

Annual Report 2010

InVision Software AG

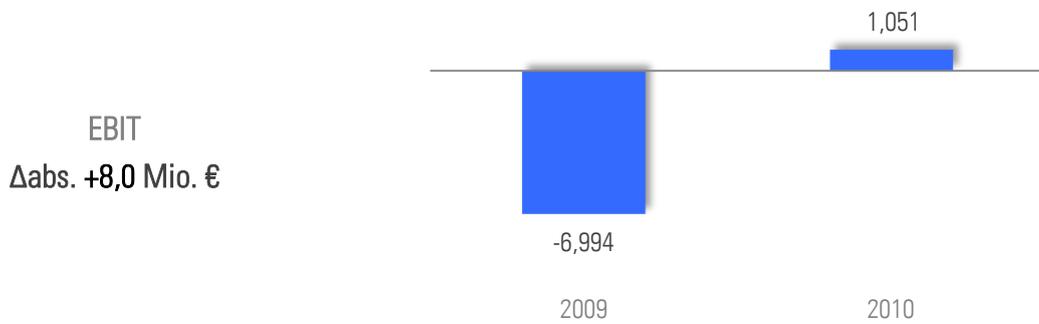
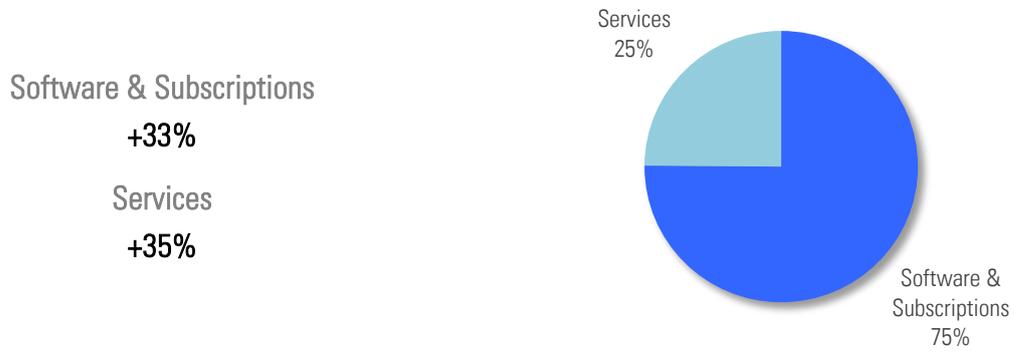
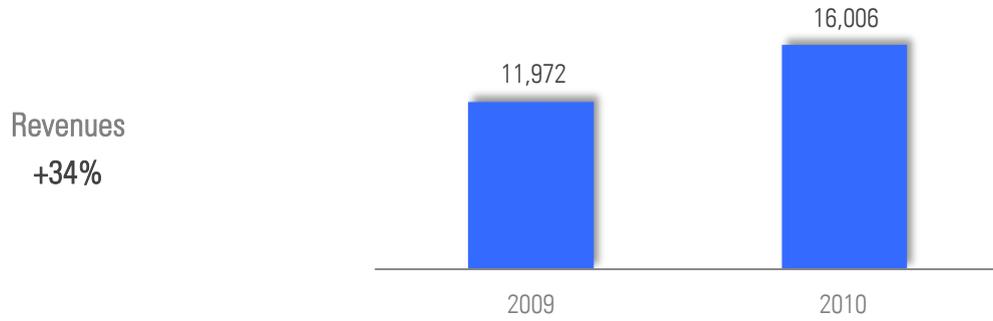
Overview

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

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

Additional information: www.invisionwfm.com

Highlights 2010



Financial Summary

Income (in TEUR)	2010	2009	Δ
Revenues	16,006	11,972	+34%
Software & Subscriptions	12,024	9,020	+33%
Services	3,982	2,952	+35%
EBIT	1,051	-6,994	
as a % of revenues	7%	-58%	+ 65PP
Consolidated result	1,021	-4,538	
as a % of revenues	6%	-38%	+44PP
Earnings per share (in EUR)	0.45	-2.15	abs. +2,60

