquisitions and equity investments

To support our strategy, we are considering acquisitions of companies or company divisions with the objective of acquiring promising, complementary technology and expanding our own customer base. Furthermore, acquisitions are also intended to strengthen sales and service capacities.

Products & Solutions



Simple as abc: Getting the right employees in the right place at the right time

Our overriding objective is to ensure that our customers always have the right employees in the right place at the right time – with a minimum of effort.

How do we achieve that? It's as simple as abc: with InVision Enterprise WFM. This software represents the combination of an impressive concept, years of experience and state of the art technology, and presents these features in an easy-to-use user-interface.

InVision Enterprise WFM is suitable for companies of all sizes. From small companies with fewer than 100 employees to international corporations with a workforce of several hundred thousand, the system can be used flexibly and, where necessary, expanded. Thanks to its modular structure, InVision Enterprise WFM can be used for individual aspects of workforce management or to provide an integrated representation of all of the processes involved.

What is workforce management?

Workforce management is all about assigning the right employees with the right skills to the right job at the right time.

Although that might initially sound simple, in practice it represents a complex business challenge. Countless factors come into play when you're trying to make the right decisions. And

although many companies use software such as ERP, CRM or HR management etc. for organising different processes, in the staff scheduling context they often resort to pen-and-paper or unsuitable stand-alone solutions such as spreadsheets or time-keeping. The consequences are often disastrous, and can include expensive overtime pay, unproductive idle periods, high rates of staff turnover, poor customer service and untapped revenue potential.

That's where workforce management comes into play. Because it optimises, standardises and automates staff planning, this system is rigorously needs-oriented.

Workforce management provides the adequate components:

- Requirement forecasts – so you know how many employees with which skills you will need in the future
- Work schedule planning – so that you have exactly the right employees to meet your needs
- Time management – so that you can accurately calculate your employees' timekeeping accounts
- Analysis & monitoring – so that you can see whether your results match your targets and take quick and effective action if deviations occur

Workforce management can be put into practice in virtually any department of the enterprise. It leads to tangible benefits and an impressive return on investment.

Why optimisation?

Everyone who has ever set up a staff schedule knows that a planner has to take a whole range of different factors into account. In addition to the mandatory statutory rules and those imposed by collective bargaining or individual employment agreements, there are usually strong preferences and constraints of staff to be taken into account, a certain number of staff skills as well as other requirements such as carpools, the need to consider timekeeping accounts or possible budget restrictions.

It is not enough for schedules to comply with the rules. The plan also has to match your staffing needs as optimal as possible. After all, if the company schedules too many employees, the costs will be too high. But if it schedules too few, it may not be able to serve its customers or operate its equipment.

Setting up staff schedules is a 'combination' problem. In a nutshell, the right combination of employees, work times and tasks has to be found, the rules have to be adhered to, and staffing requirements have to be covered in the best possible way – optimally, in other words.

But how many combinations are there, anyway?

Let's assume that a total of 25 employees have to be planned for a single task on five days of a single week. The employees can start their work day at 8.00 am, 9.00 am, or 10.00 am. Thus, there are 3 to the 25th, or 847,288,609,443 possible combinations. In other words, there are more than 847 billion different ways of combining these employees' working times during the day. One or more of these 847 billion possible plans will optimally meet your needs.

Let's assume that these 25 employees are to have more flexible work schedules, and can therefore start their work day between 8.00 am and 10.00 am at 15-minute intervals and work either 4, 5, 6, 7 or 8 hours a day, in which case the number of permutations increases to 45 to the 25th. Checking to see whether 3 to the 25th plans conform to the rules and optimally cover stocking needs already sounds like a lot of work – but manually processing 45 to the 25th plans is scarcely imaginable within a finite period of time.

Let's look now at a scenario in which the working times of 500 employees doing ten different tasks (including breaks) have to be planned for one month. And let's assume that the working times start at 15-minute intervals between 8.00 am and 4.00 pm and last between 4 and 8 hours in 15-minute increments. Let's also assume that each employee can perform a sequence of up to five different tasks every day. In that scenario, the number of possible combinations increases to 33,126,489 to the 500th (a number with 3,760 digits) – even before we've planned in a single flexible break.

A task with that many potential solutions is, in mathematical terms, relegated to the NP-hard or NP-complete complexity classes. Only professional workforce management systems with the capacity to perform automated optimisation are capable of producing optimal plans under these conditions.

InVision Enterprise WFM finds the best solution, quickly and easily, and in a way that is tailored to the individual needs of our customers.

Services

The introduction of a workforce management solution requires a perfectly co-ordinated mix of consulting, implementation, training and operations, in order for the rollout to be a success.

InVision has been successfully implementing workforce management systems since 1995, working hand in hand with its customers. Over that period, we have continuously refined the process of installation, commissioning and training. InVision's AIM (Application Implementation Methodology), combined with our consultants' many years of extensive practical experience, guarantee the quality, timeliness and cost-effectiveness of our services.

Therefore, what we do is to offer at every phase of the project precisely those services that maximise the utility of our customers' investment. Customers may obtain these services either directly from us as the manufacturer or from our certified consulting and implementation partners.

Services at a glance:

- Consulting
- Project management
- Implementation
- Development
- Training
- Hosting
- Planning services
- Service desk
- Customer portal

Research & Development

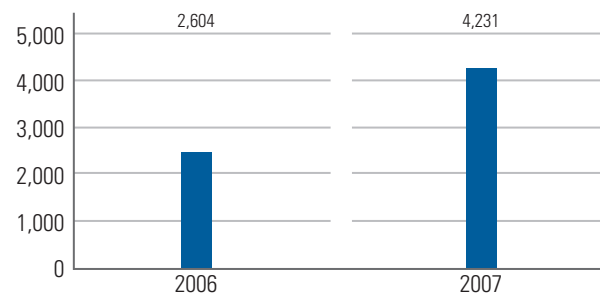


The key features of our products are their special capability of solving highly complex optimisation problems, the accuracy of their projection algorithms, their broad functional coverage and their high processing speed (real time processing) even where there is a high volume of data. Moreover, customer-specific demands can be effectively accommodated by software updates and upgrades.

For us, the continued improvement of our software and our development of new components in order to meet market needs are key competitive factors. Accordingly, we attach great importance to research and development. We therefore are constantly investing in the development of our product lines for our company-wide workforce management programme, InVision Enterprise WFM. Our expenditures on R&D during 2007 increased by 62 percent to TEUR 4,231 (previous year TEUR 2,604). At 27 percent (previous year 24 percent), our R&D expenditures consume an unusually high share of our revenues, relative to the rest of the software sector. Here again, we have documented our intense focus on customer utility.

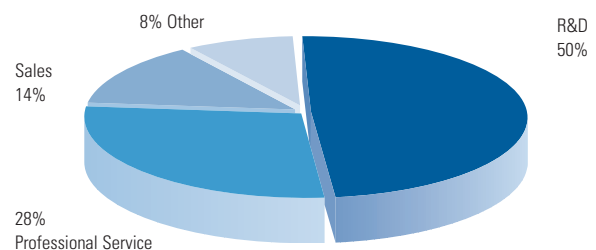
We are an international business. And our software development activities are distributed across four international locations, as well: Ratingen and Leipzig (Germany), Londonderry (Northern Ireland) and Tallinn (Estonia).

R&D expenditures 2006-2007 (TEUR)



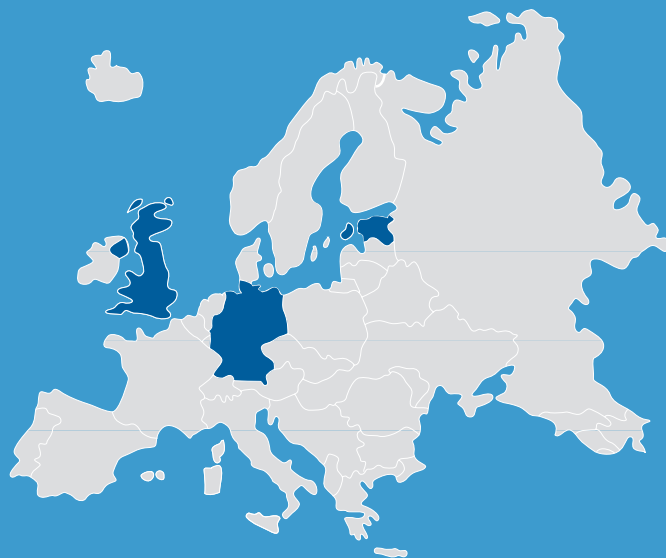
As of 31 December 2007, there was a total of 86 employees working in Research and Development (previous year: 60 employees). This means that 50 percent of our total staff work in R&D.

Employee distribution 2007 (according to division)



European Development Sites

Ratingen (Germany)
 Leipzig (Germany)
 Londonderry (Northern Ireland)
 Tallinn (Estonia)



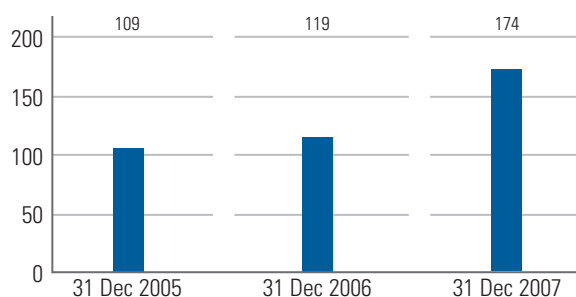
Employees



We are a technological enterprise characterised by strong growth, and our employees are by far the most important factor in our success. We therefore rely on our ability to recruit the best and brightest at our national and international locations in order to successfully grow our business.

In 2007, we increased staff by 46 percent, to a total of 174 employees (as of 31 December 2007). In doing so we have laid the foundation we require in order to be able to continue to offer, to a growing customer base, the best workforce management solutions possible.

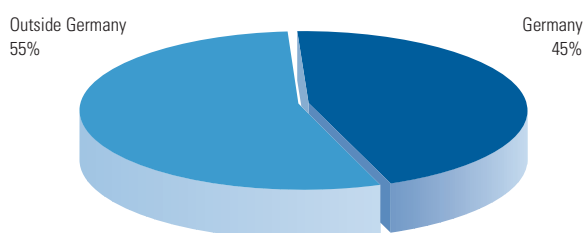
Employee growth 2005-2007



Internationalism

Our employees come from more than 15 countries, and thus they bring to the table a wide range of perspectives for dealing with problems. More than half of the staff on payroll with us is employed at our foreign subsidiaries – this, too, is an expression of just how international we are.

Employee distribution 2007 (according to region)



Responsibility, management & career development

Each employee bears responsibility and has the skills and expertise he or she needs to do so. Our management structure is defined and communicated in a clear way. We expect good job performance from each individual employee, and evaluate them pursuant to a uniform, group-wide structured procedure which minimises arbitrary assessments. Beginning from this starting point, we develop employees' skills individually and thus facilitate each individual employee's personal and professional development.

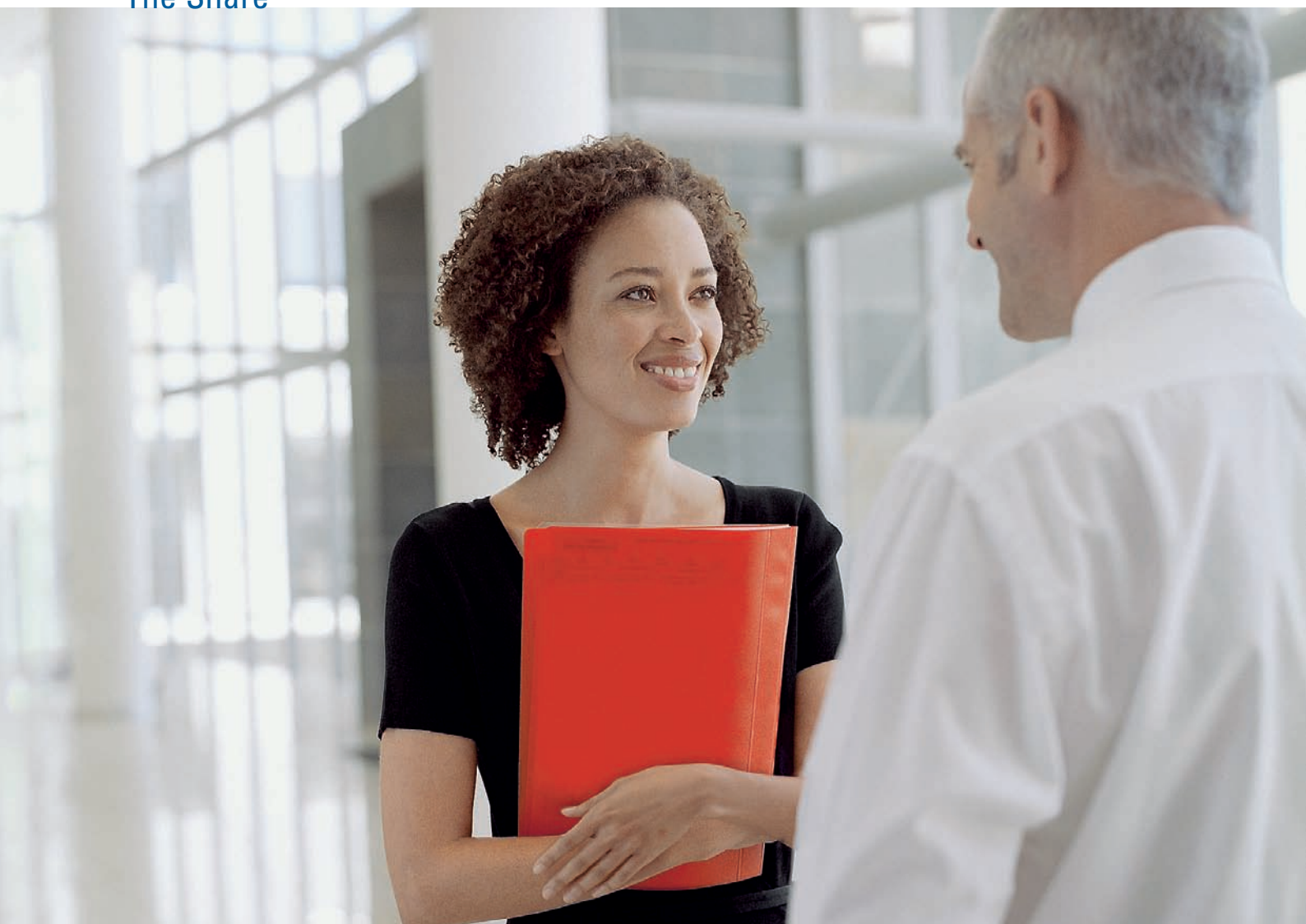
Job & private life

We ensure that our employees' private lives aren't sacrificed, even when they are subject to a heavy workload at the office. We also consider changing life circumstances and, for example, offer employees the opportunity to work from home or to take part-time employment in order to integrate childcare and career demands.

Fun & commitment

Last but not least, by staging group-wide events, we make sure that it is possible for employees to more easily get to know one another even across national borders, and make sure that the notion of 'having fun at work' is not an oxymoron. At our annual "Retreat", we gather employees in a relaxed atmosphere to provide them with insight into the strategic goals of the business and the work of each department, so that employees can get a holistic feel for the decisions that are made. And at "Movements", our annual corporate party, we mix it up with all of our employees, their partners, our customers, suppliers and business partners to demonstrate that we are not only capable of working hard, but that we can also play hard and have a great time, as well.

