Annual Report 2011

InVision Software AG

Contents

Foreword

Dear Shareholders,
Customers, Business Partners and
Fellow Employees,

In this very annual report letter published at this time last year, I had already announced that 2011 should be an exciting year.

Since April 2011, we have been in the process of radically converting our business model to cloud computing and implementing our new platform, injixo, is one of the largest projects in our history. At the moment, we are gradually replacing in our target markets in Europe and North America licence revenues and project services with subscriptions to cloud computing services. Through the acquisition of The Call Center School in June 2011, we are complementing our workforce management solutions with learning programmes for call centres that are globally renowned. At the same time, we are modifying our processes, methods and tools, which make all other changes of the last several years appear minor.

These steps require courage, endurance and a lot of energy. Therefore, I would like to take this opportunity to express my gratitude to our outstanding employees, whose exemplary enthusiasm, commitment, creativity, and above all, fun, have ensured that we are not wandering off our path and have also made great strides. The same applies to our clients, partners and shareholders, who have given us their heart and soul and been the source of many valuable ideas.

The year 2012 will also be defined by our business model transformation. Nevertheless, since the focus this year will be on execution and optimisation, the initiatives and projects already launched will be transferred into regular operations. We are confident that we will complete all significant measures in this regard during the second half of 2012.

We look forward to forging new paths with you once again in 2012.

Kind regards

Peter Bollenbeck
CEO

Overview

Since 1995, we have been helping our international clients to optimise their workforce management, increase their productivity and quality of work and reduce their costs.

injixo

Cloud platform with training, workforce management and industry network

THE CALL CENTER SCHOOL

Training, consulting and publications for call centre professionals

CORE PRACTICE

Strategic workforce management consulting

InVision WFM

Software for workforce management

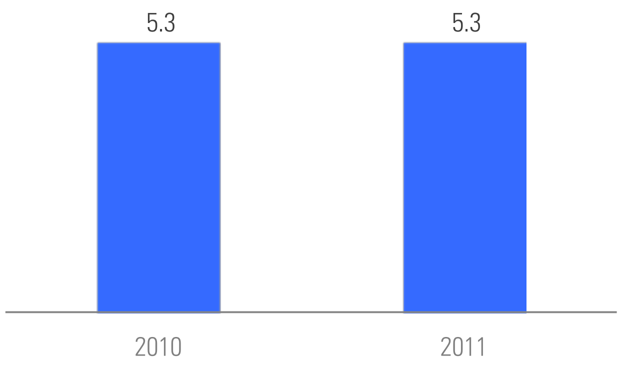
Additional information: www.invisionwfm.com

Highlights

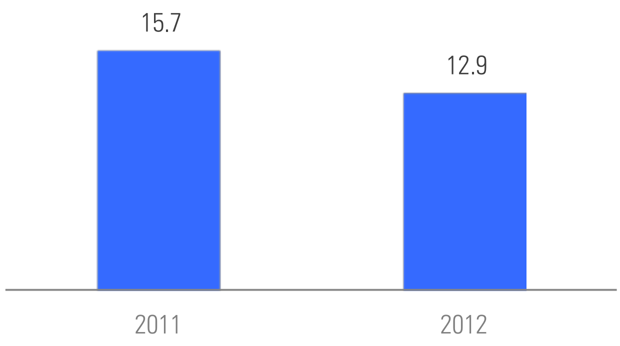
New Business Model
Cloud Computing

Acquisition
The Call Center School

R&D expenses
Consistently high level



Annual cost basis
-18%



Financial Summary

Income (in TEUR)	2011	2010	Δ
Revenues	12,384	16,006	-23%
Software & Subscriptions	8,824	12,024	-27%
Services	3,560	3,982	-11%
EBIT	-3,860	1,051	abs. -4,911
as a % of revenues	-31%	7%	-38PP
Consolidated result	-7,491	1,021	abs. -8,512
as a % of revenues	-61%	6%	-67PP
Earnings per share (in EUR)	-3.41	0.45	abs. -3.86

Balance sheet (in TEUR)	31 Dec 2011	31 Dec 2010	Δ
Balance sheet total	8,507	16,305	-48%
Liquid funds	1,667	5,723	-71%
Equity	3,574	12,055	-51%
as % of balance sheet total	42%	74%	-32PP

Employees	31 Dec 2011	31 Dec 2010	Δ
Number of employees	166	163	+2%
Domestic	70	76	-8%
Foreign	96	87	+10%
R&D	77	77	±0%
Sales & Marketing	32	26	+23%
Services	36	38	-5%
Miscellaneous	21	22	-5%

InVision share	2011	2010	Δ
Closing price per 31 December	12.80 €	14.83 €	-14%
Year high	23.99 €	17.00 €	+41%
Year low	8.60 €	3.91 €	+120%
Market capitalisation per 31 December	28.0 Mio. €	33.2 Mio. €	-16%
Number of shares	2,235,000	2,235,000	±0
Of which treasury shares	49,048	0	abs. +49,048

All information is XETRA price data

Corporate Governance Report

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.

Additional information regarding the management and control structure as well the policies on investor communications at InVision Software AG can be found on the Internet at www.invisionwfm.com/corporate_governance.

Securities transactions and shares held by board members

Under section 15a of the German Securities Trading Act (WpHG), the members of the Executive Board, members of senior management and members of the Supervisory Board of InVision Software AG are required to report any personal transactions they make involving InVision shares. The reporting requirement applies to all transactions which exceed a total amount of EUR 5,000 per calendar year.

In fiscal year 2011, the following transactions were reported to us:

Name	Date	Type	Transaction	Units	Total value (€)
InVision Holding GmbH, Ratingen	25/02/11	Shares	Sale (OTC)	7,804	185,579
InVision Holding GmbH, Ratingen	30/03/11	Shares	Purchase (OTC)	6,186	112,096
InVision Holding GmbH, Ratingen	15/04/11	Shares	Purchase (OTC)	60,000	990,000
Matthias Schroer, Mülheim a.d.R.	15/04/11	Shares	Sale (OTC)	67,032	1,131,500
Matthias Schroer, Mülheim a.d.R.	15/04/11	Shares	Sale (OTC)	60,000	990,000
InVision Holding GmbH, Ratingen	26/04/11	Shares	Purchase (OTC)	7,250	134,053
InVision Holding GmbH, Ratingen	18/05/11	Shares	Sale (OTC)	65,000	1,288,216
InVision Holding GmbH, Ratingen	24/06/11	Shares	Purchase (OTC)	6,750	128,889
InVision Holding GmbH, Ratingen	14/12/11	Shares	Purchase (OTC)	6,109	62,923

Peter Bollenbeck and Armand Zohari each hold 50 percent of InVision Holding GmbH shares.

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
Peter Bollenbeck, Düsseldorf	Executive Board	Shares	380,000	17.0%
Armand Zohari, Bochum	Executive Board	Shares	380,000	17.0%
InVision Holding GmbH, Ratingen		Shares	541,765	24.2%
Matthias Schroer, Mülheim a.d.R.		Shares	252,968	11.3%

Peter Bollenbeck, Armand Zohari and Matthias Schroer have jointly concluded a voting pool agreement. Peter Bollenbeck and Armand Zohari also each hold 50 percent of the shares of InVision Holding GmbH. Thus, Peter Bollenbeck and Armand Zohari collectively hold, either directly or indirectly, 1,554,733 shares, which represent 69.5 percent of the Company's registered share capital.

Compliance Statement

The Supervisory Board and Executive Board of InVision Software AG discussed the recommendations made by the Government Commission of the German Corporate Governance Code for Corporate Management and Supervision (26 May 2010 version) and determined which recommendations on conduct would not be followed.

In accordance with § 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board enacted the compliance statement which acknowledges and confirms that the recommendations of the Government Commission on the German Corporate Governance Code will be observed, subject to the following exceptions:

- For reasons of cost and in view of the Company's size and relatively low number of free-floated shares, the Company does not allow its shareholders – contrary to section 2.3.4 of the Code – to use modern means of communications to track and follow the Shareholders' Meeting.
- Compliance statements that are no longer up to date are not published on the Company’s website (pursuant to sentence 5 of section 3.8 of the Code). In the Company’s opinion, the related administrative effort is simply disproportionate to the added value that such information provides.
- The compensation arrangements for the Executive Board provide no variable components for the members of the Executive Board (section 4.2.3 of the Code). The Company assumes that the large ownership interest held by the members of the Executive Board in the Company's registered share capital provides an adequate incentive for them to engage in dedicated and responsible management of the Company.
- No age limit or quota for women was set for members of the Executive and Supervisory Boards (sections 5.1.2 and 5.4.1 of the Code). Given the age of the Executive and Supervisory Board members, there has been no reason so far for establishing an age limit. In constituting its governing bodies, the Company prefers to pursue simply its own best interests – and not any kinds of quotas.
- The Company's articles of association (Satzung) and the Supervisory Board's internal rules of procedure (Geschäftsordnung) 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. Thus, the act of forming committees would not simplify or streamline the work of the Supervisory Board.
- The members of the Supervisory Board do not receive any performance-based compensation in addition to their fixed 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, inasmuch as such an arrangement would fundamentally contradict the Board's supervisory role.

Composition of the Supervisory Board

The Supervisory Board should consist of members who have practical experience in corporate management and have knowledge of business administration and the law. The current membership of the Supervisory Board satisfies these goals.