Balance sheet (in TEUR)	31 Dec 2010	31 Dec 2009	Δ
Balance sheet total	16,305	16,574	-2%
Liquid funds	5,723	3,511	+63%
Equity	12,055	11,080	+9%
as % of balance sheet total	74%	67%	+7PP

Employees	31 Dec 2010	31 Dec 2009	Δ
Number of employees	163	203	-20%
Domestic	76	86	-12%
Foreign	87	117	-26%
R&D	77	86	-10%
Sales & Marketing	26	36	-28%
Services	38	60	-37%
Miscellaneous	22	21	5%

InVision share	2010	2009	Δ
Closing price per 31 December	14.83 €	6.30 €	+135%
Year high	17.00 €	9.05 €	+88%
Year low	3.91 €	3.19 €	+23%
Market capitalisation per 31 December	33.15 Mio. €	14.08 Mio. €	+135%
Number of shares	2,235,000	2,235,000	±0

All information is XETRA price data

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Foreword

Dear Shareholders,
Customers, Business Partners and
Fellow Employees,

As most of you already know, 2010 was a good year for InVision.

All the measures we instituted in 2009 have yielded – without exception – the anticipated results in 2010. With more than a 30% jump in revenues, we grew significantly faster than the market and the competition. We were able to improve our earnings before taxes and interest by EUR 8 million. We are once again profitable. We generated positive cash flow, and we have re-fortified our already excellent equity capital base.

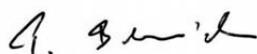
Accordingly, let us begin by extending our thanks to you for all your trust. Our gratitude should be directed, above all, to our great employees who, despite all the bad news they had to endure from at the end of 2008 through the beginning of 2010, showed exemplary enthusiasm, dedication and creativity, allowing us today to look back in our rear-view mirror at the financial and economic crisis.

That glance in the rear-view mirror should be very brief, however. In my opinion, 2011 will be one of the most exciting years in our corporate history. This is the year in which we will radically transform the essence of our business model by completely transitioning to cloud computing. Our move - one of the first global offers of this kind - will again illustrate our role as a technology leader. In the US, we have stopped selling the classic software licenses and are instead offering our solutions for workforce management exclusively in the cloud as iWFM.com, since the beginning of the year. The first few weeks of the pilot phase have revealed that our offer has struck a chord with our customers. This discovery has inspired us to continue along this path, with both resolve and great energy.

We believe that we are currently experiencing one of those few moments when an industry stands on the threshold of a fundamental and profound transformation. We must courageously exploit this window of opportunity – with courage to change, also and particularly with courage to personal change. In this regard, we do enjoy one extremely good strategic advantage: there is no other provider in the world that can offer company-wide workforce management solutions with the same international market coverage and with its own subsidiaries in Europe, America and Africa. And with the current conversion of our business model, we will be the only publicly-listed provider of workforce management solutions in the world that offers its goods and services primarily as cloud services.

I am certain of one thing: the “first movers” will reap rewards. I am therefore very much looking forward to walking this new path with you in 2011.

Kind regards



Peter Bollenbeck
CEO

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 2010, the following transactions were reported to us:

Name	Date	Type of security	Type of transaction	Units	Total value EUR
InVision Holding GmbH, Ratingen	30 Dec 2010	Shares	Purchase (off- exchange)	15,500	225,119

The Executive Board member Peter Bollenbeck holds 50% 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	Share- holding
Peter Bollenbeck	Executive Board	Shares	380,000	17.0%
Matthias Schroer	Executive Board	Shares	380,000	17.0%
Armand Zohari		Shares	380,000	17.0%
InVision Holding GmbH, Ratingen		Shares	528,275	23.6%

Peter Bollenbeck, Matthias Schroer and Armand Zohari have jointly concluded a voting pool agreement. The Chairman of the Executive Board, Peter Bollenbeck, and Armand Zohari also each hold 50% of the shares of InVision Holding GmbH. Thus, Peter Bollenbeck and Matthias Schroer collectively hold, either directly or indirectly, 1,668,275 shares, which represent 74.6% of the Company's registered share capital.