The Share



Basic data

ISIN	DE0000585969
WKN	585969
Ticker symbol	IVX
Share class	No-par bearer shares
Listed on	Frankfurt Stock Exchange
Segment	Prime Standard
Designated Sponsors	Close Brothers Seydler WestLB
Indexes	Prime All Share Prime Software Technology All Share
Initial listing date	18 June 2007
Offering price	EUR 32.00
Current number of outstanding shares	2,235,000

Key figures

Year high*	EUR 34.59
Year low*	EUR 21.30
Year closing price*	EUR 22.00
Number of shares (per 31 December)	2,235,000
Market capitalisation (per 31 December)	EUR 49.17 million
Free float (per 31 December)	48.3%
Average daily trading volume (Xetra, in units)	1,632
EPS	EUR 1.17
Cash/Share (per 31 December)	EUR 7.52

* Xetra closing price

Investor Relations

Given the general economic conditions, the stock markets as a whole performed favourably in 2007. By mid-July of 2007, the leading German index, the DAX, had reported a 24 percent increase since the beginning of the year and had hit its historical peak (8,152 points). The turbulence in the financial sector, dramatically increasing oil prices and the depreciation of the US dollar all greatly impacted the second-half of the year, elevating the uncertainty and volatility on the stock markets. The DAX ended 2007 at 8,067 points, up 23 percent from the previous year's close.

The market for new issues was also quite healthy through the middle of 2007. As a result of the increased uncertainty on the stock markets during the second-half of the year, the vast majority of the companies newly listed on the Frankfurt Stock Exchange had to endure some significant price drops between the date of the initial listings and the end of the year. Above all, most of the small- and mid-cap companies reported a decline in share price in the second-half of the year.

Shares of InVision Software AG were listed for the first time in the Prime Standard segment of the Frankfurt Stock Exchange in a favourable climate on 18 June 2007. The initial listing was EUR 32.50 and was therefore slightly higher than the offering price of EUR 32.0. Upon the complete exercise of the over-allotment option, a total of 1,077,000 shares were placed. Of this amount, 714,996 shares arose from the capital increase. After the placement was complete, the free float shares made up 49 percent.

During the fiscal year, the Executive Board of InVision Software AG held extensive discussions with the shareholders. Investors and analysts were able to obtain information about the business development and strategic orientation of the Company through individual meetings and road shows and at the analysts' conference held during the Equity Forum in Frankfurt am Main in November. Transparency, openness, and fair and equal treatment were the guiding principles of the investor relations work.

Despite the favourable earnings growth at the operating level, the InVision share price was unable to escape the developments on the market for small- and mid-cap companies. As of the end of the financial year, InVision shares were trading at EUR 22.0, a price that was 31 percent lower than the issue price.

Share price development 2007 (XETRA)



Shareholder structure 31 December 2007



Corporate Governance



To InVision Software AG, corporate governance means responsible and transparent company management and control, which is structured to enhance the long-term value of the Company. Corporate governance consists of standards for sound and responsible company management. To our Executive Board and Supervisory Board, virtues such as persistence, transparency and focus on value are the core components of good corporate management. In accordance with section 3.10 of the German Corporate Governance Code, the corporate governance report of InVision Software AG is prepared jointly by the Executive Board and Supervisory Board. It describes the principles of management and the control structure as well as the significant rights of the shareholders of InVision Software AG.

Management and control structure

InVision Software AG is governed by German company law and consists of a two-tier system of corporate management and supervision. The Executive Board is responsible for corporate management and is subject to the control and supervision of the Supervisory Board. The Executive Board and Supervisory Board work together closely in the interests of the Company and are in regular contact with one another. The Executive Board submits timely and comprehensive reports to the Supervisory Board about business developments, planning as well as the risk situation and, if applicable, about any existing variances between the planned and actual business development. The work of the governing bodies – the Executive Board and the Supervisory Board – is governed by the internal rules of procedure for each body.

Executive Board

The Executive Board is personally responsible for managing InVision Software AG and currently consists of two members. The members of the Executive Board bear the joint responsibility for company management. The Executive Board chairman co-ordinates the work of the Executive Board members.

Supervisory Board

The Supervisory Board of InVision Software AG appoints, supervises and advises the Executive Board and is directly involved in decisions which are of fundamental importance to the Company. The Supervisory Board chairman co-ordinates the work on the Supervisory Board. The members of the Supervisory Board are elected by the shareholders at the Shareholders' Meeting. The Supervisory Board of InVision Software AG currently consists of three members.

Shareholders' Meeting

Each shareholder is invited to attend the Shareholders' Meeting. The Shareholders' Meeting resolves whether to ratify the actions taken by the Executive Board and Supervisory Board, elects the annual accounts auditor, and approves amendments to the Company's articles and memorandum of association as well as any measures that change the Company's capital structure. Consistent with corporate governance, German legislation requires that any and all measures which change a company's capital structure be subject to the consent of the Company's shareholders.

Any shareholders, who do not wish to personally attend the Shareholders' Meeting in order to cast their vote, may also grant a power of attorney (proxy), with binding voting instructions, to a representative of the Company.

Open and transparent communication

InVision Software AG informs shareholders, analysts and journalists in accordance with uniform and standardised criteria. All information is transparent for all capital market participants.

All ad hoc notices and press releases as well as presentations for the press or analysts' conferences are promptly published on the website of InVision Software AG. The Executive Board promptly publishes any insider information, which affects the Company, unless it is exempted from this publication duty in any given case. Insiders are entered on lists pursuant to the statutory requirements and are ordered to preserve confidentiality. InVision Software AG reports on its business development and the Company's financial condition and results of operations according to a set financial calendar four times each year.

Information about the Shareholders' Meeting – such as the notice of the Shareholders' Meeting, the meeting agenda, the annual financial statements, the articles and memorandum of association, and background information to any resolution proposals – are likewise published on the Company's website on the date of the notice of the meeting. In addition, the website will also include information about past Shareholders' Meetings and the quarterly accounts for the most recently completed fiscal year and earlier fiscal years.

If the Executive Board and Supervisory Board members of the Company or any persons related to them should purchase and sell Company shares and any financial instruments underlying these shares (such as derivatives), then such information is also disclosed. Such disclosures are available for inspection on the website immediately after the transactions become known.

Since 20 January 2007, the reporting duty threshold under the new Transparency Directive - Implementation Act (TUG) has declined to 3 percent of the voting rights held in a publicly listed company. Companies must now also disseminate their mandatory reports throughout Europe. For this purpose, InVision Software AG relies on a qualified service provider. In addition, all information is published in German and in English.

Securities transactions and shares held by governing body members

Under § 15 a of the Securities Trading Act (WpHG), members of the Executive Board and members of senior management and the Supervisory Board of InVision Software AG are obligated to

report any transactions they make involving InVision shares. This reporting duty applies to all transactions which are in excess of the aggregate amount of EUR 5,000 per calendar year. In fiscal year 2007, the following transactions were reported to us:

Name	Date	Type of security	Type of transaction	Units	Total value (EUR)
InVision Holding GmbH, Ratingen	2007-09-14	Shares	Purchase	9,000	214,319.97
	2007-09-24	Shares	Purchase	1,300	31,327.00
	2007-09-25	Shares	Purchase	98	2,352.00
	2007-09-26	Shares	Purchase	2,000	48,000.00
	2007-09-26	Shares	Purchase (off exchange)	3,306	99,973.44

The Executive Board members Peter Bollenbeck and Matthias Schroer each hold 1/3 of InVision Holding GmbH shares.

Pursuant to section 6.6 of the German Corporate Governance Code, Executive Board and Supervisory Board members must disclose their shares in the Company as well as any financial instruments underlying such shares, if they hold, either directly or indirectly, more than one percent of the issued and outstanding shares of the Company.

As required under section 6.6 of the German Corporate Governance Code, the following shareholdings were reported to us as of the end of the fiscal year:

Name	Governing body	Type of security	Units	Shareholding (percent)
Peter Bollenbeck	Executive Board	Shares	380,000	17.0
Matthias Schroer	Executive Board	Shares	380,000	17.0
Armand Zohari*		Shares	380,000	17.0
InVision Holding GmbH, Ratingen*		Shares	15,704	0.7

*Peter Bollenbeck, Matthias Schroer and Armand Zohari have jointly concluded a voting pool arrangement. Executive Board members Peter Bollenbeck and Matthias Schroer also each hold 1/3 of the shares of InVision Holding GmbH. Thus, Peter Bollenbeck and Matthias Schroer collectively hold, either directly or indirectly, 1,155,704 shares, which represents 51.7 percent of the Company's registered share capital.

Compliance Statement 2007

The Supervisory Board and Executive Board of InVision Software AG have discussed the recommendations of the Government Commission on the German Corporate Governance Code on Company Management and Supervision (version: 14 June 2007) and have identified those matters on which the Company's conduct is different than the recommended conduct.

Thus, the Executive Board and Supervisory Board have, in accordance with § 161 of the German Stock Corporation Act (AktG), adopted a compliance statement, which acknowledges and confirms that the recommendations of the Government Commission on the German Corporate Governance Code are being observed subject to the following exceptions:

- For reasons of cost and in view of the size of the Company and the relatively low number of shares that are widely held, the Company does not allow its shareholders – contrary to section 2.3.4 of the Code – to use modern means of communication to track and follow the Shareholders' Meeting.
- The directors and officers' liability insurance policy (D&O policy) concluded in favour of the Executive Board and Supervisory Board members does not provide for any deductible (section 3.8 of the Code). The reason for excluding any deductible is that there is currently no consensus regarding what is considered a "reasonable" deductible within the meaning of section 3.8 of the Code. Given the large number of shares held by members of the Executive Board in the Company, the Company also assumes that there will be adequate incentive for the Executive Board to duly and responsibly conduct management. The amount of the premium is not otherwise influenced by the agreement on a deductible.
- The compensation arrangements for the Executive Board does not provide for any variable components (section 4.2.3 of the Code). The Company assumes that the large number of shares held by members of the Executive Board in the Company's registered share capital provides an adequate incentive for the dedicated and responsible management of the Company.
- To date, no age limit (mandatory retirement age) for Executive Board members has been set (section 5.1.2 of the Code). Given the age of the Executive Board members, no

such action has been required so far. The Executive Board and Supervisory Board do, however, agree with the purpose underlying this Code rule and will set such an age limit at a later time in conformity with the Code.

- The Company's articles and memorandum of association and the Supervisory Board's internal rules of procedure grant the Supervisory Board the authority to form committees (section 5.3 of the Code). Given the current size of the Company, the Supervisory Board currently consists of only three members. Accordingly, forming committees would not simplify or streamline the work of the Supervisory Board.
- In addition to their fixed compensation, members of the Supervisory Board do not receive performance-based compensation (section 5.4.7 of the Code). The Executive Board and Supervisory Board do not feel that performance-based compensation for the Supervisory Board is practicable. On the one hand, Supervisory Board compensation linked to the success of the company would fundamentally contradict the Board's supervisory function; and on the other hand, the Executive Board and Supervisory Board believe that variable compensation can be linked only to Group operating results, over which the Supervisory Board has little influence. In the Company's opinion, linking variable Supervisory Board compensation to the amount of distributed dividends creates problems since the Executive Board and Supervisory Board must recommend these actions to the Shareholders' Meeting and would therefore allow themselves, as the beneficiaries, to dictate at least part of their variable compensation. The Company has therefore decided to compensate members of the Supervisory Board according to the costs incurred, which means that they will be paid a meeting fee.
- The Company generally endeavours to publish the annual financial statements within 90 days, and the interim financial statements within 45 days, after the end of the respective reporting period (subsection 7.1.2 of the Code). Given the Company's organisational needs, it is possible, however, that these reports will be published merely in accordance a timetable that complies with the requirements of the Prime Standard of the German Stock Exchange.

Annual accounts auditor

The Shareholders' Meeting of InVision Software AG has appointed the audit firm of Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, to serve as the annual accounts auditor of InVision Software AG. At no time have there been any business, financial, personal or other dealings between the audit firm and its governing bodies and auditing directors, on the one hand, and InVision Software AG and its governing body members, on the other hand, which relationship could cause uncertainty about the audit firm's independence. Verhülsdonk & Partner has also advised the Company on tax matters since 1999.

On the basis of the appointment of the annual accounts auditor by the Shareholders' Meeting, the Supervisory Board of InVision Software AG has authorized the annual accounts auditor to engage in the audit and has agreed on a fee arrangement with the auditor. In connection with granting the auditing job, the Supervisory Board has agreed with the auditors on the reporting duties under the German Corporate Governance Code.

The annual accounts auditors will participate in the discussions and deliberations, which the Supervisory Board holds concerning the annual consolidated financial statements, and will report on the significant findings of its audit.

Executive Board compensation report

Members of the Executive Board are:

- Peter Bollenbeck, Executive Board chairman, term of office ending 19 February 2012
- Matthias Schroer, Executive Board member, term of office ending 19 February 2012

The Executive Board compensation is based on customary industry standards and consists of a fixed-base salary, which increases if a contractually defined revenue threshold is met. In addition, the Executive Board members have a right to use a car leased by the Company. In addition, Executive Board members will be paid an allowance to help cover their costs for health insurance and long-term care insurance.

The benefits paid out in the financial year may be summarised as follows:

Name	2007 (EUR)	2006 (EUR)
Peter Bollenbeck	193,517	136,180
of which fixed salary	176,467	117,441
of which other benefits	17,050	18,739
Matthias Schroer	190,071	132,739
of which fixed salary	177,388	121,620
of which other benefits	12,683	11,119
Total Compensation Executive Board	383,588	268,919

The Company has taken out private liability insurance to cover the Executive Board members, if these members do not have their own personal liability insurance protection. In addition, the Company has executed a D&O insurance policy (without any deductible).

Otherwise, the Executive Board members in fiscal year 2007 were not granted any loans or provided any advances for future salary payments, and no contingent liabilities were incurred for the benefit of such persons.

Supervisory Board compensation report

Pursuant to the Company's articles and memorandum of association, the Supervisory Board of InVision Software AG consists of three members. On 13 March 2007, the Company's Annual Shareholders' Meeting elected the three members of the Supervisory Board for terms of office ending with the conclusion of the Annual Shareholders' Meeting, at which a resolution for ratifying the board's actions for fiscal year 2011 is adopted.

Members of the Supervisory Board are:

- Dr. Thomas Hermes (Chairman), Essen, Attorney-at-Law and Notary
- Dr. Christof Nesemeier (Deputy chairman), Berlin, qualified merchant [Dipl.-Kaufmann]
- Prof. Dr. Wilhelm Mülder, Essen, University Professor

In addition to reimbursement of the expenditures which they incur in discharging their official duties, members of the

Company's Supervisory Board are paid a fixed fee of EUR 5,000. The Supervisory Board chairman receives twice that amount, and the Deputy chairman receives one and one-half times that amount. The fee is paid after the financial year in question ends. Any value added tax charged on the cost reimbursement or fees will also be reimbursed.