Annual accounts auditor

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

On the basis of the shareholders’ appointment of the annual accounts auditor, the Supervisory Board of InVision Software AG authorised the annual accounts auditor to engage in the annual audit and agreed on a fee arrangement with those auditor. In connection with assigning the auditing job, the Supervisory Board has also agreed with the auditor on the reporting duties under the German Corporate Governance Code.

The annual accounts auditors participate in the Supervisory Board’s discussions and deliberations about the annual and consolidated financial statements, and reports on its significant audit findings.

Compensation report

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. Moreover, the Executive Board members have a right to use a car leased by the Company. The Executive Board members will also be paid an allowance to help cover their costs for health insurance and long-term care insurance. The Company has taken out private liability insurance to cover the Executive Board members, to the extent that these members do not have their own personal liability insurance coverage. The Company has also executed a D&O insurance policy with a deductible.

In addition to reimbursement of the expenditures that they incur in discharging their official duties, members of the Company's Supervisory Board are also paid a fixed compensation of EUR 5,000. The Supervisory Board Chairman receives twice that amount, and the Deputy Chairman receives one and one-half times that amount. Half of the compensation is paid after the fiscal half-year in question ends. Any value added tax charged on the cost reimbursement or on the compensation will also be reimbursed.

The remuneration benefits paid to the Executive Board in the fiscal year consist of the following:

in EUR	2011	2010
Peter Bollenbeck	206,499	206,517
of which fixed salary	189,018	189,138
of which other benefits	17,481	17,379
Armand Zohari (since 1 July 2011)	103,684	0
of which fixed salary	90,000	0
of which other benefits	13,684	0
Matthias Schroer (until 30 June 2011)	108,546	205,706
of which fixed salary	95,000	192,098
of which other benefits	13,546	13,608
Mauro Marengo (since 1 October 2010)	172,204	43,132
of which fixed salary	149,583	41,250
of which other benefits	22,621	1,882
Total compensation Executive Board	590,933	455,355

The remuneration benefits paid to the Supervisory Board in the fiscal year consist of the following:

in EUR	2011	2010
Dr. Thomas Hermes	12,000	12,000
of which fixed compensation	10,000	10,000
of which meeting fees and expenditures	2,000	2,000
Dr. Christof Nesemeier	9,500	9,500
of which fixed compensation	7,500	7,500
of which meeting fees and expenditures	2,000	2,000
Prof. Dr. Wilhelm Mülder	7,000	7,000
of which fixed compensation	5,000	5,000
of which meeting fees and expenditures	2,000	2,000
Total compensation Supervisory Board	28,500	28,500

Otherwise in the fiscal year, the Supervisory Board members 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, 5 March 2012

The Executive Board and Supervisory Board of InVision Software AG

Report by the Supervisory Board

During fiscal year 2011, 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 four 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 approval under the statutory rules or the provisions of the Company's articles 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 its product, sales and marketing strategy. Furthermore, if needed, the Executive Board reported to the Supervisory Board and the Supervisory Board Chairman, either by telephone or in writing, about the ongoing course of business.

The Supervisory Board also dealt with the issues 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, subject to a few exceptions, InVision Software AG complied with the recommendations of the Code (in its 26 May 2010 version) in fiscal year 2011, and that it will to a large extent also comply with the Code in the future. The compliance statement has been published in the 2011 annual report and on the Company's website, www.invisionwfm.com/corporate_governance.

In fiscal year 2011, the Supervisory Board meetings focused on the following issues:

- At the meeting held on 25 March 2011, the annual financial statements and the consolidated financial statements for 2010 as well as the management report and group management report were discussed in detail and the requisite resolutions adopted. Meeting participants also conferred on the course of business, specifically the Company's situation, sales and profitability. The Company's auditors attended the meeting.
- In the meeting held on 15 June 2011, the draft business policy and other fundamental issues of corporate planning (including financial, investment, and personnel planning) were discussed in the context of the business model transformation, including any variances between the actual developments and the previously reported targets (indicating the reasons for such variances). The membership changes on the Executive Board were also a topic of the meeting.
- The meeting held on 26 September 2011 addressed the business model transformation to cloud computing and the general course of business, including the Company's condition, revenues and profitability.
- The meeting held on 23 November 2011 addressed the general course of business during the second half of 2011, including the Company's condition, revenues and profitability.

In order to audit the annual financial statements and consolidated financial statements for fiscal year 2011, the Supervisory Board duly engaged the accounting firm of Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, which had been selected by the Shareholders' Meeting to serve as the Company's annual accounts auditor.

In accordance with section 7.2.1 of the German Corporate Governance Code, the annual accounts auditor issued a statement of independence [*Unabhängigkeitserklärung*] to the Supervisory Board. The statement confirmed that there have been between the accounting firm, its governing bodies and auditing directors, on the one hand, and InVision Software AG and its governing body members, on the other hand, no business, financial, personal or other kinds of relations that could cause uncertainty about the accounting firm's independence.

The subject matter of the audit were the annual financial statements and consolidated financial statements as of 31 December 2011 as well as the management report, which were all based on bookkeeping performed by Verhülsdonk & Partner Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf. The accounting firm issued an unrestricted auditor's report [*uneingeschränkten Bestätigungsvermerk*].

The audit reports were submitted to the Supervisory Board, and the auditors responsible for conducting the audit then explained the report in person to the entire Supervisory Board and to the Executive Board. The Supervisory Board closely reviewed the reports and concurred with the audit findings and approved the annual financial statements and consolidated financial statements. The submitted annual financial statements have been thereby formally adopted.

Effective 1 July 2011, Mr Armand Zohari was appointed to the Executive Board for a period of five years. He has the authority to represent the Company by himself and is exempted from the self-dealing restrictions of § 181 2nd Alt. of the German Civil Code. The contract with the Executive Board Chairman, Mr Peter Bollenbeck, was extended through 19 February 2016. Mr Matthias Schroer resigned from the Executive Board effective 30 June 2011. Mr Mauro Marengo resigned from the Executive Board effective 31 December 2011.

There were no changes in the membership of the Supervisory Board in fiscal year 2011.

The Supervisory Board thanked the Executive Board and all employees for their dedication and work performed in fiscal year 2011.

Ratingen, 27 March 2012

The Supervisory Board

Consolidated Financial Statements

of InVision Software AG as of 31 December 2011 in accordance with IFRS and § 315a of the German Commercial Code as well as the management report pursuant to § 315 of the German Commercial Code

Consolidated Balance Sheet

Assets (in EUR)	Note	31 Dec 2011	31 Dec 2010
Short-term assets			
Liquid funds	(24)	1,667,423	5,722,714
Inventories	(25)	17,100	0
Trade receivables	(26)	3,844,992	4,660,093
Income tax claims	(27)	33,593	65,777
Prepaid expenses and other short-term assets	(28)	267,711	294,259
Total short-term assets		**5,830,819**	**10,742,843**
Long-term assets			
Intangible assets	(29)	1,253,236	119,348
Tangible assets	(30)	308,144	315,012
Financial assets		0	150,092
Deferred tax assets	(32)	1,072,323	4,933,936
Other long-term assets	(33)	42,366	44,190
Total long-term assets		**2,676,069**	**5,562,578**
Total assets		8,506,888	16,305,421

Equity and liabilities (in EUR)	Note	31 Dec 2011	31 Dec 2010
Short-term liabilities			
Short-term liabilities owed to financial institutions	(35)	19,966	291,488
Trade payables	(35)	236,428	567,338
Provisions	(36)	1,491,749	1,233,322
Income tax liabilities	(36)	25,954	33,792
Short-term share of deferred income and other short-term liabilities	(37)	3,159,244	2,079,005
Total short-term liabilities		**4,933,341**	**4,204,945**
Long-term liabilities			
Deferred taxes	(32)	0	44,980
Total long-term liabilities		**0**	**44,980**
Equity			
Subscribed capital	(38)	2,235,000	2,235,000
Treasury shares		-49,048	0
Capital reserves	(39)	20,640,839	20,616,179
Earnings reserves	(40)	635,295	1,414,177
Equity capital difference from currency translation	(41)	-695,726	-612,768
Losses carried forward		-11,481,657	-12,536,503
Group/consolidated result		-7,490,521	1,054,846
Minority shares		-220,635	-115,435
Total equity		**3,573,547**	**12,055,496**
Total equity and liabilities		8,506,888	16,305,421

Consolidated Statement of Comprehensive Income

in EUR	Note	2011	2010
Revenues	(42)	**12,383,942**	**16,005,681**
Other operating income	(43)	100,240	138,396
Cost of materials/cost of goods and services purchased	(44)	-177,880	0
Personnel expenses	(45)	-10,037,827	-10,568,058
Amortisation/depreciation of intangible and tangible assets	(46)	-217,089	-173,804
Other operating expenses	(47)	-5,911,767	-4,350,902
Operating result (EBIT)		**-3,860,381**	**1,051,313**
Financial result	(48)	47,582	27,943
Currency losses/gains		104,144	44,915
Result before taxes (EBT)		**-3,708,655**	**1,124,171**
Income tax	(49)	-3,887,067	-114,645
Consolidated net loss/profit		**-7,595,721**	**1,009,526**
Minority shares		105,201	45,320
Exchange rate differences from converting foreign financial statements		-82,958	-34,170
Consolidated result		**-7,573,479**	**1,020,676**