Compliance Statement 2011

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 have been and 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.
- The directors' and officers' liability insurance policy (D&O policy), which was concluded for the benefit of the Executive Board and Supervisory Board members, does not include a deductible for all members (section 3.8 of the Code). The members of the Executive Board, who are not subject to a deductible, hold a large number of shares, which in the Company's opinion, serves as adequate incentive for the Executive Board to duly and responsibly conduct management.
- 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 variable components for only one member of the Executive Board (section 4.2.3 of the Code). The Company assumes that the large ownership interest held by the other 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.
- To date, no age limit (mandatory retirement age) has been set for Executive Board and Supervisory Board members (section 5.1.2 and 5.4.1 of the Code). Given the age of the Executive Board and Supervisory Board members, no such steps have been required thus far. The Executive Board and Supervisory Board do, however, basically agree with the purpose underlying this Code rule and will set such an age limit in conformity with the Code once such action becomes timely.
- 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 Supervisory Board does not currently set and publish any specific objectives for its composition (paragraphs 2 and 3 of section 5.4.1 of the Code) because no resolutions have so far been adopted with respect to this issue. The Supervisory Board plans to adopt a relevant resolution in 2011.
- 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.
- Due to organisational requirements in 2010, the Company did not publish the annual financial statements within 90 days and the interim financial statements within 45 days after the end of the respective reporting period (subsection 7.1.2 of the Code).

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 participates 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. In individual cases, the fixed-base salary was accompanied by an agreed variable bonus that would be paid if certain profitability targets were attained. 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.

Members of the Executive Board are:

- Peter Bollenbeck, Executive Board Chairman, term of office ending 19 February 2012
- Matthias Schroer, Executive Board member, term of office ending 19 February 2012
- Mauro Marengo, Executive Board member (since 1 October 2010), term of office ending 30 September 2013

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.

Members of the Supervisory Board are:

- Dr. Thomas Hermes (Chairman), Essen, attorney at law and notary
- Dr. Christof Nesemeier (Deputy Chairman), Berlin, qualified merchant [*Dipl.-Kaufmann*]
- Prof. Dr. Wilhelm Müller, Essen, university professor

On 13 March 2007, the Company's Annual Shareholders' Meeting elected the three members of the Supervisory Board for terms of office ending upon the conclusion of the Annual Shareholders' Meeting, at which a resolution ratifying the Board's actions for fiscal year 2011 is adopted.

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

in EUR	2010	2009
Peter Bollenbeck	206,517	206,454
of which fixed salary	189,138	189,138
of which other benefits	17,379	17,316
Matthias Schroer	205,706	203,024
of which fixed salary	192,098	190,003
of which other benefits	13,608	13,021
Mauro Marengo (since 1 October 2010)	43,132	0
of which fixed salary	41,250	0
of which other benefits	1,882	0
Total compensation Executive Board	455,355	409,478

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

in EUR	2010	2009
Dr. Thomas Hermes	12,000	12,500
of which fixed compensation	10,000	10,000
of which meeting fees and expenditures	2,000	2,500
Dr. Christof Nesemeier	9,500	10,000
of which fixed compensation	7,500	7,500
of which meeting fees and expenditures	2,000	2,500
Prof. Dr. Wilhelm Mülder	7,000	7,500
of which fixed compensation	5,000	5,000
of which meeting fees and expenditures	2,000	2,500
Total compensation Supervisory Board	28,500	30,000

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, 31 January 2011

The Executive Board and Supervisory Board of InVision Software AG

Report by the Supervisory Board

During fiscal year 2010, 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 18 June 2009 version and the newer 26 May 2010 version) in fiscal year 2010, and that it will to a large extent also comply with the Code in the future. The compliance statement has been published in the 2010 annual report and on the Company's website, www.invisionwfm.com/corporate_governance.