In fiscal year 2007, the Supervisory Board's benefits consist of the following:

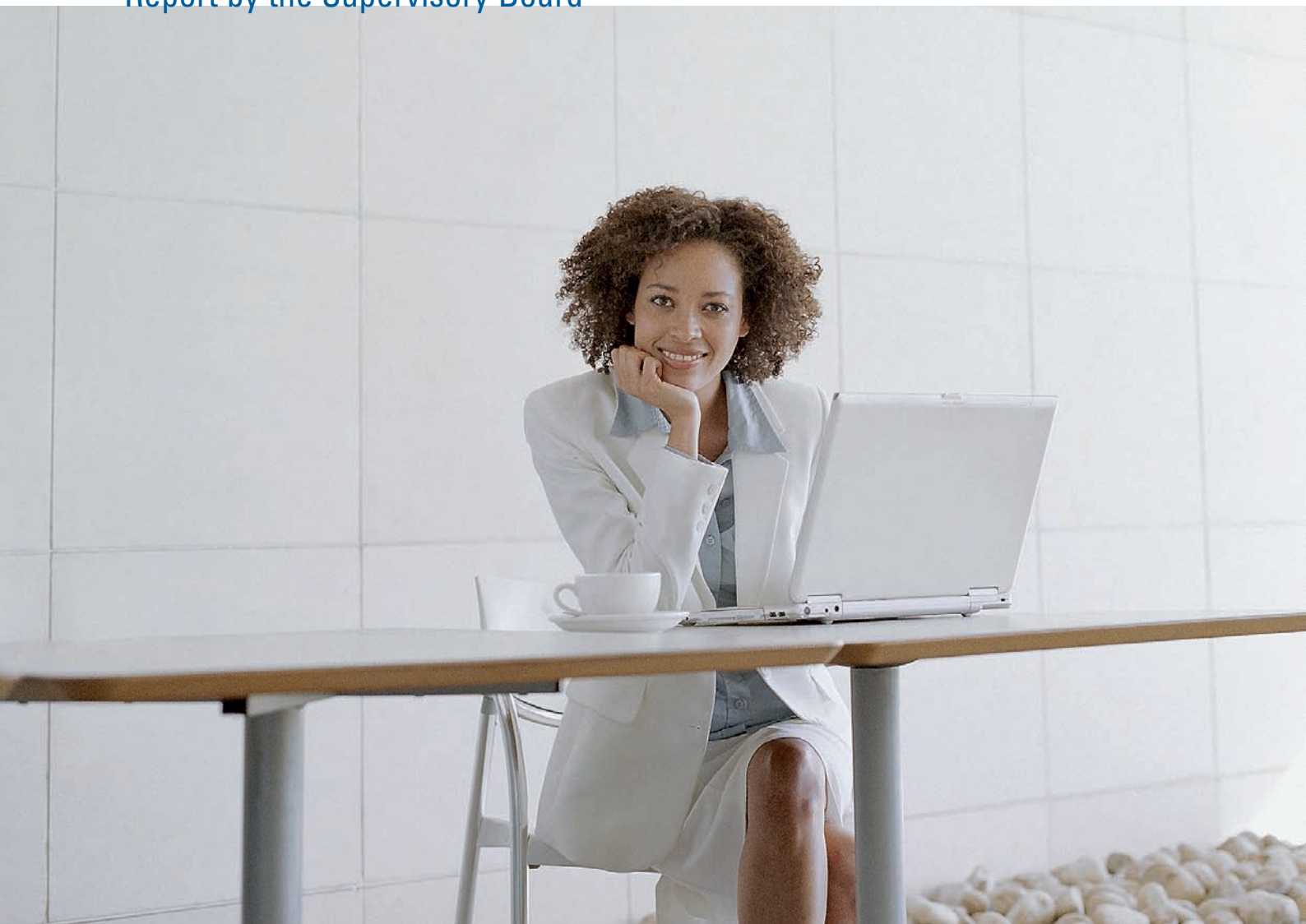
Name	2007 (EUR)	2006 (EUR)
Dr. Thomas Hermes	12,800	2,400
of which fixed compensation	10,000	0
of which meeting fees and expenditures	2,800	1,200
Dr. Christof Nesemeier	9,400	1,200
of which fixed compensation	7,500	0
of which meeting fees and expenditures	1,900	1,200
Prof. Dr. Wilhelm Mülder	7,400	1,200
of which fixed compensation	5,000	0
of which meeting fees and expenditures	2,400	1,200
Total Compensation Supervisory Board	28,600	4,800

Otherwise, the Supervisory Board members in fiscal year 2007 were not granted any loans or provided any advances for future payments, and no contingent liabilities were incurred for the benefit of such persons.

Ratingen, in April 2008

The Executive Board and the Supervisory Board of InVision Software AG

Report by the Supervisory Board



During fiscal year 2007, the Supervisory Board of InVision Software AG supervised the Executive Board in accordance with the German Corporate Governance Code and, by reviewing all key business transactions, gathered detailed information about the Group's performance. The Supervisory Board held five meetings during the reporting year.

At the meetings, the Supervisory Board together with the Executive Board closely analysed the ongoing business development and conferred on the strategic direction of the Company. The Supervisory Board reviewed those transactions, which are subject to its consent under the statutory rules or the provisions of the Company's articles and memorandum of association, and then decided on whether to consent to such transactions.

The discussions covered not only the business situation at InVision Software AG and its subsidiaries, but also the

Company's current and long-term development and product, sales and marketing strategy. Furthermore, when requested, the Executive Board informed the Supervisory Board chairman, either by telephone or in writing, about the ongoing course of business.

In preparing for the Company's Initial Public Offering in fiscal year 2007, the Supervisory Board dealt with the issue of corporate governance and the German Corporate Governance Code. During the reporting year, the Supervisory Board and Executive Board took measures that were necessary to comply with most of the Code's recommendations.

The compliance statement, which is jointly issued with the Executive Board pursuant to § 161 of the German Stock Corporation Act (AktG), concludes that in fiscal year 2007 InVision Software AG has, subject to a few exceptions, complied

with the recommendations of the Code (both in its 12 June 2006 version and in its amended version of 14 June 2007), and that it will also widely comply with the Code in the future. This compliance statement has been published in the annual report and on the Company's website, www.invisionwfm.com.

In fiscal year 2007, the Supervisory Board meetings focused on the following issues:

- The meeting held on 13 March 2007 dealt with, among other things, the audit of the 2006 annual financial statements and the audit of the 2005 and 2006 consolidated financial statements and addressed the resolutions required on such audit. Likewise on 13 March 2007, the Supervisory Board met after the shareholders' meeting in order to hold its constitutive meeting at which it elected Dr. Thomas Hermes to serve as Chairman and Dr. Christof Nesemeier to serve as Deputy chairman.
- At the meeting held on 21 May 2007, the timetable and procedures for the planned initial public offering was discussed.
- At the meeting held on 13 August 2007, the board members looked back the initial public offering and discussed the key financial figures for the first half of 2007.
- The meeting held on 5 November 2007 addressed the course of business during the third quarter of 2007.

In order to audit the annual financial statements and the consolidated financial statements for fiscal year 2007, the Supervisory Board duly engaged the audit firm of Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, which had been selected by the Shareholders' Meeting to act as the Company's annual accounts auditor.

The external auditors have issued the Supervisory Board with a declaration of independence in accordance with section 7.2.1 of the German Corporate Governance Code. This declaration confirms that no professional, financial or other kinds of relations exist between the firm of auditors and its boards and chief auditors on the one hand, and InVision Software AG and its board and committee members on the other hand, which could give reason to doubt the auditors' independence.

The subject matter of the audit were the annual financial statements and consolidated financial statements as of 31 December 2007 as well as the management report, which were based on the bookkeeping performed by Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf. The audit firm issued an unqualified auditor's opinion [uneingeschränkter Bestätigungsvermerk].

The audit reports were submitted to the Supervisory Board. The auditors responsible for conducting the audit then explained the reports in person to the entire Supervisory Board and to the Executive Board. The Supervisory Board closely scrutinised the reports during a meeting held on 10 April 2008. The Supervisory Board concurred with the results of the audit and approved the annual financial statements and consolidated financial statements. The submitted annual financial statements are thereby formally adopted. The Supervisory Board concurs with the Executive Board's recommendation on the use of the unappropriated balance sheet profit.

In fiscal year 2007, there were no changes in the membership of the Executive Board or the Supervisory Board of InVision Software AG. The Supervisory Board thanks the Executive Board and all employees for their dedication and for the work they did in fiscal year 2007.

Essen, 14 April 2008

The Supervisory Board

Dr. Thomas Hermes

-Chairman-

Dr. Christof Nesemeier

-Deputy chairman-

Prof. Dr. Wilhelm Müller

Members of the Supervisory Board and overview of other Supervisory Board positions

Dr. Thomas Hermes

Attorney-at-Law and Notary, Partner in the law firm Holthoff-Pförtner, Essen and Berlin

Dr. Hermes sits on the following additional supervisory boards:

- Deputy chairman of the Supervisory Board of Wohnungsbaugenossenschaft Essen-Nord eG

Dr. Christof Nesemeier

Executive Board chairman of MBB Industries AG, Berlin

Dr. Nesemeier sits on the following additional supervisory boards:

- Supervisory Board chairman of Delignit AG, Blomberg

Prof. Dr. Wilhelm Müller

University professor, Essen

Prof. Dr. Müller sits on the following additional supervisory boards:

- Supervisory Board chairman of the European Centre for Coatings and Surface Technology, Krefeld/Münster



Group Management Report	34
Consolidated Balance Sheet	44
Consolidated Income Statement	46
Consolidated Cash Flow Statement	47
Consolidated Notes	48
Independent Auditors' Report	64
Financial Calendar	65

Group Management Report

The following management report contains information about InVision Software AG, Ratingen (hereinafter also referred to as "AG", "InVision AG" or the "Company"), and about its consolidated subsidiaries (hereinafter collectively with the Company also referred to as "InVision", "the InVision Group", or "the Group"). As the Group's parent company, InVision Software AG performs group management functions and is simultaneously the key member of the InVision Group. The explanations below generally relate to the Group, unless there has been an express reference to the Company itself.

1. Overview

In the basically favourable economic climate of financial year 2007, the InVision Group was able to further strengthen its position as one of the leading international providers of enterprise-wide workforce management solutions. Group revenues increased by 48 percent to EUR 15.9 million. The Group increased its earnings by 90 percent to EUR 2.6 million, thereby reporting its best earnings in history. These results make InVision one of the fastest growing software companies in Germany and one of the fastest growing providers of workforce management solutions in the entire world.

Since 18 June 2007, InVision Software AG has been listed in the quality segment of the Frankfurt Stock Exchange, the Prime Standard. The InVision Group's equity capital structure was significantly improved as a result of the capital increase made in connection with its initial public offering (IPO).

In its competitive international market, InVision is well positioned, has solid financing and is pursuing a forceful growth strategy. These qualities will allow it to aggressively utilise future growth opportunities and exploit economies of scale to continually improve profitability.

2. The Company

Business

Since it was formed in 1995, InVision has been developing and selling workforce management software and providing related services such as consulting and implementation.

Workforce management is defined as the optimal deployment of human resources in the broadest sense. Workforce management consists of projecting labour demand, planning and optimizing staffing, performing time management, and analysing and directing the deployment of human resources. Staff scheduling and, more specifically, the optimisation of staff scheduling, are performed on the basis of complex mathematical models that are influenced by a large number of different factors. Staff scheduling must be optimally tailored to the needs of the respective enterprise in order to avoid unnecessary costs resulting from the deployment of unnecessary staff, or to guarantee adequate staffing during periods of peak staff demand. The greater the number of staff and the factors that must be taken into account in the scheduling of staff, the more complex the necessary calculations become. Thus, an optimal scheduling of staff requires the utilisation of sophisticated software-based system solutions.

The software, which is developed and sold by the InVision Group, encompasses all elements of workforce management and is not limited to certain industries or certain areas of application. Rather, the software can be used in all divisions of a business where staff scheduling and staff scheduling optimisation are necessary, provided that the respective environment is suitable for the use of the software. Thus, for example, in a retail business, it is possible not only to plan and optimise staffing in individual stores, but also to control staff scheduling in the company's call centres. In this respect, the Company maintains a special core competency in the development of software-based solutions for highly complex and technically demanding optimisation problems.

The objective of workforce management systems is to improve employee efficiency by consistently orienting staffing to meet actual needs, thereby resulting in lower personnel expenses and improved productivity. By enabling the active participation of employees or, as the case may be, by recording their preferences (such as individual working hour preferences) in the planning process, it is possible to achieve a better balance between work and leisure time. By scheduling employees in accordance with demand, it is possible to avoid unnecessary over-utilisation and under-utilisation of staff. Finally, balancing out the allocation of

staff deployments at less desirable hours or at less desirable work locations yields fairer employee scheduling. These advantages also contribute to employee job satisfaction as a whole, thereby lowering staff turnover and reducing personnel recruiting expenses. The planning costs usually associated with staff scheduling can also be reduced by standardising the relevant processes and by greatly eliminating the use of paper and reducing error-prone manual corrections to staff schedules. As a rule, costs of the software can be fully amortised within six to twelve months.

Strategy

The Company's objective is to attain a leading global position in the market for workforce management software and to set the standard in the field of workforce management. To this end, the InVision Group is concentrating on workforce management solutions with a clear focus on software-supported solutions for highly complex optimisation problems in the field of staff scheduling, without thereby limiting its product to certain industries or to certain areas of application within a business. These software solutions are developed for company-wide workforce management services and are not limited to particular sectors or areas of application within a company. The key elements of the Company's sales strategy include the effective penetration of international markets, the successive diversification of its target markets and geographic areas of application for the Company's workforce management solutions and, from a technical perspective, the continuing advancement and development of the Company's range of products in order to build upon what the Company believes is its existing technological strengths. In addition, the Company feels that targeted acquisitions of companies and holdings in companies can be an appropriate means of implementing its strategy.

Internationalisation

Since establishing its first subsidiary in 1999 and forging its first sales partnerships abroad, the InVision Group has continued the international expansion of its business by successively forming additional foreign subsidiaries. In addition to its headquarters in Germany, the Company has since set up sales and service companies in France, Italy, Spain, Sweden, the United Kingdom, Estonia, Austria, Switzerland, the Netherlands as well as the United States and South Africa. In recent years, the Company has focused its activities primarily on building up local sales and

consulting teams, gaining experience in local markets, and successfully acquiring local prestige customers. To expand its business, the InVision Group intends to continue aggressively penetrating local markets and expanding its local market presence by hiring more personnel, expanding its sales agent network and increasing its sales and marketing activities.

Since 2004, InVision has directed its sales and marketing activities to soliciting pan-European and large international customers in order to be better able to exploit its position as an internationally active provider. In this respect, InVision Group benefits from the fact that its software can be deployed across borders and can take into account complex cultural conditions and legal environments in the context of staff scheduling optimisation. In this way, the software may be deployed internationally without an immediate need to make complex adjustments to the software in order to adapt to the respective local environment.

Sector diversification

The successful deployment of workforce management solutions and, in particular, the deployment of software-based solutions for highly complex staff scheduling optimisation is not, in principle, limited to certain industry sectors or companies, to the extent that a larger number of employees are intended to be scheduled. However, the demand for workforce management solutions is highly dependent on whether the (legal) environment in the respective sector or in the respective area of application favours the use of workforce management solutions. The factors that favour the deployment of workforce management solutions include, among other things, the legal and factual opportunity for flexible employee scheduling, long business hours and hours of operation, a high quality of service sought by the user, the desire to increase efficiency potential, and elevated competition for qualified personnel. Because these factors weigh differently in the various countries and in the various sectors, there are currently substantial differences between the individual countries and sectors with respect to the opportunities for a broad-based deployment of workforce management systems. In Germany and continental Europe, workforce management systems are currently used primarily by companies that operate call centres. Additionally, workforce management systems are also being used by retail companies to optimise staff schedules in the context of organising their individual stores, as well as by airport operators and airlines in connection

with staff schedule optimisation of ground personnel. In the United States and the United Kingdom, the use of workforce management systems is more wide-spread than in Germany and continental Europe due to a more favourable environment, so that workforce management systems in the aforementioned applications and, above all, in retail, are used to a much greater degree than in Germany and continental Europe. Moreover, other sectors in the US and UK already use workforce management systems. In an effort to identify early and exploit other sales potential, InVision is closely monitoring the industries and areas of application, which until now have not used workforce management or do so on a very limited basis.

Technology

In the development of its product base, InVision has carefully focused, and will continue to carefully focus, on ensuring that the developed software solutions for staff scheduling and optimisation can be deployed in the various sectors and in the various areas of application. InVision intends in future to offer on this basis more special programme versions that are tailored to the special requirements of individual sectors. These include mapping sector-specific processes in order to thereby strengthen the Company's competitiveness in certain market segments.

InVision also plans to invest in the further development of algorithms to solve highly complex optimisation problems within the workforce management, in an effort to further extend the strong position in this area. In this manner, the Company intends to effectively raise the barriers to market entry for other potential competitors.