Consolidated Cash Flow Statement

in EUR	2011	2010
Consolidated net loss/profit incl. minority shares	**-7,490,521**	**1,054,846**
Depreciation and amortisation of fixed assets	217,089	173,804
Losses from the disposal of intangible and tangible assets	0	1,251
Decrease/increase in provisions	258,427	-66,196
Decrease/increase in income tax liabilities	-7,838	13,488
Decrease/increase in deferred taxes	3,816,633	40,384
Other cash-effective income	-187,189	-87,532
Decrease/increase in trade receivables and contract manufacturing	798,001	872,190
Decrease/increase in other assets and prepaid expenses	28,372	507,588
Decrease/increase in income tax claims	32,184	68,195
Decrease/increase in trade payables	-330,910	-254,851
Decrease/increase in other liabilities and deferred income	763,366	-1,138,734
Cash flow from operating activities	**-2,102,386**	**1,184,433**
Investing activities		
Payments made for investments in tangible fixed assets	-126,966	-65,415
Payments made for investments in intangible assets	-901,239	-40,001
Payments made for the purchase of securities	0	1,000,000
Payments received/made for other lending activities	150,092	-150,092
Cash flow from investing activities	**-878,113**	**744,492**
Financing activities		
Payments received from equity contributions (issuance of Company's shares)	328,500	0
Payments made in order to repurchase the Company's outstanding shares	-1,131,770	0
Cash flow from financing activities	**-803,270**	**0**
Change in cash and cash equivalents	**-3,783,769**	**1,928,925**
Cash and cash equivalents at the beginning of the period	**5,431,226**	**3,502,301**
Cash and cash equivalents at the end of the period	**1,647,457**	**5,431,226**

Consolidated Statement of Equity

in EUR	1 Jan 2010	Result 2010	31 Dec 2010	Result 2011	31 Dec 2011
Subscribed capital	2,235,000	0	2,235,000	-49,048	2,185,952
Capital reserves	20,616,179	0	20,616,179	24,660	20,640,839
Statutory reserves	78,989	0	78,989	0	78,989
Other earnings reserves	1,335,188	0	1,335,188	-778,882	556,306
Equity capital difference from currency translation	-578,598	-34,170	-612,768	-82,958	-695,726
Losses carried forward	-12,536,503	1,054,846	-11,481,657	-7,490,521	-18,972,178
Equity capital of the Company shareholders	**11,150,255**	**1,020,676**	**12,170,931**	**-8,376,749**	**3,794,182**
Minority shares	-70,115	-45,320	-115,435	-105,201	-220,636
Equity	**11,080,140**	**975,356**	**12,055,496**	**-8,481,949**	**3,573,546**

Consolidated Notes

to the Consolidated Financial Statements of InVision Software AG as of 31 December 2011

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 the development and sale of software-based products and services. 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 recorded in the Commercial Register of the Local 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.

The IFRS consolidated financial statements are expected to be approved by the Supervisory Board of InVision Software AG on 27 March 2012 and then cleared for publication.

2. Basis of the accounting

Because it is listed on a 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 2011 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 encompasses 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 prescribed under § 315a of the German Commercial Code (HGB) must also be observed.

All provisions of the IFRS, IAS, IFRIC and SIC, which are valid for fiscal year ending 31 December 2011, have been applied in the consolidated financial statements.

In fiscal year 2011, the following provisions under the IAS/IFRS/IFRIC were endorsed by the EU for adoption into EU law and/or must be applied for the first time. Most of them have little or no effect on the consolidated financial statements of InVision Software AG.

IFRS	Effect
IFRS1 Amendment to IFRS1 and IFRS7: improve disclosures for financial instruments	None
IFRS1 Amendments to IFRS3 in accordance with the Annual Improvements: modification of the accounting and valuation methods, with an exception related to the deemed costs for earnings-based measurements of the fair value as well as the deemed costs for rate-regulated operations.	None
IFRS3 Amendments to IFRS3 in accordance with the Annual Improvements: Business Combinations	None
IFRS7 Amendments to IFRS7 in accordance with the Annual Improvements: Disclosures	Minor
IAS1 Amendments to IAS1 in accordance with the Annual Improvements: Presentation of Financial Statements	Minor
IAS24 Amendments to IAS24 for Related Party Disclosures	None
IAS27 Amendments to IAS27 in accordance with the Annual Improvements: Consolidated and Separate Financial Statements under IFRS	None
IAS32. Classification of Rights Issues	None
IAS34 Amendments to IAS34 in accordance with the Annual Improvements: Interim Financial Reporting	None

The following amendments of the IASB were not adopted early in the existing consolidated financial statements. Where amendments affect InVision Software AG, the future effects on the consolidated financial statements are examined. In most of these cases, the EU has also not yet endorsed the amendments.

IFRS	Material effect
IFRS1 Elimination of the Fixed Implementation Date for First-Time Adopters of IFRS	None
IFRS1 Severe Hyperinflation	None
IFRS7 Improvement of Disclosures for Transfers of Financial Assets	None
IFRS9 Financial Instruments: Classification and Valuation of Financial Assets	None
IFRS9 Financial Instruments: Classification and Valuation of Financial Liabilities	None
IFRS10 Consolidated Financial Statements – Control	None
IFRS11 Joint Arrangements	None
IFRS12 Disclosure of Interest and Other Entities	None
IAS27 (2011) Separate Financial Statements	None
IAS28 (2011) Investments in Associates and Joint Ventures	None
IFRS13 Fair Value Measurement	None
IAS1 (2011) Presentation of Other Items	None
IAS12 Income Taxes	None
IAS19 Employee Benefits	None

The EU-Endorsement of all standards, which were voluntarily applicable as of 31 December 2011, has still not been issued.

3. Group of consolidated companies

The consolidated financial statements cover InVision Software AG as well as the following subsidiaries:

- InVision Software Limited, 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 BV, Arnhem, the Netherlands
- InVision Software GmbH, Vienna, Austria
- injixo, Inc. (formerly InVision Software Inc.), Naperville, IL, United States
- InVision Intellectual Property AG, Zug, Switzerland
- InVision Software (Deutschland) GmbH, Ratingen, Germany
- InVision Consulting International GmbH, Zug, Switzerland (80%), which holds a share of:
    - Core Practice LLC, Naperville, IL, United States (51%)

Unless otherwise indicated, InVision Software AG holds a direct 100% ownership interest in each of the subsidiaries. The business operation of "The Call Center School", Nashville (USA), was acquired as part of an asset deal involving injixo, Inc. as the purchaser. The transaction went into effect as of 1 June 2011. The substantial assets consisted of intangible rights, business records as well as order backlogs and inventories, the total value of which was TEUR 1,180. Since 1 June 2011, the acquired business operation has contributed TEUR 30 to earnings.

4. Consolidation principles

The consolidated 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 while applying the 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 applicable fiscal year in question.

All intra-group account balances, transactions, income, expenses, profits and losses from intra-group transactions, which are included in the book value of assets, are eliminated in full.

Subsidiaries are fully consolidated as of the date of their formation or acquisition (i.e., as of the date on which the Group acquires control over them). The inclusion of these subsidiaries in the consolidated accounts ends as soon as the parent company's control no longer exists.

Newly-formed subsidiaries are consolidated using the acquisition method pursuant to IFRS 3. Under that method, acquisition costs of the business combination are apportioned to the identifiable assets, which are acquired, and to the identifiable liabilities, which are assumed, based on their fair values as of the date of acquisition. The expenses and income, which have accrued since the acquisition, are included in consolidated accounts.

ACCOUNTING AND VALUATION PRINCIPLES

5. In general

The consolidated financial statements were prepared on the basis of historical acquisition or production costs (costs). Historical costs are based in general on the fair value of the consideration paid in exchange for the asset.

The balance sheet was structured according to short-term and long-term assets and liabilities. The statement of comprehensive income is prepared using the cost of production method.

6. Reporting currency

The consolidated financial statements are prepared in euro because the majority of the Group transactions are based on that currency. Unless otherwise indicated, all figures herein have been rounded up or down to the nearest thousand (TEUR) in accordance with standard commercial practices. The figures are shown in euro (EUR), in thousand euro (TEUR) or in million euro (MEUR).

7. Currency translation

Each company within the Group stipulates its own functional currency. The items reported in the financial statements of each company are valued using that functional currency. Foreign currency transactions are initially converted into the functional currency at the currency spot rate applicable on the date of the transaction.

Monetary assets and liabilities denominated in a foreign currency will be converted into the functional currency at the exchange rate applicable on each relevant reporting date. All differences in the exchange rate will be booked as income or expense on the income statement. This treatment does not apply to any exchange rate differences arising from foreign currency transactions, if they are used to hedge a net investment of a foreign operation. These differences are recognised directly in equity capital until the net investment is sold, and recognised in the period results only after such sale. Any deferred taxes resulting from the currency differences of such foreign currency credits will also be recognised directly in equity capital. Non-monetary items, which are valued at historical costs in a foreign currency, are converted at the exchange rate applicable on the date of the transaction. Non-monetary items, which are reported at fair value in a foreign currency, are converted at the exchange rate applicable on the date the fair value was calculated.

Assets and liabilities of foreign operations are converted into euro as of the balance sheet (reporting) date. The conversion of income and expenses shall be made at the average exchange rate for the fiscal year. Any differences resulting from these currency conversions will be booked as a separate component of the equity capital account.