The Supervisory Board adopted the following resolution at its meeting on 25 March 2011:

1. When selecting members of the Executive Board, efforts shall be made to reasonably consider the inclusion of women, whereby the specific composition of that board must always be based on the company's welfare.
2. The Supervisory Board must consist of persons with practical experience in corporate management, knowledge of general business management and the law.

In fiscal year 2010, the Supervisory Board meetings focused on the following issues:

- The meeting on 10 February 2010 addressed primarily the course of business, specifically the revenues and situation of the Company as well as the planned business policies and expectations for 2010.
- At the meeting held on 19 April 2010, the annual financial statements and the consolidated financial statements for 2009 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.
- At the meeting held on 23 August 2010, preparations were made for the Shareholders' Meeting of 24 August 2010. All Supervisory Board members were in attendance. Also discussed were the planned business policies and other fundamental questions concerning corporate planning (including financial, investment and personnel planning), including any variances between the earlier reported targets and the actual performance together with the reasons for such variances.

- The meeting held on 26 November 2010 addressed business performance issues in the second half of 2010, including the Company's revenues and situation as well as the changes to the German Corporate Governance Code (in its 26 May 2010 version).

In order to audit the annual financial statements and consolidated financial statements for fiscal year 2010, 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 2010 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 during the meeting held on 25 March 2011. The Supervisory Board 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 October 2010, Mr Mauro Marengo was appointed to the Executive Board of InVision Software AG. He has the authority to represent the Company jointly with another Executive Board member or with a proxy holder [*Prokurist*]. There were no changes in the membership of the Supervisory Board in fiscal year 2010. The Supervisory Board thanked the Executive Board and all employees for their dedication and work performed in fiscal year 2010.

Ratingen, 25 March 2011

The Supervisory Board

Dr. Thomas Hermes
-Chairman-

Dr. Christof Nesemeier
-Deputy Chairman-

Prof. Dr. Wilhelm Müller

Consolidated Financial Statements

of InVision Software AG as of 31 December 2010 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

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Consolidated Balance Sheet

Assets (in EUR)	Note	31 Dec 2010	31 Dec 2009
Short-term assets			
Liquid funds	(24)	5,722,714	3,511,603
Securities	(24)	0	1,000,000
Trade receivables	(25)	4,540,947	5,413,217
Receivables from contract manufacturing	(25)	119,146	119,066
Income tax claims	(26)	65,777	413,815
Prepaid expenses and other short-term assets	(27)	294,259	531,348
Total short-term assets		10,742,843	10,989,048
Long-term assets			
Intangible assets	(30)	119,348	117,910
Tangible assets	(32)	315,012	378,046
Financial assets	(29)	150,092	0
Deferred tax assets	(28)	4,933,936	5,054,640
Other long-term assets	(33)	44,190	34,847
Total long-term assets		5,562,578	5,585,443
Total assets		16,305,421	16,574,491
Equity and liabilities (in EUR)			
Short-term liabilities			
Short-term liabilities owed to financial institutions	(34)	291,488	9,302
Trade payables	(34)	567,338	822,189
Provisions	(35)	1,233,322	1,299,518
Income tax liabilities	(35)	33,792	20,304
Short-term share of deferred income and other short-term liabilities	(36)	2,079,005	3,217,739
Total short-term liabilities		4,204,945	5,369,052
Long-term liabilities			
Deferred taxes	(28)	44,980	125,300
Total long-term liabilities		44,980	125,300
Equity			
Subscribed capital	(37)	2,235,000	2,235,000
Capital reserves	(38)	20,616,179	20,616,179
Earnings reserves	(39)	1,414,177	1,414,177
Equity capital difference from currency translation	(40)	-612,768	-578,599
Losses carried forward		-12,536,503	-7,813,115
Group/consolidated result		1,054,846	-4,723,388
Minority shares		-115,435	-70,115
Total equity		12,055,496	11,080,139
Total equity and liabilities		16,305,421	16,574,491