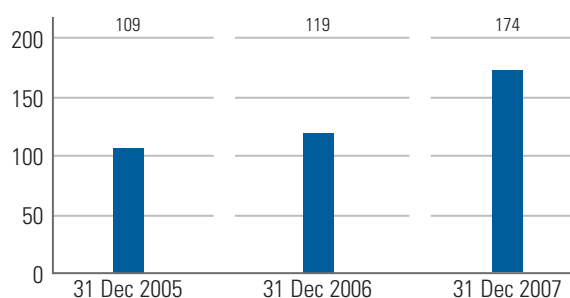
Corporate acquisitions and equity investments

To support its strategy, the Company is considering acquisitions of companies or company divisions with the objective of acquiring promising, complementary technology and expanding its own customer base. Furthermore, acquisitions are also intended to strengthen sales and service capacities.

Employees

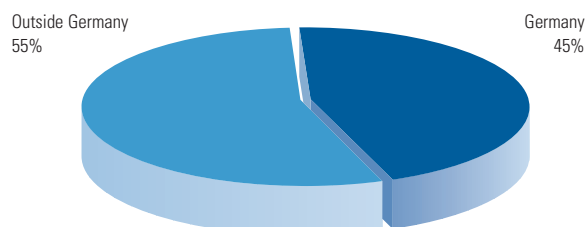
On 31 December 2007, the InVision Group employed 174 workers worldwide (including the Executive Board members). Thus, compared to the end of 2006, the number of employees rose by 46 percent (31 December 2006: 119 employees).

Employee growth 2005-2007



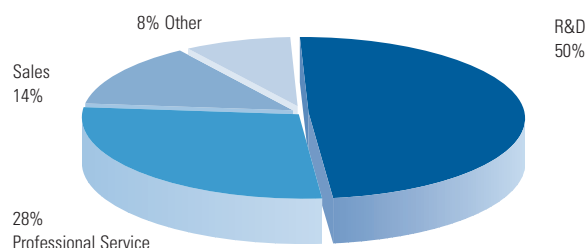
At the end of the year, 79 employees were on staff in Germany, and 95 employees were employed in foreign subsidiaries. This employee distribution reflects the Group's strong international orientation.

Employee distribution 2007 (according to region)



The number of employees working in research and development rose by 43 percent to 86 (2006: 60 employees); thus, R&D employees make up 50 percent of its staff (2006: 50 percent). The number of employees in the Professional Services Division rose by 63 percent to 49 (2006: 30 employees), which represents 28 percent of all employees (2006: 25 percent). A total of 25 employees worked in Sales as of 31 December 2007 (2006: 19 employees), which corresponds to a 32 percent increase over the previous year and 14 percent of all employees (2006: 16 percent).

Employee distribution 2007 (according to division)



Research and development

The key features of InVision's products are their special capability of solving highly complex optimisation problems, the accuracy of their projection algorithms, their broad functional coverage and their high processing speed (real time processing) even where there is a high volume of data. Moreover, customer-specific demands can be effectively accommodated by software updates and upgrades.

For InVision, the continued improvement of its software and its development of new components in order to meet market needs are key competitive factors. Accordingly, the InVision Group attaches great importance to research and development. Not surprisingly, therefore, InVision is constantly investing in the development of its product lines for its company-wide workforce management programme, InVision Enterprise WFM.

The core of the software developed by InVision is its proprietary development in the C++ programming language. This programming language is one of the most widely used programming languages in the world, so that the Company has access to mature development tools and libraries. In the Company's experience, the codes, which are programmed in C++ and relate to workforce management systems, operate substantially faster than comparable Java codes and therefore guarantee InVision customers that they will receive an outstanding performance profile.

The InVision Group engages in software development at a total of four locations: Ratingen and Leipzig (Germany), as well as Londonderry (Northern Ireland) and Tallinn (Estonia); at which locations a total of 86 employees worked in Research and Development as of 31 December 2007 (2006: 60 employees).

In fiscal year 2007, version 4.5 of InVision Enterprise WFM was released. Important new product innovations included a newly designed user interface, additional language versions (Polish and Russian), a 64-bit version of InVision Enterprise Servers, new components for time management (TimeKeeper and TimeManager modules), upgraded optimisation functions as well as a number of detail improvements. Likewise, during the reporting period, the Group began development of version 4.6, which is expected to be released in the second quarter of 2008 and which contains a number of new innovations and additional components.

In financial year 2007, the expenses for research and development increased by 62 percent to TEUR 4,231 (2006: TEUR 2,604), which represents 27 percent (2006: 24 percent) of total revenues.

Information about capital and other data

The Company's registered share capital is EUR 2,235,000 and is divided into 2,235,000 no-par bearer shares. Each share represents a pro rata amount of the registered share capital equal to EUR 1.00 per share. Each share carries one vote. In accordance with the Company's articles and the applicable statutory provisions, the shareholders exercise their rights and cast their votes at the Shareholders' Meeting.

Pursuant to a shareholder resolution dated 13 March 2007, the Executive Board was authorised under § 4 (4) of the Company's Articles, with the consent of the Supervisory Board, to increase one or more times on or before 15 May 2012 the Company's registered share capital by up to a total of EUR 760,002 by issuing a total of up to 760,002 new no-par bearer shares in exchange for cash and/or non-cash capital contributions. As a rule, the shareholders must be given preemptive rights, which should be granted to them by way of an indirect preemptive right (§ 186 (5) of the German Stock Corporation Act ("AktG")). The Executive Board is authorised, however, with the consent of the Supervisory Board, to preclude the shareholders' preemptive rights.

Pursuant to the shareholder resolution of 13 March 2007, the Executive Board is also authorised under § 4 (5) of the Company's Articles, with the consent of the Supervisory Board, to increase one or more times on or before 1 May 2012 the Company's registered share capital by up to a total of EUR 357,498 by issuing a total of up to 357,498 new no-par bearer shares in exchange for cash and/or non-cash capital contributions. As a rule, the shareholders must be given preemptive rights, which should be granted to them by way of an indirect preemptive right (§ 186 (5) of the German Stock Corporation Act ("AktG")). The Executive Board is authorised, however, with the consent of the Supervisory Board, to preclude the shareholders' preemptive rights.

The Company does not have any conditional capital. The Shareholders' Meeting has not granted the Company the authority to purchase its own shares. The Company therefore does not hold its own shares.

The Company's primary shareholders are Messrs. Peter Bollenbeck, Matthias Schroer and Armand Zohari as well as InVision Holding GmbH, Ratingen. Messrs. Bollenbeck, Schroer and Zohari have entered into a voting pool agreement. Under the terms of the voting pool agreement, the three shareholders have agreed to vote unanimously at the Company's Shareholders' Meeting, if a majority of the members of the voting pool agree to vote in a particular manner on the matter which is subject to the vote. If the pooled shareholders fail to reach a consensus on how to vote a particular resolution at the Shareholders' Meeting, then the shareholders are obligated to cast their votes in accordance with the Company's management recommendation. The registered share capital in InVision Holding GmbH is held by Messrs. Bollenbeck (one-third), Schroer (one-third) and Zohari (one-third). Messrs. Bollenbeck, Schroer and Zohari each hold 380,000 company shares, and InVision Holding GmbH holds 15,704 shares. Thus, the primary shareholders hold directly or indirectly a total of 1,155,704 shares, which represent 51.7 percent of the Company's registered share capital. To the Company's knowledge, no other shareholders hold more than 10 percent of the Company's registered share capital.

The Executive Board members are appointed and dismissed in accordance with §§ 84 et seq. of the German Stock Corporation Act ("AktG"). Amendments to the Articles will be adopted by the Shareholders' Meeting if, in accordance with § 179 AktG, a majority of at least three-quarters of the registered share capital represented at the meeting vote in favour of the amendment.

There are no significant agreements which are subject to a restriction relating to a change of control resulting from a takeover offer. Likewise, no agreements for indemnifying employees or members of the Executive Board in the event of a takeover offer have been reached.

In addition to the Company, the Group includes the following subsidiaries:

- InVision IT-Systems GmbH, Vienna
- InVision Software GmbH, Zurich
- InVision Software B.V., Utrecht
- InVision Software SAS, Paris
- InVision Software S.r.l., Milan
- InVision Software Systems S.L, Madrid

- InVision Software Ltd., London
- WFM Software AB, Stockholm
- InVision Software OÜ, Tallinn
- InVision Software, Inc., Chicago
- InVision South Africa (Pty) Ltd., Cape Town

The Company owns 100 percent of the shares of all its subsidiaries.

3. General Business Conditions

The economic recovery continued into fiscal year 2007 as well, even though the forecasts from economic research institutions and industry associations were somewhat downgraded during the course of the year. The reasons for this development included, among other things, the dramatic turbulence on the global financial markets triggered by the losses from the sub-prime credit crisis, the worldwide liquidity crunch, the dramatic increase in oil prices, and the massive decline of the US dollar.

The International Monetary Union (IMF) updated its global economic forecast on 29 January 2008 and now predicts global economic growth of 4.9 percent for 2007 compared to 5.0 percent growth in 2006. Accordingly, US growth fell to 1.5 percent in the reporting year compared to 2.9 in the previous year.

The projected growth in the European area, which is important to the InVision Group, has flattened to 2.6 percent (2006: 2.8 percent). According to the IMF report of 27 October 2007, Germany – the most important single market for the InVision Group – is in good health with an estimated growth rate of 2.4 percent. Within the European Union, certain countries such as Spain (3.7 percent) and the United Kingdom (3.1 percent) are also expected to report significant growth.

The favourable general economic trends also generally apply to the software industry. Based on forecasts published by the marketing research institution, Datamonitor, global sales of IT applications for business customers grew by 9.6 percent in 2007 to EUR 21.6 billion (2006: EUR 19.7 billion). According to Datamonitor, sales in Europe will be EUR 7.6 billion (2006: EUR 6.9 billion) and will have therefore climbed by 10.2 percent. For Germany, sales are expected to total EUR 1.3 billion (2006: EUR 1.2 billion), which reflects an annual growth rate of 8.3 percent.

4. Business Development

Specific events in the financial year

Since 18 June 2007, InVision Software AG has been listed on the Prime Standard segment of the German Stock Exchange. In connection with its IPO, a total of 1,077,000 shares (of which 714,996 shares were created from the capital increase) were successfully placed. The over-allotment option was exercised in full. The Company received a total of approximately EUR 22.9 million through the capital increase, and the freely floated shares now account for approximately 48 percent.

During the reporting period, the Group was able to acquire three major international companies from the retail, transport and logistics sectors as well as a government agency, in addition to many smaller and mid-size customers.

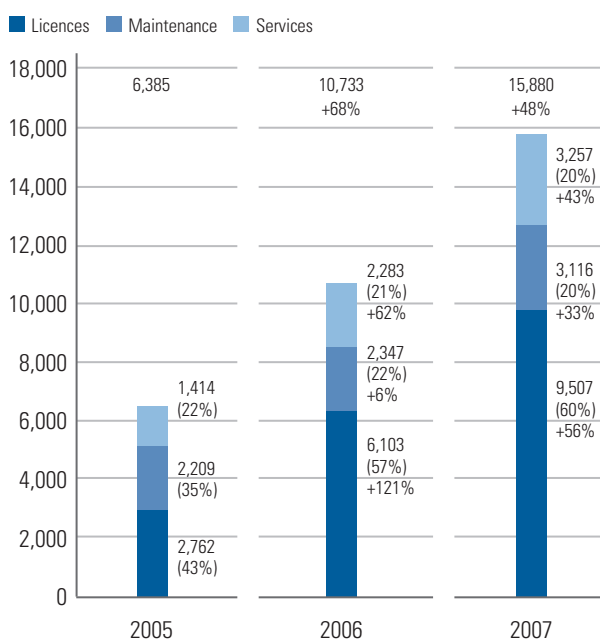
In May 2007, the Group released version 4.5 of InVision Enterprise WFM. This newest product release contains a number of new product innovations and improvements.

Results of operation

Revenues

The Group achieved revenues of TEUR 15,880 (2006: TEUR 10,733) during the reporting year; an amount which reflects a 48 percent increase over the previous year. The increase resulted primarily from a 56 percent rise in licence income to TEUR 9,507 (2006: TEUR 6,103) and a 43 percent increase in service income to TEUR 3,257 (2006: TEUR 2,283). Maintenance revenues climbed by 33 percent to TEUR 3,116 (2006: TEUR 2,347).

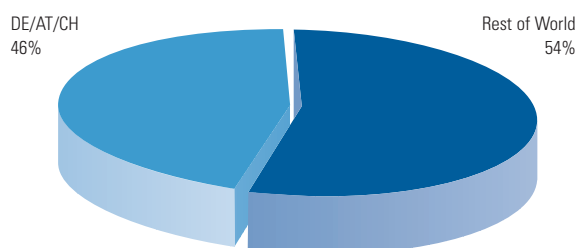
Revenue growth 2005-2007 (TEUR)



Licence revenues were generated both from sales with existing companies and smaller and mid-size new customers and from large projects. The increase in maintenance revenues is the direct consequence of a higher maintenance base triggered by licence revenues earned from both new and existing customers in the previous year and by a stable level of customer loyalty. The jump in service revenues was caused by the Group expanding service capacity during the financial year and by greater capacity utilisation in the Professional Services Division.

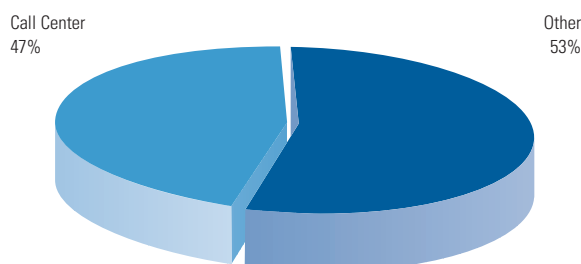
Revenues in the "Germany, Austria and Switzerland" region rose 41 percent to TEUR 7,351 (2006: TEUR 5,206) in the reporting period, an amount representing 46 percent of total revenues (2006: 49 percent). Revenues generated in other foreign countries totalled TEUR 8,528 (2006: TEUR 5,527), reflecting a 54 percent increase. Revenues generated in other foreign countries as a percentage of total revenue therefore constitute 54 percent (2006: 51 percent).

Revenue allocation 2007 (according to region)



Revenues generated with customers in the call centre industry increased by 11 percent to TEUR 7,531 (2006: TEUR 6,799) and therefore constitute 47 percent of all customer revenue (2006: 63 percent). Revenues generated with other customers surged by 112 percent to TEUR 8,349 (2006: TEUR 3,934) and therefore made up 53 percent of all customer revenue (2006: 37 percent).

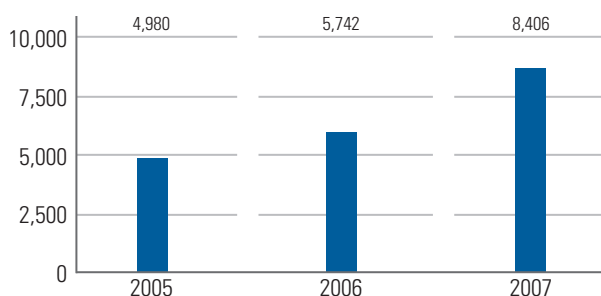
Revenue allocation 2007 (according to customer segment)



Personnel expenses and other operating costs

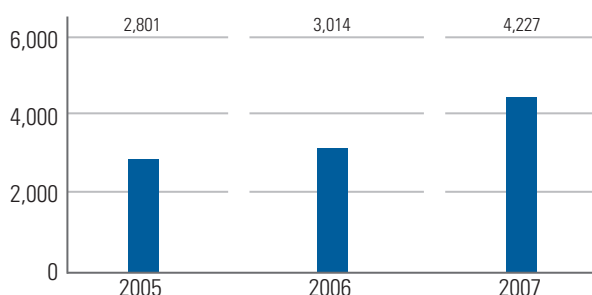
Based on the significant increase in the number of employees during the reporting year, personnel expenses rose by 46 percent to TEUR 8,406 (2006: TEUR 5,742). This increase in staffing creates a solid basis upon which to exploit growth opportunities in the coming years.