Any goodwill acquired with the purchase of a foreign operation and any adjustments in the book value of the assets and liabilities, which resulted from that transaction in order to accord with fair value, will be converted at the exchange rate applicable on the reporting date.

The following exchange rates were used (per EUR 1.00):

Currency	Exchange rate on reporting date		Average annual exchange rate	
	2011	2010	2011	2010
USD	1.2939	1.3362	1.3920	1.3271
GBP	0.8353	0.8608	0.8678	0.8582
CHF	1.2156	1.2504	1.2342	1.3824
SEK	8.9120	8.9655	9.0283	9.5473
ZAR	10.4830	8.8625	10.0951	9.7175
EEK	0.00	15.6466	0.00	15.6170

8. Intangible assets

Acquired intangible assets 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 are identified and when it is likely that the group will receive a future economic benefit from the asset and the asset's acquisition and production costs can be reliably determined. For subsequent valuations, the value of the intangible assets is recognised at the acquisition or production costs of those assets, less the accumulated amortisation and less the accumulated impairment costs (shown under the amortisation item). Intangible assets are amortised on a straight-line basis over their estimated usable life (3 - 15 years). The amortisation period and amortisation method are reviewed at the end of each fiscal year.

When producing new software and further developing existing software, the InVision Group cannot clearly and unequivocally delineate the relevant software because 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 fiscal year, no development costs were capitalised.

9. Tangible assets

Tangible assets (computer hardware, tenant installations, furnishings and equipment) are recognised 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. The useful life for computer hardware is 3 to 5 years, and for furnishings and equipment, 5 to 10 years. Tenant installations are depreciated over the term of the lease or over their useful life, if that period is shorter.

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.

10. 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 the present cash value of the minimum lease 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.

11. Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the borrowing costs were incurred for the purchase, construction or production of qualified assets. In that case, the borrowing costs will be added to the production costs for such assets. During the fiscal year, the InVision Group had neither acquired nor produced qualified assets.

12. Impairment of non-financial assets

Non-financial assets are tested for impairment if facts or changes in circumstances suggest that the book value of an asset might no longer be recoverable. For the impairment test, the recoverable amount of the asset or the cash-generating unit must be determined. The recoverable amount is either the fair value less the costs to sell or the value in use, whichever value is higher. The fair value less the costs to sell is defined as the price which two informed, contractually-willing and independent business partners could achieve (less the cost to sell) when selling an asset or a cash-generating unit. The value in use of an asset or a cash-generating unit is calculated by determining the present cash value of the estimated future cash flow based on the current use of the asset or unit. If the recoverable value is less than the book value, then the difference will be immediately written off and entered in the income statement.

The impairment of a particular asset (except for goodwill), which had been previously recognised to profit and loss, will be reversed, if there is evidence that the impairment no longer exists or that the amount of the impairment has declined. The recoverable amount will be recognised as income in the income statement. The recoverable amount (or the reduction in the amount of the impairment) of an asset will be recognised, however, only to the extent that it does not exceed the book value, which would have resulted had no impairment been previously recognised (including the effects from amortisation or depreciation).

13. Financial investments and other financial assets

Financial assets within the meaning of IAS 39 are either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. Financial assets will be measured at fair value the first time they are recognised.

The classification of the financial assets into the measurement categories depends on their nature and their purpose of use, and will be made upon their initial recognition. To the extent it permissible and required, reclassifications are made at the end of the fiscal year.

As of 31 December, the Group had extended loans and receivables.

All standard market purchases and sales of financial assets are recognised on the trade date; in other words, on the day on which the Group has entered into the obligation to purchase or sell the asset. Standard market purchases and sales are purchases and sales of financial assets, which prescribe the delivery of assets within a period of time that is set by market rules or market conventions.

Extended loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These assets are measured at amortised costs using the effective interest method. Any gains or losses are recognised in the results for the period, if the loans and receivables have been derecognised or impaired or it has been done in connection with amortisation.

Financial assets are tested for impairment as of each balance sheet date. If it is likely that with respect to financial assets recognised at their amortised costs, the Company will be unable to collect all of the amounts, which are owed under loans, receivables or held-to-maturity investments pursuant to applicable contract terms and conditions, an impairment or write-down of the receivables will be recognised on the income statement. The impairment loss is defined as the difference between the asset's book value and the present cash value of the anticipated future cash flows calculated using the effective interest method. The book value of the asset is reduced using a value adjustment account. The impairment loss will be recognised on the income statement. An impairment previously recognised as a cost will be reversed into income on the income statement, if some of the value subsequently recovered (or a reduction in the impairment amount) can be objectively attributed to the set of facts that transpired following the original impairment. Any recovered value will be recognised, however, only to the extent that it does not exceed the amount of the amortised cost which would have resulted had the impairment not occurred. The financial asset will be derecognised, if it is classified as non-recoverable.

As in 2010, the book values of the assets and liabilities for the most part match their fair values.

14. Unfinished goods and services

Unfinished goods and services are valued according to the "percentage-of-completion" method. According to this method, customer projects were recognised according to the degree to which the business thereunder was completed as of the balance sheet closing date. The degree of completion is calculated on the basis of the actual man hours deployed in relation to the amount of forecasted hours.

If the profit or loss from a production contract cannot be reliably measured, then the income likely to be collected under that contract will be recognised but only in the amount of the contract costs incurred. Contract costs are recognised as an expense in the periods in which they are incurred.

The unfinished goods and services are reported as trade receivables after deducting any advance payments.

15. 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 allowances 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 allowances will be the face value of the account less the realisable amount that equals the present cash value of the anticipated cash flows.

16. 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.

17. 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 measured at face or nominal value.

18. Taxes

The actual tax refund claims and tax debts for the current period and for 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 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. In addition, any deferred taxes based on losses carried forward are entered on the balance sheet.

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 which are expected to be valid and binding on the date 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.

The valuation of deferred tax assets for loss carry-forwards and for deductible temporary differences depends on the future taxable earnings of the InVision Group companies. The estimate regarding such taxable earnings is made as of the balance sheet date using the updated budget forecast for a planning period of seven years. For purposes of capitalising deferred taxes based on the losses carried forward, only those tax loss carry-forwards, which are likely to be applied against the anticipated taxable income in the current budget forecast, will be recognised.

19. Provisions

A provision is shown only if the Company has a present, statutory or *de facto* 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 satisfy 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.

20. Liabilities

Liabilities comprise the trade payables, 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 cost of acquisition, which corresponds to the fair value of the consideration received. All liabilities are measured in subsequent years at the adjusted cost of acquisition under the effective interest method. The liability is derecognised when it has been settled, cancelled or expired.

21. Revenue and cost recognition

The InVision Group's revenues are generated primarily by providing the following services:

- Perpetual (durationally unrestricted) transfer of rights to use software products (licences)
- Subscriptions to software-based services and educational content
- Projects and services (configuration, software development, consulting, training, integration, etc.)

The revenues are reported less any early payment discounts, customer bonuses and rebates. Agreements with several components (e.g., licences/subscriptions and services) are internally allocated to their individual components, and revenues are recognised on the basis of those individual components.

Revenues are generally recognised when the sales price is determined or determinable, no significant duties exist and the collection of the receivables is likely. Income from the perpetual transfer of rights of use is generally recognised as soon as the relevant licence key is delivered. Income from subscriptions is recognised on a straight-line basis *pro rata temporis* throughout the period of time for which they were calculated. Income from projects and other services are recognised as soon as the service is provided.

Costs are recognised when the good or service is used or at the time they were generated. 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.

22. Contingent liabilities and contingent receivables

Contingent liabilities are either potential obligations, which could result in an outflow of resources but the existence of which must be confirmed through the occurrence or non-occurrence of one or more future events, or current obligations, which do not satisfy the recognition criteria of the liability. These items are listed separately in the notes, unless the possibility that resources with economic benefits will be lost is unlikely. There were no contingent liabilities in the fiscal year.

In connection with business combinations, contingent liabilities are recorded as liabilities on the balance sheet pursuant to IFRS 3.37, if the fair value can be reliably calculated.

Contingent receivables are not recognised in the financial statements. They are, however, listed in the notes, if the receipt of economic benefits is likely.

23. 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 assessment of deferred tax 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 recognition and measurement of provisions. The assumptions and estimates are based on premises delivered from available information at the time in question. The basis for the anticipated future business development is the circumstances present at the time the consolidated financial statements are prepared in a realistic scenario of the future development of the overall environment. If these overall conditions deviate from the assumptions made and cannot be influenced by management, then the resulting figures could deviate from the originally anticipated estimates.

NOTES TO THE CONSOLIDATED BALANCE SHEET

24. Liquid funds (cash and cash equivalents)

Liquid funds contain only those payment instruments, which have a term to maturity of less than 12 months calculated from the date of purchase. As in the previous year, cash and cash equivalents consist solely of credit balances held with financial institutions.

25. Inventories

The inventories include acquired book inventories in the United States.

26. Trade receivables

Trade receivables (net) have a term to maturity of up to one year, they are adjusted when needed and consist of the following items:

	31 Dec 2011	31 Dec 2010
Trade receivables	4,223	4,541
POC	0	119
Bad debt allowances	-378	0
Total	**3,845**	**4,660**

27. Income tax claims

The income tax claims include refund claims relate to various types of taxes.