Consolidated Statement of Comprehensive Income

in EUR	Note	2010	2009
Revenues	(41)	16,005,681	11,972,410
Other operating income	(42)	138,396	434,421
Cost of materials/cost of goods and services purchased	(43)	0	-78,901
Personnel expenses	(44)	-10,568,058	-12,618,916
Amortisation/depreciation of intangible and tangible assets	(45)	-173,804	-189,747
Other operating expenses	(46)	-4,350,902	-6,513,488
Operating result (EBIT)		1,051,313	-6,994,220
Financial result	(47)	27,943	20,023
Currency losses/gains		44,915	-119,207
Result before taxes (EBT)		1,124,171	-7,093,403
Income tax	(48)	-114,645	2,293,783
Consolidated net profit/loss		1,009,526	-4,799,621
Minority shares		45,320	76,233
Exchange rate differences from converting foreign financial statements		-34,170	184,911
Consolidated result		1,020,676	-4,538,477

Consolidated Cash Flow Statement

in EUR	2010	2009
Group/consolidated result incl. minority shares	1,054,846	-4,723,388
Depreciation and amortisation of fixed assets	173,804	189,747
Losses from the disposal of intangible assets	1,251	0
Decrease/increase in provisions	-66,196	-357,502
Decrease/increase in income tax liabilities	13,488	-1,280,045
Decrease/increase in deferred taxes	40,384	-2,139,554
Other cash-effective income	-87,532	98,654
Decrease/increase in trade receivables and contract manufacturing	872,190	-652,614
Decrease/increase in other assets and prepaid expenses	507,588	106,190
Decrease/increase in income tax claims	68,195	-293,504
Decrease/increase in trade payables	-254,851	27,159
Decrease/increase in other liabilities and deferred income	-1,138,734	1,698,912
Cash flow from operating activities	1,184,433	-7,325,945
Investing activities		
Payments made for investments in tangible fixed assets	-65,415	-90,864
Payments made for investments in intangible assets	-40,001	-89,125
Payments received from the sale of securities	0	11,356,071
Payments made for the purchase of securities	1,000,000	-11,208,184
Payments made for other lending activities	-150,092	
Cash flow from investing activities	744,492	-32,102
Financing activities		
Cash flow from financing activities	0	0
Change in cash and cash equivalents	1,928,925	-7,358,046
Cash and cash equivalents at the beginning of the period	3,502,301	10,860,347
Cash and cash equivalents at the end of the period	5,431,226	3,502,301

Consolidated Statement of Equity

in EUR	1 Jan 2009	Consolidated result 2009	31 Dec 2009	Consolidated result 2010	31 Dec 2010
Subscribed capital	2,235,000	0	2,235,000	0	2,235,000
Capital reserves	20,616,179	0	20,616,179	0	20,616,179
Statutory reserves	78,989	0	78,989	0	78,989
Other earnings reserves	1,335,188	0	1,335,188	0	1,335,188
Equity capital difference from currency translation	-763,509	184,911	-578,599	-34,170	-612,768
Losses carried forward	-7,813,115	-4,723,388	-12,536,503	1,054,846	-11,481,658
Equity capital of the Company shareholders	15,688,732	-4,538,477	11,150,254	1,020,677	12,170,931
Minority shares	2,692	-72,807	-70,115	-45,320	-115,435
Equity	15,691,424	-4,611,284	11,080,139	975,357	12,055,495

Consolidated Notes

to the Consolidated Financial Statements of InVision Software AG as of 31 December 2010

I. General Information

1. General information about the Company

The business activities of InVision Software Aktiengesellschaft, Ratingen (hereinafter also referred to as "InVision AG" or the "Company"), together with its subsidiaries (hereinafter also referred to as the "InVision Group" or the "Group"), include the development and sale of software-based products and services relating to workforce management. 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 25 March 2011 and then cleared for publication.