Development of personnel expenses 2005-2007 (TEUR)



Other operating expenses increased by 40 percent to TEUR 4,227 (2006: TEUR 3,014). As a direct consequence of the general increase in the Group's business activities, expenses for office use rose by 25 percent to TEUR 718 (2006: TEUR 574), travel expenses by 38 percent to TEUR 572 (2006: TEUR 413), and marketing expenses by 47 percent to TEUR 772 (2006: TEUR 524). Consulting expenses also increased by 67 percent to TEUR 472 (2006: TEUR 283).

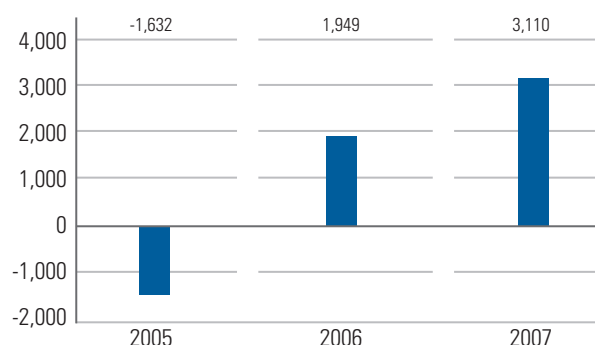
Development of other operating expenses 2005-2007 (TEUR)



Operating result and financial result

The operating result (EBIT) increased by 60 percent to TEUR 3,110 (2006: TEUR 1,949) during the reporting period. This development is attributable primarily to the increase in sales revenues which proportionately were slightly higher than the increase in personnel expenses and other operating expenses. The EBIT margin during the reporting period was 20 percent (2006: 18 percent), and therefore improved by 2 percentage points.

EBIT development 2005-2007 (TEUR)



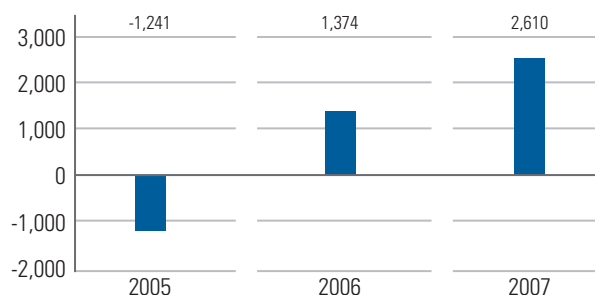
Since liquid funds grew as a result of the capital increase, interest income leaped by 7,700 percent to TEUR 390 (2006: TEUR 5). Interest expenses increased by 32 percent to TEUR 129 (2006: TEUR 98) since the Group had to rely on credit lines during the first half of the year in order to finance its business operations. As a whole, financial results improved dramatically, climbing from TEUR -93 in 2006 to TEUR 261 in the reporting period.

The dramatic exchange rate fluctuations between primarily the US dollar and British pound, on the one hand, and the Euro, on the other hand, produced currency losses totalling TEUR 125 compared to currency gains of TEUR 25 realised in the previous year.

Consolidated result and dividend

The consolidated result rose by 90 percent and totalled TEUR 2,610 for financial year 2007 (2006: TEUR 1,374). Earnings per share equalled EUR 1.17 (2006: EUR 0.61), in each case based on 2,235,000 shares issued.

Net profit development 2005-2007 (TEUR)



The Executive Board and Supervisory Board of InVision Software AG recommend that no dividend be paid and that the earnings be retained to provide a good liquidity base. By retaining the cash in the Company, it will be able to continue aggressively exploiting growth opportunities – especially in light of the increased consolidation in the market.

Financial condition

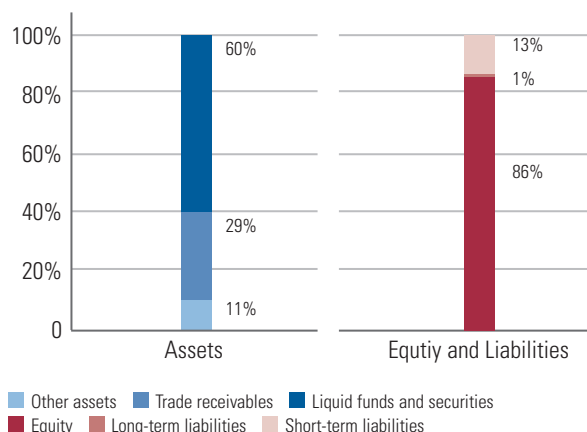
The Company's financial condition in fiscal year 2007 was impacted primarily by the successful capital increase made in connection with the initial listing in the Prime Standard segment of the Frankfurt Stock Exchange.

As of the end of the financial year, the liquid funds (cash and cash equivalents) were up 2,470 percent, from TEUR 142 in 2006 to TEUR 3,651, primarily because of the positive cash flow generated from financing activities. The Company holds securities as of the end of the fiscal year in the amount of TEUR 13,155 (2006: TEUR 0). As of the end of the fiscal year, trade receivables totalled TEUR 8,167 and were therefore 121 percent higher than the previous year's end (2006: TEUR 3,700), mostly because of the sales revenues recognised as of the end of the financial year. Given the reduction in the Company's accrued losses, the income tax claims jumped by 245 percent to TEUR 163 (2006: TEUR 47). Prepaid expenses and other short-term assets increased by 61 percent to TEUR 448 (2006: TEUR 279). Increased investing activities during the fiscal year led to a 41 percent growth in intangible assets to TEUR 64 (2006: TEUR 45) and a 125 percent jump in tangible assets to TEUR 223 (2006: TEUR 95). Deferred tax assets grew 54 percent to TEUR 2,100 (2006: TEUR 1,367) because losses carried forward in several Group companies climbed. With a decline of 8 percent to TEUR 34, other short-term assets remained almost unchanged (2006: TEUR 37).

Financial liabilities lowered by 90 percent to TEUR 84 (2006: TEUR 879) since credit lines were utilised on a very limited basis. At the same time, trade payables declined by 27 percent to TEUR 480 (2006: TEUR 653). Provisions rose by 76 percent to TEUR 778 (2006: TEUR 441) as a result, among other things, of employee pension claims. Tax provisions dropped by 22 percent to TEUR 643 (2006: TEUR 824). The short-term (current) share of deferred income, prepaid expenses and other short-term liabilities declined by 30 percent to TEUR 1,648 (2006: TEUR 2,357) since, contrary to the practice in the previous year, most maintenance revenue was not invoiced during the financial year for the subsequent year. Deferred taxes rose by 159 percent to TEUR 278 (2006: TEUR 107). The main reason for this development was a higher share of receivables that arose as a result of applying the percentage-of-completion method.

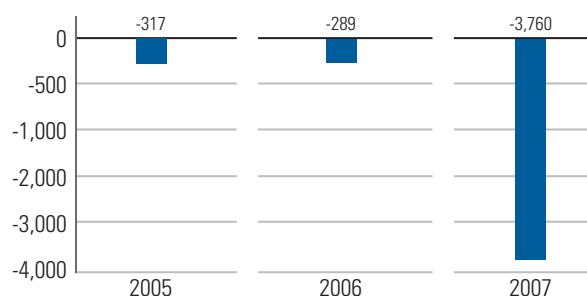
As of 31 December of the reporting period, the balance sheet total was TEUR 28,005 (2006: TEUR 5,711). The equity capital is now TEUR 24,094 (2006: TEUR 247), and the equity capital ratio is now 86 percent (2006: 4 percent). The equity capital therefore provides a solid basis for the continued growth of the Company.

Balance sheet ratios 2007



The cash flow from operating activity declined primarily because of the TEUR 4,467 increase in accumulated trade receivables and the TEUR 912 reduction in other liabilities and in deferred income, and therefore resulted in TEUR -3,760 (2006: TEUR -289) during the reporting period; a figure which represents -24 percent of consolidated revenue (2006: -3 percent).

Development of cash flow from operating activity 2005-2007 (TEUR)



The outgoing cash flow from investing activities increased to TEUR -13,267 (2006: TEUR -83) primarily because of the purchase of securities. The capital increase carried out in connection with the IPO and the contemporaneous reduction in the use of credit lines led to an increase in cash flow from financing activities to TEUR 20,452 (2006: TEUR 440).

5. Basic Background to the Compensation System

In addition to the reimbursement of the expenditures which they incur in performing the duties of their office, the members of the Company's Supervisory Board are paid a fixed remuneration in the amount of EUR 5,000. The Supervisory Board chairman receives twice that amount, while the Deputy chairman receives one and one-half times that amount. The remuneration is paid after the end of each financial year. Any value added tax paid on the expenditure reimbursement or on the aforementioned remuneration will be indemnified.

The Executive Board remuneration conforms with the customary industry standard and consists of a base salary which will increase if certain revenue targets, as more specifically defined in the contract, are met. In addition, members of the Executive Board have a right to use a company car, which is leased by the Company. Moreover, the Executive Board members receive a contribution towards the costs of their healthcare and disability insurance.

6. Risk Report

Risk management

For the InVision Group, a comprehensive and self-contained risk management programme is a significant component of the Group's corporate strategy. A company-wide monitoring system ensures the systematic identification and assessment of risks regarding any likelihood of occurrence or the possible quantitative effects on corporate value.

Risk management is intended to identify, at an early stage, specifically any risks which threaten the Company's very existence in an effort to launch effective counter-measures for avoiding the risks. Another goal is to minimise the possible adverse effects, which all risks could have on the financial condition and results of operation, while largely preserving the corresponding opportunities.

The Executive Board is responsible for administering the risk management. A fundamental review of all risks is made once each year. An internal ad hoc report is prepared in the event

there are significant changes or newly emerged risks. All risk-relevant topics and the then-current economic situation compared to the business plans are discussed at regularly convened review meetings. If necessary, the individual specialty departments together with the relevant department head are engaged in order to participate.

The risk management is described and stipulated in a Group risk management policy and its suitability and functionality is reviewed each year in connection with the audit of the annual financial statements.

Significant risks related to the business

Risks related to the business development of the InVision Group arise from the often long and protracted sales process preceding the Company's conclusion of contracts and from the high costs incurred with its significant investments in terms of time and human resources, which expenditures are usually not charged to or binding upon potential customers. The resources tied up in the sales process are not available to pursue other sales and marketing activities. InVision's competitors may, under certain circumstances, derive advantages therefrom and acquire customer orders at the InVision Group's expense.

The InVision Group's annual result typically depend on a small number of projects that can be carried out in any given fiscal year. Annual results may therefore fluctuate considerably. Results may even fluctuate from one reporting period to another, for example as a consequence of delays in implementing projects. In addition to these fluctuations, most of the revenue is typically generated in the last months of a given fiscal year. Given the cyclical nature of the business, the InVision Group's financial figures reported in the annual and interim reports are of limited informative value.

The commercial success of InVision is dependent, above all, on the conclusion of new licence agreements or the extension of existing licences with current or new customers. Income from software maintenance or services cannot compensate for an insufficient number of executed licence agreements. InVision is, to only a limited extent, in a position to adjust its costs on short notice in order to take into account declining demand.

InVision relies on seasoned and well-trained sales staff and highly qualified employees in the Professional Services Division, who support the sales team in its efforts by providing substantial support on technical questions. The future success of InVision will also depend on finding and retaining on a long-term basis highly qualified employees in these areas. It is precisely

during periods of economic growth that the competition for employees with scientific, technical or industry-specific expertise becomes quite intense. It is therefore possible that the Company will be unable to promptly recruit new staff on the open labour market and that this may give rise to additional costs. The loss of qualified staff or long-term difficulties in hiring suitable employees may lead to InVision's inability to successfully implement important decisions and courses of action, which in turn would impair its business operations and could have a material adverse effect on the Company's financial condition and results of operation.

7. Supplement Report

After the end of the financial year, there were no special events which are of material importance to the annual financial statements.

8. Forecast Report

Anticipated global economic developments

According to the forecasts made by the International Monetary Fund (IMF) in October 2007 and its update in January 2008, the global economic growth rate will slow down to 4.1 percent during the current year from 4.9 percent in 2007. The turbulence in the financial sectors connected with the so-called "sub-prime crisis", the dramatic increase in oil prices, the fall in the US dollar, and the general creeping inflation rates all collectively fuel the growing uncertainty about global economic development.

Whereas growth in the United States is expected to decline from 2.2 percent in 2007 to 1.5 percent in 2008, the IMF is assuming that economic growth in the Euro zone will decrease from 2.6 percent in 2007 to 1.6 percent in 2008. Germany is expected to grow by 2.0 percent in 2008, compared to 2.4 percent in 2007.

As a whole, although the worldwide growth rates appear somewhat diminished compared to the previous year, they will be fundamentally positive, however. Nevertheless, there are indications of an imminent recession in the United States, which would also impact the European economy and must therefore continue to be closely monitored.

Anticipated industry development

According to the market research institution, Datamonitor, the global market for IT applications for business customers will increase by 10.2 percent to EUR 23.8 billion in 2008. In Europe, it is projecting a growth rate of 9.2 percent, which would yield a volume of EUR 8.3 billion. Datamonitor expects 7.7 percent growth in Germany to EUR 1.4 billion.


As in previous years, the growth in the software industry is expected to be significantly higher than overall global growth.

Anticipated development of InVision

The market for workforce management systems will provide InVision with superb growth potential in the long term. With its outstanding products, wide international presence and strong balance sheet, InVision is excellently positioned to handle the challenges of this internationally competitive market. Thus, InVision has all the possibilities of extending the profitable growth it has achieved in recent years and of further improving its return by exploiting the economies of scale.

InVision intends to increase its revenues by between 35 and 45 percent to approximately EUR 21.5 million to EUR 23 million in 2008. The Company expects that growth in the German, Austrian and Swiss region will be matched by the growth in other foreign countries. Licence revenues are expected to increase by at least 20 percent to a minimum of TEUR 11,500 (2007: TEUR 9,507), maintenance revenues are expected to increase by at least 25 percent to a minimum of TEUR 4,000 (2007: TEUR 3,116), and service revenues are expected to increase by at least 85 percent to a minimum of TEUR 6,000 (2007: TEUR 3,257). According to the Group's budget forecast, the EBIT margin in 2008 should be 20 percent or more, thereby yielding an EBIT of between EUR 4.3 and EUR 4.7 million.