28. Prepaid expenses and other short-term assets

	31 Dec 2011	31 Dec 2010
Prepaid and deferred items	185	246
Other miscellaneous assets	83	48
Total	**268**	**294**

29. Intangible assets

Intangible assets consist primarily of software and industrial property rights acquired in exchange for consideration. These assets are valued at their historical cost of acquisition, less the scheduled amortisation. With respect to scheduled amortisation, the software acquired in exchange for consideration and the industrial property rights were amortised over their expected useful lives (5 - 15 years). Assets based on financial leases are subject to scheduled amortisation over the term of the lease (5 years).

30. Tangible assets

Tangible assets consist of furnishings and office equipment, which 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 a straight-line basis over their useful lives (3 – 10 years). The carrying value of the tangible assets is subject to impairment testing. None of the assets have been subject to non-scheduled depreciation.

31. Development of the long-term assets

Fiscal year 2011	01 Jan 2011	Additions	Disposals	Currency differences	31 Dec 2011
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets					
Gross	327	1,218	42	3	1,506
Value adjustment	208	83	42	4	252
Net	119	1,135	0	-1	1,254
Other equipment, furnishings and office equipment					
Gross	945	127	5	5	1,072
Value adjustment	630	134	5	5	764
Net	315	-7	0	0	308
Financial assets					
Gross	150	0	150	0	0
Value adjustment	0	0	0	0	0
Net	150	0	150	0	0
Long-term assets					
Gross	1,422	1,345	197	8	2,578
Value adjustment	838	217	47	9	1,017
Net	584	1,128	150	-1	1,561

Fiscal year 2010	01 Jan 2010	Additions	Disposals	Currency differences	31 Jan 2010
Concessions, industrial property rights and similar rights and assets as well as licences to such rights and assets					
Gross	282	40	0	5	327
Value adjustment	164	44	0	0	208
Net	118	-4	0	5	119
Other equipment, furnishings and office equipment					
Gross	874	65	1	7	945
Value adjustment	496	130	0	4	630
Net	378	-65	1	3	315
Financial assets					
Gross	0	150	0	0	150
Value adjustment	0	0	0	0	0
Net	0	150	0	0	150
Long-term assets					
Gross	1,156	255	1	12	1,422
Value adjustment	660	174	0	4	838
Net	496	81	1	8	584

32. Deferred taxes

The following table sets forth the status of the deferred tax assets according to the balance sheet items:

	31 Dec 2011	31 Dec 2010
Deferred taxes based on temporary differences from licence valuations	482	624
Deferred taxes based on losses carried forward	590	4.310
Total	**1,072**	**4,934**

In fiscal year 2011, due to the ongoing transformation of the business model, an adjustment to the deferred tax assets (that are based on loss carry-forwards) was made in accordance with the plans of the national companies.

The following table sets forth the status of deferred tax liabilities according to the balance sheet items:

	31 Dec 2011	31 Dec 2010
Deferred taxes based on temporary differences		
- of the provisions and reserves/general valuation allowances	0	15
- from trade receivables	0	30
Total	**0**	**45**

The tax loss carry-forwards for the Group totalled TEUR 17,342. Of this amount, TEUR 1,971 was valued, and thereupon TEUR 590 was recognised as deferred taxes. For the TEUR 15,371 in other losses carried forward, no deferred taxes were recognised.

33. Other long-term assets

Other long-term assets consist only of security deposits paid for leased office space.

34. Research and development

The expenses for research and development totalled TEUR 5,280 (2010: TEUR 5,325) in the fiscal year.

35. Liabilities

Liabilities are allocated as follows:

	Short-term		Long-term		Total	
	2011	2010	2011	2010	2011	2010
Liabilities owed to financial institutions	20	291	0	0	20	291
Trade payables	236	568	0	0	236	568
Provisions	1,492	1,233	0	0	1,492	1,233
Income tax liabilities	26	34	0	0	26	34
Deferred income	1,928	772	0	0	1,928	772
Deferred taxes	0	0	0	45	0	45
Other liabilities	1,231	1,307	0	0	1,231	1,307
Total	**4,933**	**4,205**	**0**	**45**	**4,933**	**4,250**

The deferred income items involve previously recognised invoiced amounts for maintenance services for the respective next year and deferred licence revenues.

36. Income tax liabilities and provisions

Income tax liabilities and provisions developed as follows:

	1 Jan 2011	Utilisation	Reversal	Allocation	Currency difference	31 Dec 2011
Income tax liabilities	34	34	0	26	0	26
Provisions for:						
- Personnel expenses	840	790	48	501	9	512
- Trade associations	13	13	0	14	0	14
- Outstanding invoices	119	108	10	119	0	120
- Annual accounts costs	139	133	6	146	1	147
- Litigation costs	9	0	9	60	1	61
- Contingent losses	0	0	0	179	0	179
- Other	113	24	0	364	5	458
Total provisions	1,233	1,068	73	1,383	16	1,491
Total	**1,267**	**1,102**	**73**	**1,409**	**16**	**1,517**

The provisions for personnel expenses related primarily to commissions, outstanding bonus payments and holiday pay.

37. Deferred income and other liabilities

Deferred income and other liabilities include the following:

	Short-term		Long-term		Total	
	2011	2010	2011	2010	2011	2010
Deferred income	1,928	772	0	0	1,928	772
Value added tax	342	522	0	0	342	522
Payroll tax	258	175	0	0	258	175
Social security charges	198	233	0	0	198	233
Salaries	75	50	0	0	75	50
Other miscellaneous liabilities	358	327	0	0	358	327
Total	**3,159**	**2,079**	**0**	**0**	**3,159**	**2,079**

38. Subscribed capital

The registered share capital of InVision Software AG is reported as the subscribed capital. The subscribed capital is divided into 2,235,000 no-par value shares (*Stückaktie*), each such share representing a notional amount of EUR 1.00 of the Company's registered share capital. The Company currently holds 49,048 of its own no-par value shares. Thus, balance sheet shows the amount of subscribed capital at EUR 2,185,952.

The Executive Board is authorised, with the consent of the Supervisory Board, to increase the registered share capital one or more times by up to EUR 1,117,500 (Authorised Capital Account 2010) on or before 23 August 2015.

Pursuant to the shareholder resolution adopted on 24 August 2010, the registered share capital was conditionally increased by up to EUR 1,117,500 (Conditional Capital Account 2010). Pursuant to a shareholder resolution also adopted on 24 August 2010, the Company was authorised to buy-back its own shares in a quantity representing up to 10 percent of the registered share capital as it existed at the time the resolution was adopted. The authorisation will remain in effect until 23 August 2015.

39. 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 IPO costs (while factoring in tax effects) and the purchase and sale of the Company's own treasury shares were recognised in the amount of TEUR 754 in capital reserves and not included in profit and loss.

40. Earnings reserves

The earnings reserves account includes the appropriations to the statutory reserves and the adjustments to the opening consolidated balance sheet as of 1 January 2004.

41. Equity capital difference based on currency conversion

The equity difference from currency conversion is a result of converting on the basis of the modified closing date method [*modifizierte Stichtagsmethode*]. The difference arises from conversion of the items on the income statement of those subsidiaries, which rendered their accounts in a foreign currency, at the average exchange rate and the conversion of the items of equity capital of those subsidiaries at the historical rate of the initial consolidation, on the one hand, and the exchange rate on the reporting date [*Stichtagskurs*], on the other hand.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

42. Revenues

Revenues categorised as follows:

By Business Activities	2011	2010
Software & Subscriptions	8,824	12,024
Services	3,560	3,982
Total	**12,384**	**16,006**

By Regions	2011	2010
Germany, Austria and Switzerland	6,436	7,947
Other foreign countries	5,948	8,059
Total	**12,384**	**16,006**

By Sectors	2011	2010
Contact Centre	9,922	10,245
Other sectors	2,462	5,761
Total	**12,384**	**16,006**

43. Other operating income

Other operating income is broken down as follows:

	2011	2010
Income from reducing bad debt allowances	0	37
Income attributable to other periods	64	33
Other miscellaneous income	36	68
Total	**100**	**138**

Income from reversing or liquidating provisions was reclassified as other operating expenses pursuant to IAS 37.

44. Cost of materials

The costs of materials incurred are project-specific goods and services supplied by independent enterprises.

45. Personnel expenses

Personnel expenses consisted of the following:

	2011	2010
Wages and salaries	8,521	8,952
Social charges and other pension provisions	1,517	1,616
Total	**10,038**	**10,568**
- of which for pensions (direct insurance)	25	15

The direct insurance policies are classified as a defined contribution plan.

46. Depreciation and amortisation of tangible and intangible assets

No tangible or intangible assets were subject to impairment. Thus, only scheduled amortisation and depreciation is shown under this item.