2. Basis of the accounting

Basis for preparing the annual financial statements

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 2010 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 2010, have been applied in the consolidated financial statements.

Application of new and amended standards

In fiscal year 2010, 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
"2 nd Annual Improvements to IFRSs" dated 23 March 2010	low
Amended version of the IFRS1 "First-time adoption of the IFRS" relating to the subject matter presentation of IFRS1 dated 25 November 2009	none
Amended version of IFRS1 "First-time adoption of the IFRS" relating to the reassessment of the classification of a leasing contract dated 23 March 2010	none
Amendments to IFRS2 "Group Cash-settled Share-based Payment Transactions" dated 23 March 2010	none
IFRS3 "Business Combinations" and IAS27 "Consolidated and Separate Financial Statements under IFRS" dated 3 June 2009	none
Amendments made to IFRS5 in the "1 st Annual Improvements to IFRS" in May, 2008	none
Supplements to IAS39 "Financial Instruments: Recognition and Measurement"; Basic principles of hedge accounting dated 15 Sep 2009	none
IFRIC12 "Service Concession Arrangements" dated 25 March 2009	none
IFRIC15 "Agreements for the Construction of Real Estate" dated 22 July 2009	none
IFRIC16 "Hedges of a Net Investment in a Foreign Operation" dated 4 June 2009	none
IFRIC17 "Distributions of Non-cash Assets to Owners" dated 26 November 2009	none
IFRIC18 "Transfers of Assets from Customers" dated 27 November 2009	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
"3 rd Annual Improvements to IFRSs" for amending a series of standards; EU endorsement still pending	none
"Amendments to IFRS1 according to IASB"; full EU endorsement still pending	none
"Amendments to IFRS7 as part of the "De-recognition" project; EU endorsement still pending	none
Issue of IFRS9 "Financial Instruments"; EU endorsement still pending	none
Amendments to IAS12; EU endorsement still pending	none
Amended version of IAS24 "Related Party Disclosures" dated 19 July 2010, to be applied beginning in fiscal year 2011	none
Amendments to IAS32 "Classification of Rights Issues" dated 23 December 2009, to be applied beginning in fiscal year 2011	none
Amendments to IFRIC14 "Prepayments of a Minimum Funding Requirements" dated 19 July 2010, to be applied beginning in fiscal year 2011	none
IFRIC19 "Extinguishing Financial Liabilities with Equity Instruments" dated 23 July 2010, to be applied beginning fiscal year 2011	none

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

Unless otherwise indicated, InVision Software AG holds a direct 100% ownership interest in each of the subsidiaries.

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.

II. 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		
	2010	2009	2010	2009
USD	1.3362	1.4303	1.3271	1.3934
GBP	0.86075	0.8932	0.8582	0.8912
CHF	1.2504	1.4886	1.3824	1.5099
EEK	15.6466	15.6484	15.6170	15.6156
SEK	8.9655	10.2628	9.5473	10.6218
ZAR	8.8625	10.5714	9.7175	11.6922

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 - 5 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 is permissible and required, reclassifications are made at the end of the fiscal year.

As of 31 December 2010, 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 2009, 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 (licenses)
- Subscriptions to software-based services (software maintenance, software operation, software subscriptions, software rentals, etc.)
- 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., licenses, maintenance/operation, 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 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.