Ratingen, 11 April 2008



Peter Bollenbeck
Executive Board chairman



Matthias Schroer
Executive Board member

Consolidated Balance Sheet

Consolidated Balance Sheet under IFRS as of 31 December 2007

Assets (EUR)	Notes	31 December 2007	31 December 2006
Short-term assets			
Liquid funds	(15)	3,651,582.07	142,066.11
Securities	(15)	13,155,493.00	0.00
Trade receivables	(16)	8,166,876.78	3,700,322.71
Income tax claims	(17)	162,687.10	47,115.06
Prepaid expenses and other short-term assets	(18)	448,436.46	278,572.61
Total short-term assets		25,585,075.41	4,168,076.49
Long-term assets			
Intangible assets	(21)	63,811.33	45,209.62
Tangible assets	(22)	223,035.20	94,774.62
Deferred tax assets	(19)	2,099,587.00	1,366,650.66
Other long-term assets	(23)	33,880.17	36,680.09
Total long-term assets		2,420,313.70	1,543,314.99
Total assets		28,005,389.11	5,711,391.48

Equity and liabilities (EUR)	Notes	31 December 2007	31 December 2006
Short-term liabilities			
Short-term liabilities owed to financial institutions	(24)	84,324.76	878,788.75
Trade payables	(24)	479,613.37	652,966.48
Provisions	(25)	777,935.49	441,479.35
Income tax provisions	(25)	643,012.71	823,521.44
Short-term share in deferred income and other short-term liabilities	(26)	1,648,329.12	2,356,571.30
Total short-term liabilities		3,633,215.45	5,153,327.32
Long-term liabilities			
Deferred taxes	(19)	277,960.00	107,490.00
Long-term share in deferred income and other long-term liabilities		0.0	203,740.20
Total long-term liabilities		277,960.00	311,230.20
Equity			
Subscribed capital	(27)	2,235,000.00	380,001.00
Capital reserves	(28)	20,616,179.21	0.00
Earnings reserves	(29)	1,414,177.33	1,332,802.31
Equity capital difference from currency translation	(30)	-200,525.42	-107,169.69
Losses carried forward		-2,580,177.68	-2,742,292.99
Group result		2,609,560.22	1,374,311.95
Minority shares		0.00	9,181.38
Total equity		24,094,213.66	246,833.96
Total equity and liabilities		28,005,389.11	5,711,391.48

Consolidated Income Statement

Consolidated Income Statement under IFRS for the period 1 January 2007 through 31 December 2007

EUR	Notes	2007	2006
Revenues	(31)	15,879,627.26	10,732,597.41
Other operating income	(32)	92,665.94	138,495.37
Costs of materials/costs of goods and services purchased	(33)	-123,745.56	-85,650.00
Personnel costs	(34)	-8,405,939.55	-5,742,362.03
Amortisation/depreciation of intangible and tangible assets	(35)	-106,154.57	-80,122.90
Other operational expenditures	(36)	-4,226,910.47	-3,013,843.31
Operating result (EBIT)		3,109,543.05	1,949,114.54
Financial result interest income/expenses	(37)	261,276.60	-93,155.88
Currency losses/gains		-124,574.64	25,472.17
Results before taxes (EBT) and minority shares		3,246,245.01	1,881,430.83
Income tax	(38)	-636,684.79	-454,046.91
Consolidated net profit/loss		2,609,560.22	1,427,383.92
Minority shares		0.00	-8,434.68
Appropriation to statutory reserves		0.00	-44,637.29
Group result		2,609,560.22	1,374,311.95

Consolidated Cash Flow Statement

Consolidated cash flow statement as of 31 December 2007

Cash flow from operating activities (EUR)	2007	2006
Consolidated result	2,609,560.22	1,427,383.92
Depreciation and amortisation of fixed assets	106,154.57	80,122.90
Increase in provisions	336,456.14	68,179.26
Decrease/increase in income tax liabilities	-180,508.73	823,521.44
Increase in deferred taxes	-562,466.34	-356,330.66
Other cash income	-234,547.26	-46,235.11
Increase in trade receivables	-4,466,554.07	-2,743,216.44
Increase in other assets and prepaid expenses	-167,063.93	-68,199.75
Decrease/increase in income tax claims	-115,572.05	29,984.94
Decrease in trade payables	-173,353.11	-194,068.58
Decrease/increase in other liabilities and deferred income	-911,992.38	690,169.29
Cash flow from operating activities	-3,759,886.94	-288,688.79
Cash flow from investing activities		
Payments made for investments in tangible assets	-210,309.91	-47,625.33
Payments made for investments in intangible assets	-42,597.29	-18,324.00
Payments made for acquiring consolidated companies and other shareholdings	0.00	-17,500.00
Payments made for purchasing securities (funds)	-13,014,401.12	0.00
Cash flow from investing activities	-13,267,308.32	-83,449.33
Cash flow from financing activities		
Payments received from equity capital increase (IPO)	21,331,175.21	0.00
Payments received from finance loans	0.00	439,937.98
Payments made for repaying finance loans	-878,788.75	0.00
Cash flow from financing activities	20,452,386.46	439,937.98
Change in cash and cash equivalents	3,425,191.20	67,799.86
Cash and cash equivalents at the beginning of the period	142,066.11	74,266.25
Cash and cash equivalents at the end of the period	3,567,257.31	142,066.11

Consolidated Notes

I. General Information

1. General information about the Company

The business activities of InVision Software Aktiengesellschaft, Ratingen (hereinafter also referred to as "InVision AG" or the "Company"), together with its subsidiaries (hereinafter also referred to as the "InVision Group" or the "Group"), include developing, selling and maintaining software products relating to workforce management and providing services in connection with the sale of the software products. The InVision Group does business primarily in Europe and the United States.

The Company's registered offices are located at Halskestraße 38, 40880 Ratingen, Germany. It is entered in the Commercial Register of the Municipal Court of Düsseldorf under registration number HRB 44338. InVision Software AG has been listed in the Prime Standard segment of the Frankfurt Stock Exchange under securities identification number 585969 since 18 June 2007.

2. Bases of the accounting

Bases for preparing the annual financial statements

Since it is listed on an regulated market, InVision Software AG prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements as of 31 December 2007 were prepared in accordance with the IFRS, which were promulgated by the International Accounting Standards Board (IASB), in force on the balance sheet closing date, and applicable in the European Union. The designation IFRS also includes the still valid International Accounting Standards (IAS) as well as the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRIC). The requirements under § 315a of the German Commercial Code (HGB) must also be taken into account.

All valid IFRS, IFRIC and SIC will apply to the consolidated financial statements for the financial year ending 31 December 2007. For the first time, IFRS 7 "Financial Instruments" (the standard affects the type and scope of information disclosure about financial instruments, not recognition and valuation in the consolidated financial statements) and the changes to IAS 1 "Presentation of financial statements" (changes of the standard affect the information in the notes with respect to targets, directives and approaches of equity capital management, but not with respect

to recognition and valuation in the consolidated financial statements) will be applied in these consolidated financial statements. The changes made to IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10 have no effects for the Company.

The provisions of IASB, which will be required to be applied for financial years beginning on or after 1 January 2008, were not taken into account. Accordingly, the revised versions of IAS 1, IAS 23, IFRS 8, IFRIC 11 through 14 as well as their implications on other provisions of the IASB (e.g., IAS 32) were not applied in these annual accounts. The application of these standards and interpretations are expected not to have any material effect on the current consolidated financial statements.

The consolidated annual financial statements are prepared in Euro. Unless otherwise stated, all amounts are shown in EUR 1,000 (TEUR) and, if applicable, rounded in accordance with the accepted commercial practices and standards.

The consolidated income statement was prepared under the so-called "Cost-summary method" [Gesamtkostenverfahren].

Consolidation principles

The consolidated annual financial statements comprise the annual financial statements of InVision Software AG and its subsidiaries as of 31 December of each fiscal year. The annual financial statements of the subsidiaries are prepared under the application of uniform accounting and valuation methods as of the same balance sheet closing date as the annual financial statements of the parent company.

The balance sheet closing date of all subsidiaries integrated into the consolidated financial statements is 31 December of the relevant applicable financial year.

The full amount of all intra-group balances, transactions, income, costs, profits and losses generated from internal group transactions, which are incorporated into the book value of the assets, are eliminated.

Subsidiaries are fully consolidated as from the date they were formed or acquired, i.e. as of the date on which the Group gained the control over the subsidiary. The inclusion into the consolidated financial statements ends as soon as the control by the parent company no longer exists.

The consolidation of the newly formed subsidiaries is made under the application of the acquisition method pursuant to IFRS 3. According to this method, purchase costs of the enter-

prise's merger are distributed to the acquired identifiable assets and the assumed identified debts and contingent liabilities according to their fair market values at the time of acquisition. The consolidated financial statements include all costs and income which have been incurred since the acquisition.

The consolidated financial statements cover InVision Software AG as well 11 foreign subsidiaries.

- InVision Software Ltd., London, United Kingdom
- WFM Software AB, Stockholm, Sweden
- InVision Software OÜ, Tallinn, Estonia
- InVision Software SAS, Paris, France
- InVision Software S.r.l., Milan, Italy
- InVision Software Systems S.L., Madrid, Spain
- InVision South Africa (Pty) Ltd., Cape Town, South Africa
- InVision Software GmbH, Zurich, Switzerland
- InVision Software B.V., Utrecht, The Netherlands
- InVision IT-Systems GmbH, Vienna, Austria
- InVision Software Inc., Chicago, United States

InVision Software AG directly holds 100 percent of the shares of all subsidiaries.

During the reporting period, the shareholding in InVision Software GmbH, Zurich, was increased from 95 percent to 100 percent.

Currency translation

The consolidated financial statements are prepared in Euro, which is the Company's reporting currency. The corporate accounts are shown in Euro (EUR), which corresponds to the reporting currency. The relevant local currency is used as the functional currency of the individual Group companies. Transactions in foreign currencies are converted at the exchange rate applicable on the date of the transaction. All exchange rate differences resulting therefrom are booked in the income statements of the Group companies and are included in the consolidated net income.

In the Group companies, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate valid on the balance sheet closing date. Differences in exchange rates are recorded in the income statement. Non-monetary assets and liabilities are converted at the historical exchange rate.

In the preparation of the consolidated financial statements, the balance sheet figures of the foreign Group companies are converted at the exchange rates valid at the end of the year. The profit and loss figures are translated into Euro at the annual average exchange rate. Any translation differences resulting therefrom are recorded – on a neutral basis – as a separate component of equity capital.

Management discretion and the main sources of forecasting uncertainty

When preparing the consolidated financial statements, some assumptions and estimates must be made, which have an effect on the amount and reporting of the recognised assets and liabilities, the income and expenses and the contingent liabilities for the reporting period. These assumptions relate primarily to the assessment of the carrying value of assets, the percentage-of-completion measurement with respect to jobs in progress, uniform Group determination of the economic useful lives of tangible assets, and the accounting and valuation of provisions. The assumptions and estimates are based on premises derived from available information at the time in question. The basis for the anticipated future business development are the circumstances present at the time the consolidated financial statements were prepared and a realistic scenario of the future development of the overall environment. If these framework conditions deviate from the assumptions made and cannot be influenced by management, then the resulting figures could deviate from the originally anticipated estimates.

The exchange rates, which were used as the basis for converting the currencies, developed as follows:

Currency	Average exchange rate on the balance sheet closing date	Prior year	Annual average exchange rate	Prior year
USD	1.4716	1.3181	1.3703	1.2559
GBP	0.7346	0.6714	0.6844	0.6819
CHF	1.6557	1.6080	1.6427	1.5731
EEK	15.6200	15.6200	15.6175	15.6376
SEK	9.4350	9.0430	9.2523	9.2543
ZAR	10.0300	9.2150	9.6609	8.5221

Below is an explanation of the most important future-related assumptions and the other major sources of forecasting uncertainty, which are present on the balance sheet closing date and according to which there is a considerable risk that a major adjustment to the book values of the assets and liabilities will need to be made in the coming financial years.

Valuation of deferred tax assets

The valuation of deferred tax assets based on losses carried forward and deductible temporary differences depends on the future taxable profits of the companies in the InVision Group. The estimate of these taxable profits was made as of the balance sheet closing date by relying on the updated budget for a seven-year planning period. For purposes of capitalising the deferred tax assets based on tax loss carry forwards, only that portion of the loss carry forwards will be recognised which will probably be realised on the basis of the income anticipated under the current budget planning.

II. Accounting and Valuation Principles

3. Intangible assets

Acquired intangible asset values are valued at the time of their receipt according to their cost of acquisition or cost of production. Internally produced intangible assets are recognised when they can be identified and when it is likely that the Group will receive a future economic benefit from the asset and the asset's acquisition or production costs can be reliably determined. For subsequent valuations, the value of the intangible assets are recognised at their acquisition or manufacturing costs less the accumulated amortisation and less the accumulated impairment costs (shown under the amortisation item). Intangible assets are amortised on straight-line basis over their estimated useful life (3 to 5 years). The amortisation period and amortisation method are reviewed at the end of each financial year.

When producing new software and further developing existing software, it is not possible for the InVision Group to clearly and unequivocally demarcate the relevant software since the knowledge and improvements gained from producing new software and from the continued development of existing software are incorporated into other InVision Group products. Since not all criteria pursuant to IAS 38.57 were met by 31 December of the financial year, no development costs were capitalised.

4. Tangible assets

Tangible assets (computer hardware, tenant installations, fixtures and fittings relating to the business operation) are valued at the cost of acquisition or production less the accumulated depreciation. These assets are depreciated on a straight-line basis over the estimated useful life of the individual asset or asset category. The useful life for computer hardware is 3 to 5 years, and for the fixtures and fittings relating to the business operation, it is 5 to 10 years. Tenant installations are depreciated over the term of the tenancy or, if shorter, than over their useful life.

Subsequent expenditures made for a tangible asset are recognised at the costs of acquisition, if it is likely that the Group will receive a future economic benefit from it, and the costs for the asset can be reliably determined. Costs for repairs and maintenance, which do not increase the estimated useful life of the tangible asset, are recognised in the period in which they are incurred and are reported on the income statement.

5. Accounting for leases

The determination of whether a contract is or contains a lease is made on the basis of the economic content of the contract, and requires an assessment about whether the fulfilment of the contract depends on the use of a specific asset or assets, and whether the contract grants a right to use the asset.

The Group acts as lessee only.

Any asset under a finance lease, according to which virtually all property-related risks and opportunities relating to the transferred asset are transferred to the Group, is recognised as an asset at the commencement of the lease term and valued at the lower of the then-current fair market value of the asset or at the present cash value of the minimum leasing payments to be made thereunder. These assets are subject to scheduled depreciation over the shorter of the two aforementioned time periods: i.e., the term of the lease or the economic useful life of the leased property. Lease payments are separated into their components of either financing costs and amortisation of the lease obligation in such a manner that the remaining residual book value of the lease will incur a constant rate of interest. The remaining leasing obligations as of the balance sheet closing date are itemised in the balance sheet according to their remaining terms to maturity.

Lease payments under operating leases are booked in the income statement as expenses arising over the term of the lease.

6. Impairment of assets

In financial year 2007, no long-term assets were identified as subject to impairment.

7. Unfinished goods and services

Unfinished goods and services are valued according to the percentage-of-completion method. Accordingly, service agreements were recognised according to the degree to which the business thereunder was completed as of the balance sheet closing date.

Unfinished goods and services are reported in the balance sheet after deducting any advance payments which have been received but already reported as a trade receivable.

8. Short-term financial assets

Short-term financial assets comprise accounts receivable and other receivables. The accounts receivable are reported on the balance sheet according to the amount invoiced, less a bad debt allowance based on the obligor's credit rating. A bad debt allowance for accounts receivable will be made if it is likely that the total amount of the original invoice cannot be collected. The amount of the bad debt allowance will equal the face value of the account less the realisable amount which equals the present cash value of the anticipated cash flows.

9. Other short-term assets

Assets are recognised at their face or nominal value, but will be separately discounted in value if they are subject to identifiable risks.

10. Cash and cash equivalents

Cash and cash equivalents consist of credit balances held with financial institutions as well as securities which may be redeemed for cash on short notice. These credit balances held with financial institutions are valued at face or nominal value. The securities are valued according to their amortised acquisition costs.

11. Taxes

Actual tax refund claims and taxes

The actual tax refund claims and tax debts for the current period and earlier periods must be valued at the amount at which a

refund is expected from the tax authorities or a payment must be made to the tax authorities.

Deferred taxes

Deferred taxes are recognised under the liabilities method for all temporary differences between the tax basis of the assets/liabilities and their respective book values in the IFRS financial statements.

Deferred taxes are valued according to the tax rates (and tax regulations), which are effective as of the balance sheet closing date or which have for the most part been enacted into law, and the validity of which is expected on the date that the deferred tax receivable is realised and/or the deferred tax liability is settled.

Deferred tax receivables are recognised in an amount at which it is likely that taxable income will be available for crediting against the temporary differences.