47. Other operating expenses

Other operating expenses are itemised as follows:

	2011	2010
Office space expenses	924	1,016
Consulting costs	867	743
Miscellaneous expenses	713	420
Travel expenses	578	402
Creation of provisions for project-related risks	518	0
Marketing and advertising costs	486	501
Receivables write-offs and bad debt allowances	422	104
Leasing and maintenance costs	421	392
Vehicle expenses	418	484
Communication expenses	301	263
Other third party services	337	465
Income from reversing or liquidating provisions	-73	-439
Total	**5,912**	**4,351**

48. Financial result

The financial result is divided into the following:

	2011	2010
Interest and similar income	58	61
Interest and similar expenses	-10	-33
Total	**48**	**28**

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

49. Income taxes

Income taxes are divided as follows:

	2011	2010
Income tax	-70	-74
Deferred tax	-3,817	-41
Total	**-3,887**	**-115**

Detailed information about the deferred tax assets and liabilities, which must be set aside, can be found in note 27 above. The basis, upon which the deferred taxes were set aside, 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 indefinitely 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 is computed as follows:

	2011	2010
Consolidated net income/loss before taxes and minority shares	-3,709	1,124
Income tax	-3,887	-115
Actual tax rate	**-105%**	**10%**

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:

	2011	2010
Result before income tax	-3,709	1,124
Theoretical income tax expense 30% (previous year: 30%)	1,113	-337
Impairment of deferred tax assets recognised based on losses carried forward	-3,795	-901
Impairment of deferred tax assets based on losses incurred in the fiscal year	-1,337	-151
Tax add-backs (attributions)/abatements	39	-17
International tax rate differences	205	817
Other tax effects	-112	474
Total	**-3,887**	**-115**

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows changes in the cash position of the InVision Group in the fiscal year due to incoming and outgoing cash payments. 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, as 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 causing any significant fluctuation in value, less any short-term financial liabilities. The cash flows from investing and financing activities are computed directly (i.e., on a cash basis). In contrast, cash flow from operating activities is derived indirectly from the results for the period. Cash flow from operating activities includes the following incoming and outgoing payments:

	2011	2010
Interest received	58	61
Interest paid	-10	33
Income taxes paid	-70	-74

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

	2011	2010
Liquid funds	1,667	5,723
less short-term liabilities	-20	-291
Net financial position	**1,647**	**5,432**

OTHER INFORMATION

50. Miscellaneous financial obligations

As of the balance sheet closing date, there were other financial obligations arising from lease agreements, mostly related to intangible assets, office space and furnishings and office equipment in the following amounts:

	< 1 year	1 - 5 years	Total
Obligations as lessee	879	981	1,860
Obligations as lessor	236	339	575

51. Contingent liabilities

	2011	2010
Non-payment guarantee	124	124

52. Financial assets and liabilities

The financial liabilities existing in the Group are short-term liabilities arising from accounts payable. The significant financial assets of the Group consist of cash and cash equivalents, securities and 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 totals TEUR 5,356 (previous year: TEUR 9,524). Business relationships are established with creditworthy contracting parties (counter-parties) only. In order to evaluate the creditworthiness of counter-parties (above all, large customers), the Group relies on available financial information and on its own internal trading records. The Group holds trade receivables against a number of customers from a wide range of industries and regions. Credit assessments regarding the financial strength of the receivables are constantly performed. The typical terms of payment granted (with no discounts or deductions) are 30 days. With respect to all trade receivables, which were overdue by more than 30 days as of the balance sheet date, bad debt allowances were created.

Market risks can arise from changes in exchange rates (currency risk) or interest rates (interest risk). Given the limited relevance these risks have to 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 Group invoices primarily in euro or in the local currency.

Neither in 2011 nor in 2010 did the Company hold any assets for trading purposes and any financial liabilities, which were recognised in the income statement at their fair value. The Group also did not execute any derivatives or hedging transactions. Reclassifications were not made either in 2011 or in 2010.

There were no significant differences between the book value of the financial assets and liabilities reported and the fair values.

53. Capital risk management

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

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

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

	31 Dec 2011	31 Dec 2010
Equity capital	3,574	12,055
- as a percentage of total capital	42.0%	73.9%
Liabilities	4,933	4,250
- as a percentage of total capital	58.0%	26.1%
Short-term liabilities	4,933	4,205
- as a percentage of total capital	58.0%	25.8%
Long-term liabilities	0	45
- as a percentage of total capital	0%	0.3%
Net gearing*	91%	-12%

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

The Group's long-term equity ratio target is 50 percent.

54. 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 involve liquidity and credit risks. As a rule, business transactions are executed only with creditworthy contracting parties. 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.

55. 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 778 (2010: TEUR 722) and the payables denominated in foreign currencies equalled TEUR 40 (2010: TEUR 22). Had the euro appreciated (depreciated) by 10 percent compared to other currencies relevant to the Group as of 31 December 2011, then the pre-tax result would have been TEUR 20 (2010: TEUR 36) lower.

56. Transactions between related parties

Transactions involving goods and services between closely related enterprises and persons are generally executed at market prices. The following services were purchased from closely related enterprises and persons pursuant IAS 24:

		2011	2010
eTimum Software GmbH	Consulting services	233	465
Total		**233**	**465**

57. Events after the balance sheet closing date

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

58. Number of employees

In fiscal year 2011, the Company employed on average 166 employees (2010: 170), not including the Executive Board.

59. 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 (until 30 June 2011)
- Armand Zohari, Bochum (since 1 July 2011)
- Mauro Marengo, Turin (Italy)

In the fiscal year, the Executive Board members received the following remuneration benefits:

	2011	2010
Peter Bollenbeck	**206,499**	**206,517**
of which fixed salary	189,018	189,138
of which other benefits	17,481	17,379
Armand Zohari (since 1 July 2011)	**103,684**	**0**
of which fixed salary	90,000	0
of which other benefits	13,684	0
Matthias Schroer (until 30 June 2011)	**108,546**	**205,706**
of which fixed salary	95,000	192,098
of which other benefits	13,546	13,608
Mauro Marengo (since 1 October 2010)	**172,204**	**43,132**
of which fixed salary	149,583	41,250
of which other benefits	22,621	1,882
Total remuneration Executive Board	**590,933**	**455,355**

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 Mülder, University Professor, Essen

Dr. Thomas Hermes is the deputy supervisory board chairman of the registered housing association known as Wohnungsgenossenschaft Essen-Nord eG. Dr. Christof Nesemeier is Executive Board Chairman of MBB Industries AG, Berlin, the supervisory board chairman of Delignit AG, Blomberg, and the supervisory board chairman of bmp Beteiligungsmanagement AG, Berlin. Prof. Dr. Wilhelm Mülder does not sit on any other supervisory boards.

The remuneration of the Supervisory Board in fiscal year 2011 totalled TEUR 29 (2010: TEUR 29).

60. Information on the fees of the Company auditors

The fee for the Company's annual accounts auditor, which was recognised for fiscal year 2011, consists of the following:

	2011	2010
Auditing service for the annual accounts	50	50
Tax advisory services	8	15
Other services	5	9
Total	**63**	**74**

61. Information on segment reporting

Since the internal and external business processes for all products and services are to the largest extent identical, they collectively represent a single operating segment within the meaning of IFRS 8.

62. Earnings per share

Earnings per share were calculated by dividing the periodic result, which is attributable to InVision Software AG's shareholders, by the average weighted number of shares issued and outstanding during the reporting period. InVision Software AG has issued only ordinary shares. In fiscal year 2011, there was an average of 2,198,566 shares issued and outstanding. Earnings per share for this period were therefore EUR -3.41, compared to EUR 0.45 in the previous year, based on 2,235,000 shares issued.

63. Statement under § 161 of the German Stock Corporation Act

On 5 March 2012, the Executive Board and Supervisory Board issued a statement under § 161 of the German Stock Corporation Act regarding the extent to which it has elected to comply with the recommendations of the "Government Commission of the German Corporate Governance Code" and published this statement on the Internet at www.invisionwfm.com/corporate_governance.

64. 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, 23 March 2012

Peter Bollenbeck | Armand Zohari

Group Management Report

of InVision Software AG as of 31 December 2011

The following management report was prepared in accordance with the requirements under § 315 of the German Commercial Code (HGB) and contains information about InVision Software AG, Ratingen (hereinafter also referred to as "AG", "InVision AG" or "Company"), and its consolidated subsidiaries (hereinafter together with the Company also collectively referred to as "InVision", "InVision Group" or "the Group"). As the Group's parent company, InVision Software AG performs group management functions and, at the same time, is 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.

THE COMPANY

Business and strategy

Since it was founded back in 1995, the InVision Group has developed and sold products and services for optimising workforce management, increasing the productivity, improving the quality of work, and reducing costs.

Key elements of the Company's strategy are effective penetration of international markets and the successive diversification of markets and sales territories.

Special Events

On 25 March 2011, InVision announced that it would transform the core of its business model to cloud computing within the next 18 months. As part of this transformation, one-time licence income would be replaced by recurring usage fees. While this approach will produce lower revenues in the short term, it will yield significantly greater business model scalability in the mid-to long-term.

On 14 April 2011, the Company repurchased a total of 2.99 percent of its registered share capital through a share buyback.

On 1 June 2011, InVision acquired the business operation of "The Call Center School" located in Nashville, Tennessee (USA). The company specialises in professional training and education programmes for the call centre industry.

Effective 30 June 2011, Matthias Schroer resigned from the Executive Board. Effective 1 July 2011, the Supervisory Board appointed Mr Armand Zohari to the Executive Board. Effective 31 December 2011, Mr Mauro Marengo resigned from the Executive Board.

Employees

On 31 December 2011, InVision employed 166 employees worldwide (including the Executive Board members). Thus, compared to the end of 2010, the number of employees remained almost unchanged (31 December 2010: 163 employees).