12. Provisions

A provision is shown only if the Company has a present (statutory or factual) obligation (liability) based a past event, if it is likely that the fulfilment of the obligation will lead to an outflow of funds representing an economic benefit, and if a reliable estimate of the amount of the obligation can be made. If no provision could be created because one of the criteria mentioned was not fulfilled, then the liabilities in question will be reported as contingent liabilities.

Provisions are examined on each balance sheet closing date and adjusted to accord with the best estimate as of that date. If there is an expectation that the expenditures, which are required to fulfill a deferred liability, will be reimbursed either in whole or in part by another party, then the reimbursement will be recognised only when it is nearly certain that the Group will receive the reimbursement.

13. Liabilities

The liabilities comprise the trade receivables, liabilities owed to shareholders, tax liabilities, interest owed, liabilities owed to employees, and other liabilities. When such items are recognised for the first time, they are booked at their costs of acquisition, which correspond to the attributable fair market value of the consideration received. Debts denominated in foreign currencies are valued at the exchange rate on the reporting date.

14. Revenue and cost recognition

The InVision Group's revenues are generated primarily by granting licenses to their developed software products. The maintenance and care of these products is another source of income. The revenues from services are generated by integrating the software products, consultation, analysis services and customer-specific software customisation.

The revenues are reported less any discounts, customer bonuses and rebates. Agreements with several components (licenses, maintenance, services) are internally allocated to their individual components, and the revenues are recognised on the basis of those individual components.

Licenses

The InVision Group recognises its revenues as soon as the license is delivered, the purchase price is fixed or determinable, no material duties exist and the collection of the account receivable is considered likely.

Maintenance

Revenues from maintenance contracts are recognised on a straight line basis pro rata temporis throughout the period during which they were invoiced. Maintenance contracts are usually invoiced to the end-customer once a year in advance and, thus, the pertinent revenue is recognised in a straight line basis over twelve months.

Services

Revenues from consulting, training and other implementation services are recognised as soon as the service has been rendered. A requirement is that the purchase price is fixed or determinable, and that the collection of the accounts receivable is considered likely.

Other income and expenses

Costs are recognised on the balance sheet when the benefit is used and/or arises. Interest is recognised as either an expense and/or income according to the period in which it arose under the effective interest method. Rental payment costs under operating leases are likewise recognised on a straight line basis over the entire term of the lease irrespective of the payment arrangements made under such leases.

III. Notes to the Consolidated Balance Sheet

15. Liquid funds (cash and cash equivalents)

The liquid funds are divided between the following two categories:

	31 Dec 2007 TEUR	31 Dec 2006 TEUR
Credit balances held with financial institutions	3,651.6	142.1
Securities	13,155.5	0.0
Total	16,807.1	142.1

The liquid funds and securities include only cash and cash equivalents, which are subject to little fluctuation in value and have a term to maturity of less than 12 months calculated from the date of acquisition.

16. Trade receivables

The trade receivables (net) consist of the following:

	31 Dec 2007 in TEUR	31 Dec 2006 in TEUR
Trade receivables	7,686.5	3,704.5
Receivables from POC	494.7	4.8
Bad debt allowances	-14.3	- 9.0
Total	8,166.9	3,700.3

The receivables from POC include receivables resulting from the partial recognition of service income. This item is calculated by multiplying the estimated degree of completion on any given project with that project's volume, less any amounts previously invoiced. In the financial year, the directly attributable costs for the receivables from POC were TEUR 181.9 (2006: TEUR 1.8).

The values of individual trade receivables are adjusted when needed.

17. Income tax claims

The income tax claims contain refund claims from previous years.

18. Prepaid expenses and other short-term assets

Prepaid expenses and other short-term assets include:

	31 Dec 2007 TEUR	31 Dec 2006 TEUR
Claims against employees	6.0	7.7
Interest claims	112.5	0.0
Other miscellaneous assets	115.3	63.2
Deferred items	214.6	207.7
Total	448.4	278.6

19. Deferred taxes

The following table sets forth the status of deferred tax assets and liabilities according to the balance sheet items as of 31 December 2007:

	31 Dec 2007 TEUR Assets	31 Dec 2007 TEUR Liabilities
Deferred taxes based on temporary differences		
- of the provisions and reserves (general valuation allowance)	0.0	57.9
- from trade receivables	0.0	172.9
- from prepaid items	0.0	47.2
Subtotal	0.0	278.0
Deferred taxes based on losses carried forward	2,099.6	0.0
Total	2,099.6	278.0

The following table shows the status of deferred tax assets and liabilities according to the balance sheet items as per 31 December 2006:

	31 Dec 2006 TEUR Assets	31 Dec 2006 TEUR Liabilities
Deferred taxes based on temporary differences		
- of the provisions and reserves	0.0	81.2
- from prepaid items	0.0	26.3
Subtotal	0.0	107.5
Deferred taxes based on losses carried forward	1,366.6	0.0
Total	1,366.6	107.5

Deferred tax claims based on unused tax loss carry-forwards were recognised to the extent that it is likely that such tax loss carry-forwards could be used and applied against future taxable profits. The deferred tax claims were calculated on 100 percent of the tax loss carry-forwards.

20. Development of long-term assets

The consolidated asset movement schedule for financial year 2007 is appended to the consolidated notes as an annex.

21. Intangible assets

Intangible assets consist primarily of software and industrial property rights acquired for consideration. These assets are valued at their historical costs of acquisition, less the scheduled amortisation. With respect to scheduled amortisation, the software acquired for consideration and the industrial property rights were amortised according to their expected useful life (3 years). Assets based on financial leases are subject to scheduled amortisation over the term of the lease (3 years).

22. Tangible assets

Tangible assets consist of fixtures and fitting purchased for business operations and are recognised at their historical costs of acquisition, less any scheduled depreciation if the assets are subject to wear and tear. Tangible assets are depreciated on straight line basis over their useful life (3 to 13 years). The carrying value of the tangible assets is subject to impairment testing. None of these assets have been subject to non-scheduled depreciation. Low value items [geringwertige Wirtschaftsgüter] costing EUR 410 or less were completely written off in the year in which they were acquired.

23. Other assets

Other assets consist exclusively of security deposits paid for leased office space.

24. Liabilities

Liabilities may be allocated as follows:

TEUR	Short-term		Long-term		Total	
	Financial year	Previous year	Financial year	Previous year	Financial year	Previous year
Short-term liabilities owed to financial institutions	84.3	878.8	0.0	0.0	84.3	878.8
Trade payables	479.6	653.0	0.0	0.0	479.6	653.0
Provisions	777.9	441.5	0.0	0.0	777.9	441.5
Income tax liabilities	643.0	823.5	0.0	0.0	643.0	823.5
Deferred income and other short-term liabilities	1,648.4	2,356.6	0.0	203.7	1,648.4	2,560.3
Total	3,633.2	5,153.4	0.0	203.7	3,633.2	5,357.1

25. Provisions

The provisions have developed as follows:

TEUR	as of 1 Jan 2007	Utilisation	Reversal	Allocation	Currency difference	as of 31 Dec 2007
Tax provisions	823.5	778.8	0.0	599.6	-1.3	643.0
Provision for personnel expenses	247.5	193.4	11.5	543.8	-0.3	586.1
Provision for trade associations	12.0	10.8	1.2	13.4	0.0	13.4
Provision for outstanding invoices	38.2	36.0	2.2	100.6	-0.0	100.6
Provision for annual accounts costs	29.9	29.9	0.0	71.1	0.0	71.1
Miscellaneous provisions	113.9	107.2	6.7	6.8	0.0	6.8
Subtotal	441.5	377.3	21.6	735.7	-0.3	778.0
Total	1,265.0	1,156.1	21.6	1,335.3	-1.6	1,421.0

26. Deferred income and other short-term liabilities

The item, "deferred income and other short-term liabilities", includes the following:

TEUR	Short-term		Long-term		Total	
	Financial year	Previous year	Financial year	Previous year	Financial year	Previous year
Deferred income from maintenance contracts	344.2	810.7	0.0	189.6	344.2	1,000.3
Value added tax	692.4	396.5	0.0	0.0	692.4	396.5
Payroll tax	141.6	326.0	0.0	0.0	141.6	326.0
Social security charges	208.5	393.5	0.0	0.0	208.5	393.5
Salaries	153.4	90.2	0.0	0.0	153.4	90.2
Loan InVision Holding GmbH	0.0	197.5	0.0	0.0	0.0	197.5
Other miscellaneous liabilities	108.2	142.1	0.0	14.1	108.2	156.2
Total	1,648.3	2,356.5	0.0	203.7	1,648.3	2,560.2

27. Subscribed capital

The registered share capital of InVision Software AG is shown as the subscribed capital. The subscribed capital in the amount of EUR 2,235,000 is divided into 2,235,000 no-par shares with a pro rata share of the Company's registered share capital of EUR 1 per share.

28. Capital reserves

The capital reserves include the net proceeds from the capital increase carried out on 18 June 2007 in connection with the Company's initial listing on the Frankfurt Stock Exchange. The costs of the initial public offering were booked against the capital reserves (upon factoring in the tax effects) and not reported in the income statement.

29. Earnings reserves

The earnings reserve account includes appropriation to the statutory reserves as well as adjustments to the opening consolidated balance sheet as of 1 January 2004. The adjustments include primarily deferred tax assets based on losses carried forward until 31 December 2003.

30. Equity capital differences based on currency conversion

The equity difference from currency translation is a result of converting on the basis of the modified closing date method [modifizierte Stichtagsmethode].

The difference arises from converting the items on the income statements of the subsidiaries, which had rendered their accounts in a foreign currency, at the average exchange rate and the equity capital of those subsidiaries at the historical rate of the initial consolidation, on the one hand, and to the closing date rate [Stichtagskurs], on the other hand.

IV. Notes to the Consolidated Income Statement

31. Revenue

Revenue may be categorised according to the following business activities:

Business activity	2007 TEUR	2006 TEUR
Licenses	9,507.1	6,103.0
Services	3,256.6	2,282.7
Maintenance	3,115.9	2,346.9
Total	15,879.6	10,732.6

Revenues may be categorised according to the following regions:

Region	2007 TEUR	2006 TEUR
Other foreign countries	8,528.2	5,527.0
Germany, Austria, Switzerland	7,351.4	5,205.6
Total	15,879.6	10,732.6

Revenues may also be categorised according to certain industries or sectors:

Sector	2007 TEUR	2006 TEUR
Other sectors	8,348.5	3,934.3
Call Center	7,531.1	6,798.3
Gesamt	15,879.6	10,732.6

32. Other operating income

Other operating income may be broken down as follows:

	2007 TEUR	2006 TEUR
Income from pass-through charges	31.1	44.5
Income attributable to other period	11.1	36.8
Income from reversing or liquidating provisions	4.5	4.8
Income from selling fixed assets	0.0	0.0
Income from reducing bad debt allowances	0.0	0.0
Rental income from sub-leases	0.0	11.5
Miscellaneous income	46.0	40.9
Total	92.7	138.5

33. Costs of materials

Costs of materials consist only of expenses for goods and services purchased.

34. Personnel costs

Personnel costs consist of the following:

	2007 TEUR	2006 TEUR
Wages and salaries	7,015.7	4,775.6
Social charges and other pension expenses	1,390.2	966.8
Total	8,405.9	5,742.4
- of which for pensions (direct insurance)	15.7	17.0

The direct insurance policies are classified as a defined contribution plan [beitragsorientierter Plan].

35. Amortisation and depreciation of intangible and tangible assets

No assets were subject to impairment. Thus, this item consists of only scheduled amortisation and depreciation.

36. Other operational expenditures

The other operational expenditures may be broken down as follows:

	2007 TEUR	2006 TEUR
Advertising and marketing expenses	772.3	523.9
Office space expenses	717.5	573.5
Travel expenses	571.6	412.8
Consulting costs	471.5	282.5
Vehicle expenses	383.5	351.9
Communication expenses	270.7	171.0
Miscellaneous third party services	219.1	139.6
Leasing and maintenance costs	65.1	110.7
Losses from writing-down receivables	0.0	9.4
Other expenses	755.6	438.5
Total	4,226.9	3,013.8

37. Financial result

Financial result may be divided as follows:

	2007 TEUR	2006 TEUR
Other interest and similar income	390.2	4.6
Interest and similar expenses	-128.9	-97.8
Total	261.3	-93.2

Debt capital costs were recognised as an expense in the period in which they were incurred.

38. Income taxes

Income taxes may be divided as follows:

	2007 TEUR	2006 TEUR
Income tax	-535.4	-812.4
Deferred taxes	-101.3	358.3
Total	-636.7	-454.1

Detailed information about the deferred tax assets and liabilities, which must be set aside, may be found in the preceding subsection 19. The basis used for setting aside the deferred taxes is an income tax rate of 30 percent for the domestic corporation and the future local tax rate for the foreign subsidiaries. It is also assumed that on the basis of the current tax legislation, any existing tax loss carry-forwards may continue to be used for an indefinite period into the future. The deferred tax assets will be reduced in the future by the recognised tax loss carry-forwards to the extent that the Company generates profits.

The actual tax rate may be shown as follows:

	2007 TEUR	2006 TEUR
Consolidated net income/loss before taxes and minority shareholdings	3,246.2	1,881.4
Income tax	-636.7	-454.1
Actual tax rate	19.6%	24.1%

The difference between the theoretical income tax expense (when applying the tax rate applicable to the InVision Group) and the reported income tax expense may be attributed to the following causes:

	2007 TEUR	2006 TEUR
Result before income tax	3,246.2	1,881.4
Theoretical income tax expense (40%)	1,298.5	752.6
International tax rate differentials	-600.2	-342.5
Tax add-backs/ tax abatements	-59.7	41.7
Other discrepancies	-1.9	2.3
Total	636.7	454.1

V. Notes to the Consolidated Cash Flow Statement

The cash flow statement shows the InVision Group's incoming and outgoing cash payments in the financial year. Under IAS 7, cash flow is distinguished between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

The net financial position reflected in the cash flow statement consists of all liquid funds, which are reported on the balance sheet (i.e., cash on hand and credit balances at financial institutions) and which can be reduced to cash within three months (calculated from the date acquired) without any significant fluctuation in value, less any short-term liabilities. The cash flows from investing and financing activities are computed directly (i.e., on a cash basis). In contrast, cash flows from operating activities are derived indirectly from the results for the period. Cash flows from operating activities include the following incoming and outgoing payments:

	2007 TEUR	2006 TEUR
Interest received	390.0	5.7
Interest paid	129.0	98.0
Income taxes paid	535.0	812.0

The net financial position shown in the cash flow statement is derived as follows from the inventory of liquid funds reported in the consolidated cash flow statement:

	2007 TEUR	2006 TEUR
Liquid funds	3,651.0	142.0
Less short-term liabilities	-84.0	0.0
Net financial position	3,567.0	142.0

VI. Other Information

39. Miscellaneous financial obligations

As of the balance sheet closing date, there were other financial obligations arising from leases, primarily for intangible assets, office space and fixtures and fittings for business operations in the following amounts:

2008	2009	2010	Subsequent years
827.8 TEUR	596.4 TEUR	311.8 TEUR	317.3 TEUR

40. Contingent liabilities

	2007	2006
Non-payment guarantee in favour of INVEST NORTHERN IRELAND for subsidies granted, or support services provided, to InVision Software Ltd., UK	173.5 TEUR	189.8 TEUR

41. Financial assets and liabilities

The main financial liabilities existing in the Group are short-term liabilities arising from accounts payable. The significant assets of the Group consist of cash and cash equivalents, securities as well as accounts receivable. The book value of the financial assets as stated in the consolidated financial statements, less any write-downs, represents the maximum default risk and equals a total of TEUR 8,615 (2006: TEUR 3,979). Business relationships are established with creditworthy contracting parties (counterparties) only. In order to evaluate the creditworthiness of counterparties (including large customers), the Group relies on available financial information and its internal trading records.