At the end of the year, 70 employees (31 December 2010: 76 employees) were employed in Germany, while 96 employees (31 December 2010: 87 employees) were employed in foreign subsidiaries.

The number of employees working in Research and Development remained constant at 77. The number of employees in Professional Services declined by 5 percent to 36 (2010: 38 employees). In Sales as of 31 December 2011, the number of employees increased by 23 percent to 32 (2010: 26 employees).

Research & Development

For InVision, the further development of its software solutions and cloud services is a decisive competitive factor. The activities required for this purpose are carried out at various locations both domestically and abroad.

The research and development costs in the fiscal year totalled TEUR 5,280 and were almost the same as the previous year (2010: TEUR 5,325). Research and development costs as a percentage of revenues equalled 43 percent (2010: 33 percent).

Information pursuant to § 315 (4) HGB

Pursuant to § 315 (4) HGB, the management report must cover the issues set forth below. The discussions shall also include the explanation required under § 175 (2) of the German Stock Corporation Act (AktG).

The Company's registered share capital equals EUR 2,235,000 and is divided into 2,235,000 no-par value bearer shares. Each such share represents a notional share of the registered share capital of EUR 1.00. Each share entitles the holder to a single vote. Shareholders may exercise their rights and cast their votes at the Annual Shareholders' Meeting in accordance with the Company's articles of association and the statutory rules.

Pursuant to a resolution adopted by the Company's Shareholders' Meeting on 24 August 2010, the Executive Board was authorised in accordance with § 4 (4) of the Company's articles of association but subject to the consent of the Company's Supervisory Board, to increase the Company's registered share capital one or more times by a total of up to EUR 1,170,500 on or before 23 August 2015 and to do so by issuing new, no-par bearer shares in exchange for cash and/or non-cash capital contributions (Authorised Capital Account 2010). Shareholders must generally be granted a pre-emptive right, which gives them an indirect option to subscribe shares (§ 186 (5) AktG). The Executive Board is authorised, however, with the consent of the Supervisory Board, to exclude the shareholders' pre-emptive right to subscribe shares in the following cases:

- for fractional amounts,
- if the capital increase is carried out against cash capital contributions and the *pro rata* amount of registered share capital attributable to the new shares, for which the pre-emptive right is excluded, does not exceed 10 percent of the registered share capital available on the date that the new shares are issued and, in accordance with §§ 203 (1) and (2), 186 (3) sentence 4 AktG, the issue price of the new shares is not significantly lower than the stock market price of the same class of existing publicly listed shares (with the same features) at the time that the Executive Board definitively sets the issue price. Included in this maximum threshold amount for a pre-emptive right's exclusion is the *pro rata* amount of the registered share capital that is attributable to shares, which had already been issued since 24 August 2010 from the authorised capital account or which could be subscribed on the basis of the option and conversion rights granted since 24 August 2010 or on the basis of conversion duties also established since that time, if - upon utilising the authorised capital account or upon the granting of the warrant-linked and/or convertible bonds, the shareholder's pre-emptive rights would be excluded pursuant to or consistently with § 186 (3) sentence 4 AktG. Also added to the maximum threshold is the *pro rata* amount of the registered share capital attributable to treasury (own) shares, which the Company has bought back since 24 August 2010 on the basis of the authorisation granted pursuant to § 71 (1) no. 8 AktG and have been sold to third parties in exchange for a cash payment without having granted a shareholder pre-emptive right, unless the sale was carried out either on the open stock market or based on a public offer made to the shareholders;
- to the extent it would be necessary to grant to the holders of conversion or option rights under any convertible or warrant-linked bonds a subscription right, to which they would be entitled as shareholders after having exercised a conversion right or option right or after having discharged a conversion duty;
- for capital increases in exchange for the non-cash capital contributions, specifically for purposes of acquiring companies, divisions of companies and equity holdings;
- the new shares may also be underwritten by financial institutions, which are designated by the Executive Board but which are subject to the obligation that they offer the shares to the shareholders (indirect subscription right).

Pursuant to a shareholder resolution adopted on 24 August 2010, the registered share capital was increased conditionally by up to EUR 1,117,500 (Conditional Capital Account 2010). The conditional capital increase must carried out only to the extent that the creditors, to whom convertible or warrant-lined bonds were issued by the Company on the basis of the authorising resolution of the Shareholders' Meeting on 24 August 2010, exercise their conversion rights on or before 23 August 2015 and the Company has not satisfied the conversion claim in some other manner. The new shares will be entitled to draw dividends as of the beginning of the fiscal year in which they are issued. The Executive Board is authorised, with the consent of the Supervisory Board, to stipulate the details concerning the implementation of the respective conditional capital increase.

Pursuant to the shareholder resolution adopted on 24 August 2010, the Company was authorised to buy back its own shares in an amount representing a 10 percent *pro rata* amount of the registered share capital of EUR 223,500. The repurchased shares, together with the other treasury shares, which the Company has previously acquired and still holds or which must be attributed to the Company under § 71a *et seq.* AktG, cannot exceed 10 percent of the Company's registered share capital. The authorisation is in effect until 23 August 2015. The shares purchased on the basis of the authorisation may be used for all legally permissible purposes. The Company currently holds 49,048 of its own no-par value shares.

The authorisation to buy back the Company's own shares was granted to the Company in order, *inter alia*, to flexibly adjust the equity capital to meet the changing business needs and to be able react to favourable stock market conditions. In addition, the acquired shares may be used as consideration when acquiring companies or when making equity investments in companies.

To the Company's knowledge, as of 31 December 2011, the following shareholders held more than 10 percent of the Company's registered share capital:

- InVision Holding GmbH, Ratingen (24.1%)
- Peter Bollenbeck, Düsseldorf (17.0%)
- Armand Zohari. Bochum (17.0%)
- Matthias Schroer, Mülheim an der Ruhr (11.3%)
- Günther Müller, Hösbach (11.4%)

Executive Board members are appointed and dismissed in accordance with §§ 84 *et seq.* of the AktG. Pursuant to § 6 (1) of the articles of association, the Executive Board consists of at least two persons. Alternative members of the Executive Board may be appointed. Pursuant to § 6 (2) of the articles of association, the Supervisory Board is responsible for determining the number of, and appointing the regular Executive Board members and alternate Executive Board members and has the authority to revoke such appointments. The Supervisory Board is also responsible for selecting a member of the Executive Board to serve as that body's chairman and for selecting other Executive Board members to serve that body's deputy chairmen.

Amendments to the articles of association are 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 votes in favour of the amendment.

Pursuant to § 10 (2) of the articles of association, the Supervisory Board is authorised to amend the articles, provided the amendment involves only the wording. Pursuant to § 21 (1) of the articles of association, the shareholder resolutions require a simple majority of the votes cast, unless the laws prescribe another majority. In those cases in which the laws require a majority of the registered share capital represented at the time the resolution is adopted, a simple majority of the represented registered share capital will suffice, unless the laws prescribe a higher majority.

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.

GENERAL BUSINESS CONDITIONS

In its forecasts of 24 January 2012, the International Monetary Fund (IMF) is assuming a 3.8 percent increase in global economic output for 2011, after a 5.2 percent increase in the previous year. According to the forecasts, the developed economies have seen their economic output rise by 1.6 percent in 2011 (compared to 3.2 percent increase in previous year).

In the euro area, which is important to the InVision Group, the forecasts are calling for 1.6 percent growth in economic output (prior year: 1.9 percent increase). Germany is the most important single market for the InVision Group and is expected to enjoy a 3.0 percent growth rate.

BUSINESS DEVELOPMENT

Results of operation

Consolidated revenues during the reporting year equalled TEUR 12,384 (2010: TEUR 16,006) and therefore declined by 23 percent. Revenues from software and subscriptions decreased by 27 percent to TEUR 8,824 (2010: TEUR 12,024). Service revenues decreased by 11 percent to TEUR 3,560 (2010: TEUR 3,982). The decline in revenues from software and subscriptions and in service revenue is the result of transforming the business model to cloud computing.

Revenues in the region of Germany, Austria and Switzerland declined by 19 percent to TEUR 6,436 (2010: TEUR 7,947), which represents a share of 52 percent

(2010: 50 percent). Revenues generated in other foreign countries decreased to TEUR 5,948 (2010: TEUR 8,059) and is therefore 26 percent lower than the previous year. Revenues from other foreign countries as a percentage of total revenues therefore equal 48 percent (2010: 50 percent). Revenues generated with call centre customers declined by 3 percent to TEUR 9,922 (2010: TEUR 10,245) and therefore constitutes 80 percent (2010: 64 percent). Revenues generated with other customers declined by 57 percent to TEUR 2,462 (2010: TEUR 5,761) and now constitutes 20 percent (2010: 36 percent).

Personnel expenses declined in the reporting year to TEUR 10.038 (2010: TEUR 10,568).

Other operating expenses rose by 36 percent to TEUR 5,912 also due to entering provisions for contingent losses and bad debt allowances (2010: TEUR 4,351). Travel expenses rose by 44 percent to TEUR 578 (2010: TEUR 402) and consulting expenses increased by 17 percent to TEUR 867 (2010: TEUR 743). Miscellaneous expenses rose by TEUR 725 to TEUR 1,145 (2010: TEUR 420). The income from reversing the provisions declined by 83 percent to TEUR 73 (2010: TEUR 439).