The Group holds trade receivables against a number of customers from a wide range of industries and regions. Credit assessments about the financial strength of the receivables are constantly performed. The typical terms of payment granted (with no discounts or deductions) are 30 days. No bad debt allowances were created for TEUR 8,170 (2006: TEUR 3,700) in trade receivables, which were overdue as of the balance sheet date, since no material changes in the relevant customers' creditworthiness were identified and these outstanding amounts appear likely to be paid.

Market risks can arise from changes in exchange rates (currency risk) or interest rates (interest risk). Given the limited relevance these risks have for the Group, the Group has not heretofore hedged such risks using derivative financial instruments. These risks are managed through constant monitoring. Currency risks are largely avoided by virtue of the fact that the Group invoices primarily in Euro or in the local currency.

The valuation of these financial assets and liabilities of the InVision Group are described under Item II. of the notes on the general accounting and valuation principles.

In general, the Group does not use the fair value option. Moreover, in 2007 or 2006, the Group did not hold any assets for trading purposes and any financial liabilities, which were recorded in the income statement and appraised at their current fair market value. The Group also did not execute any derivatives or hedging transactions. Reclassifications were not made either in 2006 or 2007.

42. Capital risk management

The Group manages its capital (equity capital plus debt less cash and cash equivalents) with the goal of using financial flexibility to achieve its growth targets while simultaneously optimising its financing costs. This overall capital management strategy has remained the same since the previous year.

Management reviews the capital structure at least once each half-year. The review covers the capital costs, the security and collateral provided, and the open credit lines and credit options.

During the reporting year, the capital structure may be shown as follows:

	31 Dec 2007 TEUR	31 Dec 2006 TEUR
Equity capital	24,094.2	246.8
- as a percentage of total capital	86.0%	4.3%
Liabilities	3,911.2	5,464.6
- as a percentage of total capital	14.0%	95.7%
Short-term liabilities	3,633.2	5,153.3
- as a percentage of total capital	13.0%	90.2%
Long-term liabilities	278.0	311.2
- as a percentage of total capital	1.0%	5.5%
Gearing*	-53%	2.156%

* calculated as the ratio of liabilities (less any cash and cash equivalents) to equity capital

43. Finance risk management

The monitoring of finance risk is handled by management on a centralised basis. Individual financial risks are generally reviewed at least once each quarter.

The Group's primary risks resulting from financial instruments encompass liquidity and credit risks. As a rule, business transactions are executed only with creditworthy contracting parties. In order to evaluate the creditworthiness of the contracting parties, particularly larger customers, the Group relies on assessments made by independent ratings agencies, on other available financial information and on its own trading records. Moreover, the amounts of any receivables are constantly monitored in order to avoid exposing the InVision Group to any significant credit risk. The maximum default risk is limited to the book value of the asset as reported in the balance sheet.

The Group manages liquidity risks by holding adequate reserves, monitoring and maintaining credit agreements, and planning and coordinating incoming and outgoing payments.

44. Market risks

Market risks can arise from changes in exchange rates (currency risk) or interest rates (interest risk). Given the limited relevance these risks have for the Group, the Group has not heretofore hedged such risks using derivative financial instruments. These risks are managed through constant monitoring. Currency risks are largely avoided by virtue of the fact that the Group invoices primarily in Euro or in the local currency. As of the balance sheet date, the receivables denominated in foreign currencies equalled TEUR 2,259 (2006: TEUR 975) and the payables denominated in foreign currencies equalled TEUR 302 (2006: TEUR 658). Had the Euro appreciated (depreciated) by 10 percent compared to other currencies relevant to the Group as of 31 December 2007, then the pre-tax result would have been TEUR 196 (2006: TEUR 32) lower (higher). The securities are fixed-interest securities.

45. Transactions between related parties

Enterprises and parties, who are deemed "closely related" within the meaning of IAS 24, include members of the Executive Board and Supervisory Board and their close relatives as well as any enterprises, over which members of the Executive Board exert a controlling influence.

Commercial trading relationships with related enterprises and parties are generally concluded at market prices. In the reporting period, the Company purchased consulting services from eTimum Software GmbH, Ratingen, in the amount of TEUR 320.

A lease exists with eTimum Software GmbH, Ratingen, which generated TEUR 8 in income during the reporting period.

In addition, loans from InVision Holding GmbH, Ratingen, totalling up to TEUR 197.6 with an annual interest rate of 11.46 percent were drawn down. In January 2007, the loan was completely repaid in two instalments. A loan from a Company shareholder, Mr Armand Zohari, totalling TEUR 10 with an interest rate of 10.10 – 11.46 percent was drawn down. As of 21 March 2007, the loan was repaid in full. Loans of up to a maximum TEUR 10.1 with an interest rate of 10.10 percent were granted to eTimum Software GmbH, Ratingen. Since 29 January 2007, these loan receivables no longer exist since other offsetting payments were booked against them.

In the reporting period, an employment contract existed with the wife of the Executive Board chairman. The gross salary payable under that contract was TEUR 73. The brother of the Executive Board chairman provided services during the reporting period on an hourly basis in the total amount of TEUR 19.

46. Events after the balance sheet closing date

After the close of the fiscal year, no further transactions of any special significance occurred, which would be of material importance for the consolidated financial statements.

47. Number of employees

In financial year 2007, the Company employed an average of 146 (previous year: 107) workers without Executive Board members.

48. Information on the Company's governing bodies

The following persons were members of the Executive Board in the fiscal year:

- Peter Bollenbeck (Chairman), Düsseldorf
- Matthias Schroer, Mülheim an der Ruhr

The total remuneration paid to the Executive Board members in financial year 2007 was TEUR 384. As of 31 December 2007, members of the Executive Board held a total of 760,000 shares of the Company.

The Supervisory Board consists of:

- Dr. Thomas Hermes (Chairman), Attorney-at-Law and Notary, Essen
- Dr. Christof Nesemeier, Executive Board chairman of MBB Industries AG, Berlin
- Prof. Dr. Wilhelm Müller, Professor, Essen

Dr. Thomas Hermes is the Deputy Supervisory Board chairman of Wohnungsgenossenschaft Essen-Nord eG.

Dr. Christof Nesemeier is the Supervisory Board chairman of Delignit AG, Blomberg.

Prof. Dr. Wilhelm Müller is the Supervisory Board chairman of the European Center for Coatings and Surface Technology, Krefeld/Münster.

The remuneration of the Supervisory Board in fiscal year 2007 was TEUR 28.6.

49. Information on segment reporting

Given the uniformity of services provided by the companies of the InVision Group, no partitioning into separate mandatory reporting segments was undertaken.

50. Earnings per share

Earnings per share were calculated by dividing the periodic earnings, which are attributable to InVision Software AG shareholders, by the average weighted number of shares issued and outstanding during the reporting period. InVision Software AG has issued only ordinary shares. For financial year 2007, the assumed number of shares equalled 2,235,000. Earnings per share for this period were therefore EUR 1.17, compared to EUR 0.61 in the previous year (based on the same number of shares issued).

51. Statements under § 161 of the German Stock Corporation Act

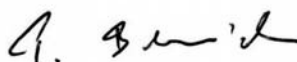
As a publicly listed stock corporation, InVision Software AG is obligated under § 161 of the German Stock Corporation Act (AktG) to issue a statement regarding the extent to which it has

elected to comply with the recommendations of the "Government Commission of the German Corporate Governance Code". The Executive Board and Supervisory Board issued this statement on 10 April 2008. This statement together with the annual financial statements and consolidated financial statements will be published and also made available to the shareholders on the Company's website, www.invisionwfm.com.

52. Responsibility statement by the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position and results of operation, and the Group's management report includes a fair review of the development and performance of the business, together with a description of the principal opportunities and risks related to the anticipated development of the Group for the remainder of the fiscal year.

Ratingen, 11 April 2008



Peter Bollenbeck
Executive Board chairman



Matthias Schroer
Executive Board member

Annex to the Consolidated Notes

Group Asset Movement Schedule for the InVision Software Group from 1 January through 31 December 2006

TEUR		Status as of 1 Jan. 2006	Additions	Disposals	Currency Differences	Status as of 31 Dec. 2006
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	Gross	167.2	18.3	0.0	0.0	185.5
	Value adjustment	116.3	24.0	0.0	0.0	140.3
	Net	50.9	-5.7	0.0	0.0	45.2
Other equipment, plant and office equipment	Gross	535.4	47.6	5.1	1.4	579.3
	Value adjustment	438.8	56.1	5.1	5.3	484.5
	Net	96.6	-8.5	0.0	6.7	94.8
Long-term assets	Gross	702.6	65.9	5.1	1.4	764.8
	Value adjustment	555.1	80.1	5.1	5.3	624.8
	Net	147.5	-14.2	0.0	6.7	140.0

Group Asset Movement Schedule for the InVision Software Group from 1 January through 31 December 2007

TEUR		Status as of 1 Jan. 2007	Additions	Disposals	Currency Differences	Status as of 31 Dec. 2007
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	Gross	185.5	42.6	0.0	0.0	228.1
	Value adjustment	140.3	24.0	0.0	0.0	164.3
	Net	45.2	18.6	0.0	0.0	63.8
Other equipment, plant and office equipment	Gross	579.3	210.3	1.4	-1.2	787.0
	Value adjustment	484.5	82.3	1.0	-1.8	564.0
	Net	94.8	128.0	0.4	0.6	223.0
Long-term assets	Gross	764.8	252.9	1.4	-1.2	1,015.1
	Value adjustment	624.8	106.3	1.0	-1.8	728.3
	Net	140.0	146.6	0.4	0.6	286.8

Consolidated Statement of Equity under IFRS as of 31 December 2007

EUR	Equity capital of the parent company's shareholders								
	Subscribed capital	Capital reserves	Statutory reserves	Other earnings reserves	Equity capital differences from currency translation	Group result	Equity	Minority shares	Total
31 December 2005	380,001.00	0.00	34,351.70	1,256,904.72	-55,190.15	-2,742,292.99	-1,126,225.72	746.70	-1,125,479.02
Period result	0.00	0.00	0.00	0.00	0.00	1,427,383.92	1,427,383.92	0.00	1,427,383.92
Exchange rate difference from converting foreign financial statements	0.00	0.00	0.00	0.00	-51,979.54	0.00	-51,979.54	0.00	-51,979.54
Withdrawal from earnings reserves	0.00	0.00	0.00	-3,091.40	0.00	0.00	-3,091.40	0.00	-3,091.40
Minority shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Minority shares of the period results	0.00	0.00	0.00	0.00	0.00	-8,434.68	-8,434.68	8,434.68	0.00
Appropriation to statutory reserves	0.00	0.00	44,637.29	0.00	0.00	-44,637.29	0.00	0.00	0.00
Total recognised expenses/income	0.00	0.00	0.00	0.00	-51,979.54	1,427,383.92	1,375,404.38	0.00	1,375,404.38
31 December 2006	380,001.00	0.00	78,988.99	1,253,813.32	-107,169.69	-1,367,981.04	237,652.58	9,181.38	246,833.96
Period result	0.00	0.00	0.00	0.00	0.00	2,609,560.22	2,609,560.22	0.00	2,609,560.22
Appropriation to earnings reserves	0.00	0.00	0.00	1,220,735.14	0.00	-1,220,735.14	0.00	0.00	0.00
Capital increase from company's own funds	1,854,999.00	-714,996.00	0.00	-1,140,003.00	0.00	0.00	0.00	0.00	0.00
Issue proceeds	0.00	22,879,872.00	0.00	0.00	0.00	0.00	22,879,872.00	0.00	22,879,872.00
Amounts directly booked to equity account									
- Transaction costs	0.00	-2,212,423.98	0.00	0.00	0.00	0.00	-2,212,423.98	0.00	-2,212,423.98
- Tax advantage	0.00	663,727.19	0.00	0.00	0.00	0.00	663,727.19	0.00	663,727.19
Book entry adjustment minority shares	0.00	0.00	0.00	642.88	0.00	8,538.50	9,181.38	-9,181.38	0.00
Exchange rate difference from converting foreign financial statements	0.00	0.00	0.00	0.00	-93,355.73	0.00	-93,355.73	0.00	-93,355.73
Total recognised expenses/income	0.00	-1,548,696.79	0.00	0.00	-93,355.73	2,609,560.22	967,507.70	0.00	967,507.70
31 December 2007	2,235,000.00	20,616,179.21	78,988.99	1,335,188.34	-200,525.42	29,382.54	24,094,213.66	0.00	24,094,213.66

Special Schedule of Shareholdings as of 31 December 2007

The Group parent company holds the following shares:

Company Name	Registered Office	Share in percent	Equity Capital (EUR)	Earnings for the financial year (EUR)
InVision Software SAS	Paris/France	100.0	-223,784.98	-329,053.33
WFM Software AB	Stockholm/Sweden	100.0	10,758.93	-93,649.60
InVision Software Ltd.	Derry/United Kingdom	100.0	1,634,541.14	1,189,761.24
InVision South Africa (Pty) Ltd.	Capetown/South Africa	100.0	-135,266.70	236,880.26
InVision Software S.r.l.	Milan/Italy	100.0	25,316.26	-473,159.21
InVision Software Systems S.L.	Madrid/Spain	100.0	-162,278.32	79,639.09
InVision Software OÜ	Tallinn/Estonia	100.0	1,558,776.25	924,604.80
InVision Software GmbH	Zurich/Switzerland	100.0	312,909.29	283,019.02
InVision Software Inc.	Chicago/USA	100.0	328,613.31	-301,768.40
InVision Software B.V.	Utrecht/The Netherlands	100.0	-243,255.58	-148,290.30
InVision IT-Systems GmbH	Vienna/Austria	100.0	-46,316.65	11,348.77

Independent Auditors' Report

To InVision Software AG

We have audited the consolidated financial statements prepared by InVision Software AG, Ratingen, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the period from 1 January 2007 through 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the German generally accepted standards for the audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 and group management reporting 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 financial statements of the entities included in the consolidated financial statements, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. 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 IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 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 and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 14 April 2008

Verhülsdonk & Partner GmbH
Audit firm
Tax consulting company

Dr. Hüchtebrock
German CPA

Grote
German CPA

Financial Calendar 2008

Analysts' conference	
Small & Mid Cap Conference, 6-8 May 2008, Frankfurt/Main	7 May 2008
Publication of the report for the first quarter of 2008	15 May 2008
Annual Shareholders' Meeting	20 June 2008
Publication of the report for the first and second quarter of 2008	14 August 2008
Analysts' conference	
SCC - Small Cap Conference, 25-27 August 2008, Frankfurt/Main	25-27 August 2008
Analysts' conference	
German Equity Forum Fall, Frankfurt/Main	10-12 November 2008
Publication of the report for the third quarter of 2008	14 November 2008

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Publisher

InVision Software AG
Halskestrasse 38
40880 Ratingen (Germany)

phone: +49 (0)2102 728 0
fax: +49 (0)2102 728 111
email: info@invision.de

Investor Relations

InVision Software AG
Halskestraße 38
40880 Ratingen (Germany)

phone: +49 (0)2102 728 444
fax: +49 (0)2102 728 111
email: ir@invision.de

Headquarter

Germany
+49 (2102) 728-0

Worldwide Offices

Austria
+43 (1) 5999 9174

Estonia
+372 618 1524

France
+33 (1) 55 68 11 35

Italy
+39 (02) 64672-535

The Netherlands
+31 (30) 2106422

Scandinavia
+46 (8) 796 16 20

Spain
+34 (91) 789 3405

Switzerland
+41 (44) 308 38 05

United Kingdom
+44 (121) 503 2620

United States
+1 (312) 474-7767



www.invisionwfm.com
info@invisionwfm.com