The operating result (EBIT) decreased in the reporting period to TEUR -3,860 TEUR (2010: TEUR 1,051). The EBIT margin in the reporting period was -31 percent (2010: +7 percent).

Interest income dipped by 5 percent to TEUR 58 (2010: TEUR 61). Interest expense also declined, falling by 70 percent to TEUR 10 (2010: TEUR 33).

The heavy exchange rate volatility mostly in the US dollar, British pound and Swiss franc *vis-à-vis* the Euro led to a currency gain of TEUR 104 (2010: TEUR 45).

In fiscal year 2011, consolidated net profit equalled TEUR -7,491 (2010: net profit of EUR 1,055). Accordingly earnings per share totalled EUR -3.41 (2010: EUR +0.45), in 2010 based on 2,235,000 shares and in 2011 based on an average of 2,198,566 shares.

Net assets and financial position

The main factors impacting the development of net assets and financial position in fiscal year 2011 were the repurchase of the Company's own outstanding shares, the acquisition of "The Call Center School", and the negative consolidated result.

As of the end of the fiscal year, liquid funds decreased to TEUR 1,667 (2010: TEUR 5,723) due to the aforementioned effects. Trade receivables declined by 17 percent to TEUR 3,845 as of the end of the fiscal year (2010: TEUR 4,660). The income tax claims fell by 48 percent to TEUR 34 (2010: TEUR 66). The prepaid expenses and other short-term assets declined by 10 percent to TEUR 268 (2010: TEUR 294). During the reporting year, intangible assets rose significantly to TEUR 1,253 (2010: TEUR 119) due to the purchase of "The Call Center School". Tangible assets remained almost unchanged at TEUR 308 (2010: TEUR 315). Deferred tax assets fell by 78 percent to TEUR 1,072 (2010: TEUR 4,934).

Financial liabilities declined to TEUR 20 (2010: TEUR 291). At the same time, trade payables fell by 58 percent to TEUR 236 (2010: TEUR 567). The provisions rose by 21 percent to TEUR 1,492 (2010: TEUR 1,233). The tax reserves declined by 24 percent to TEUR 26 (2010: TEUR 34). The short-term share of the deferred income and other short-term liabilities increased by 52 percent to TEUR 3,159 (2010: TEUR 2,079). Deferred tax liabilities no longer needed to be recognised (2010: TEUR 45).

The balance sheet total as of 31 December 2011 equalled TEUR 8,507 (2010: TEUR 16,305). Equity capital is now at TEUR 3,574 (2010: TEUR 12,055), and the equity ratio equals 42 percent (2010: 74 percent).

Cash flow from operating activities reached TEUR -2,102 in the reporting period (2010: TEUR +1,184) and corresponds to a share of -17 percent of the Group revenues (2010: +7 percent). Cash flow was affected significantly by the negative consolidated result.

Due to the acquisition of "The Call Center School", cash flow from investing activities decreased to TEUR -874 (2010: TEUR 744).

BASIC PRINCIPLES OF THE COMPENSATION SYSTEM

In addition to the reimbursement of expenditures which they incurred in discharging their official duties, the members of the Company's Supervisory Board are paid a fixed fee of EUR 5,000. The Chairman of the Supervisory Board receives twice that amount, and the Deputy Chairman receives one and one-half times that amount. The fee is paid after the fiscal half-year has ended. Any value added tax charged on the costs for reimbursement and fees is the reimbursed

The Executive Board compensation is based on customary industry standards and consists of a fixed-base salary, which increases if contractually defined revenue thresholds are met. Executive Board members also have a right to use a car leased by the Company. Furthermore, the Executive Board members will be paid an allowance to cover their costs for health insurance and long-term care insurance. The Company has also taken out private liability insurance to cover the Executive Board members, if those members do not have their own personal liability insurance protection. Moreover, the Company has executed a D&O insurance policy with a deductible.

RISK REPORT

Principles of risk management and of accounting-related internal control system

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 net assets, financial position and results of operation, while largely preserving the corresponding opportunities.

Potential counter-measures for dealing with risk include, for example, avoiding high-risk activities, reducing individual areas of potential risk by utilising commercial alternatives with a lower potential for risk, diversifying and limiting individual risks, and shifting risks onto insurance carriers or contracting parties.

The Executive Board is responsible for administering the risk management. A fundamental review of all risks is made once each year. There are standardised accounting rules used in the Group’s companies, the compliance with which is continuously monitored. This also guarantees that the accounts conform with the standard accounting rules applicable from time to time. An internal ad hoc report is prepared in the event that 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 called in 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

The InVision Group is currently involved in an in-depth and far-reaching conversion of its business model to cloud computing. This transition gradually replaces one-time licence revenues with recurring revenues from subscriptions. In the short and mid-term term, this approach will reduce overall revenue. If the subscription revenue is not enough to make up for the lost licence revenue, then InVision can, only to a limited extent, adjust the costs on a short notice.

The transformation of the business model will lead to a significant change in all segments of the Company. In many cases, InVision must implement new kinds of processes, methods and tools for which there is no corresponding basis or external examples. At the same time, there is a risk that individual or numerous employees will not adequately support the entire conversion of the business model. Thus, despite all the care exercised, there is an elevated risk that the implementation of any or all new procedures, methods and tools will completely fail.

The employees and resources connected with the business model transformation are required to sacrifice large amounts of time and personal effort. Consequently, these employees and resources will not be currently available to cultivate the market. InVision's competitors may, under certain circumstances, derive advantages therefrom and acquire customer orders at the InVision Group's expense.

Overall, the transformation of the business model could have material adverse effects on the Company's net assets, financial position and results of operation.

InVision relies on seasoned and well-trained teams of employees. The future success of InVision will also depend on finding and retaining, on a long-term basis, highly qualified employees. The competition for employees with scientific, technical or industry-specific expertise is 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 could result in 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 net assets, financial position and results of operation.

Just as the Group's active business operations as a whole require it to deploy a wide range of resources so, too, do its efforts to develop new and improve existing products and services. It cannot be ruled out that the Company must require additional funding from public and private sources, including debt and equity financing, or that it will enter into other agreements, particularly if there are negative variances from the Company's liquidity budget. Each time additional equity capital is raised, the ownership interest held by shareholders could be diluted. Debt capital financing could also subject the Company to limitations on its ability to pay dividends or impose other restrictions, and could have an adverse effect on the Company's business risks. It may also be that adequate levels of funding (whether on the capital markets or from other sources) might not be available in a timely manner, or if such funding is indeed available, it could be subject to conditions that are unacceptable to the Company. This could have adverse effects on the net assets, financial position and results of operation of the Company and of the InVision Group as a whole.

SUPPLEMENT REPORT

After the end of the fiscal year, there were no special transaction which would be of material importance to the annual financial statements.

FORECAST REPORT AND OPPORTUNITIES

Anticipated global economic developments

According to the forecasts made by the International Monetary Fund (IMF) on 24 January 2012, the world economy will grow by 3.3 percent in the current year (prior year: 3.8 percent).

Whereas in the United States the economic output is expected to increase by 1.8 percent in 2012 (2011: 1.8 percent), the IMF is assuming a decrease of -1.5 percent for the Euro zone in 2012, following a 1.6 percent growth rate in 2011. The economic output for Germany is expected to increase by 0.3 percent (2011: 3.0 percent).

Anticipated development of InVision

In the Company's opinion, the demand for solutions to reduce costs and improve productivity in the key markets for InVision will remain at a permanently high level. The InVision Group can therefore constantly exploit sales potential with its offerings. This gives InVision an opportunity to enjoy long-term growth.

Ratingen, 23 March 2012

Peter Bollenbeck | Armand Zohari

Independent Auditor's Report

To InVision Software Aktiengesellschaft

We have audited the consolidated financial statements prepared by InVision Software AG – consisting of the balance sheet, income statement, 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 1 January 2011 through 31 December 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, and with the additional requirements of the German Commercial Code under § 315a (1) HGB is the responsibility of the Executive Board of InVision Software AG. Our responsibility is to express an opinion on the IFRS consolidated financial statements and the Group management report based on our audit.

We have 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 German Institute of Auditors (*Institute of Wirtschaftsprüfer* or IDW). Those standards require that we plan and perform the audit such that any misstatements and violations, which materially affect the presentation of the net assets, financial position and results of operation in the IFRS consolidated financial statements and Group management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of the 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 the assessment of the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by statutory representatives, as well as the evaluation of the overall presentation of the IFRS consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with 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 operation of the Group in accordance with these requirements. The Group management report is consistent with the IFRS consolidated financial statements and as a whole provides a suitable view of the Company's situation and suitably presents the opportunities and risks of future development.

Düsseldorf, 26 March 2012

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Hüchtebrock
Wirtschaftsprüfer

Grote
Wirtschaftsprüfer

Financial Calendar

Annual Report 2011	30 March 2012
Preliminary results 3M 2012	23 April 2012
Interim Report 3M 2012	14 May 2012
Preliminary results 6M 2012	16 July 2012
Interim Report 6M 2012	13 August 2012
Annual Shareholders' Meeting 2012	29 August 2012
Preliminary results 9M 2012	15 October 2012
Interim Report 9M 2012	12 November 2012
Analysts' Conference (German Equity Forum 2012, Frankfurt am Main)	12-14 November 2012

Investor Relations

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