III. Notes to the Consolidated Balance Sheet

24. Liquid funds (cash and cash equivalents)

The liquid funds are divided into the following two categories:

in TEUR	31 Dec 2010	31 Dec 2009
Credit balances held with financial institutions	5,723	3,512
Securities	0	1,000
Total	5,723	4,512

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

25. Trade receivables

Trade receivables (net) have a term to maturity of up to one year and consist of the following items:

in TEUR	31 Dec 2010	31 Dec 2009
Trade receivables	4,541	5,649
Receivables from POC	119	119
Bad debt allowances	0	-236
Total	4,660	5,532

The receivables from POC include receivables resulting from the partial recognition of customer projects. This item is calculated by multiplying the estimated degree of completion on any given project with that project's volume, less any amounts previously invoiced and factoring in any work yet to be performed. In the fiscal year, the directly attributable costs for receivables from POC were TEUR 77 (2009: TEUR 107).

The values of individual trade receivables are adjusted when needed.

26. Income tax claims

The income tax claims contain refund claims from previous years.

27. Prepaid expenses and other short-term assets

in TEUR	31 Dec 2010	31 Dec 2009
Prepaid and deferred items	246	226
Value added tax	0	104
Employee claims	0	12
Other miscellaneous assets	48	189
Total	294	531

28. Deferred taxes

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

in TEUR	31 Dec 2010	31 Dec 2009
Deferred taxes based on temporary differences from licence valuations	624	260
Deferred taxes based on losses carried forward	4,310	4,795
Total	4,934	5,055

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

in TEUR	31 Dec 2010	31 Dec 2009
Deferred taxes based on temporary differences		
- of the provisions and reserves/general valuation allowances	15	14
- from trade receivables	30	104
- from prepaid items	0	7
Total	45	125

The tax loss carry-forwards for the Group totalled TEUR 16,000. Of this amount, TEUR 13,407 was valued, and thereupon TEUR 4,310 was recognised as deferred taxes. For the TEUR 2,953 in other losses carried forward, no deferred taxes were recognised.

29. Development of the long-term assets

In fiscal year 2010, the Group's long-term (fixed) assets developed as follows:

in TEUR	01 Jan 2010	Additions	Disposals	Currency differences	31 Dec 2010
Concessions, industrial property rights and similar rights and assets as well as licenses 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

In fiscal year 2009, the Group's fixed assets developed as follows:

in TEUR	01 Jan 2009	Additions	Disposals	Currency differences	31 Jan 2009
Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets					
Gross	273	89	80	0	282
Value adjustment	206	38	80	0	164
Net	67	51	0	0	118
Other equipment, furnishings and office equipment					
Gross	1,115	91	341	9	874
Value adjustment	682	152	341	3	496
Net	433	-61	0	6	378
Financial assets					
Gross	0	0	0	0	0
Value adjustment	0	0	0	0	0
Net	0	0	0	0	0
Long-term assets					
Gross	1,388	180	421	9	1,156
Value adjustment	888	191	421	3	660
Net	500	-10	0	6	496

The financial assets consist of a long-term loan.

30. 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 (3 years). Assets based on financial leases are subject to scheduled amortisation over the term of the lease (3 years).

31. Research and development

The expenses for research and development totalled TEUR 5,325 (2009: TEUR 5,290) in the fiscal year.

32. 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.

33. Other long-term assets

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

34. Liabilities

Liabilities are allocated as follows:

in TEUR	Short-term		Long-term		Total	
	2010	2009	2010	2009	2010	2009
Liabilities owed to financial institutions	291	9	0	0	291	9
Trade payables	568	822	0	0	568	822
Provisions	1,233	1,300	0	0	1,233	1,300
Income tax liabilities	34	20	0	0	34	20
Deferred income	772	1,682	0	0	772	1,682
Deferred taxes	0	0	45	125	45	125
Other liabilities	1,307	1,536	0	0	1,307	1,536
Total	4,205	5,369	45	125	4,250	5,494

Deferred income consists of already recognised invoiced amounts for maintenance work that is not scheduled to be performed until the following year.

35. Income tax liabilities and provisions

Income tax liabilities and provisions developed as follows:

in TEUR	As of 1 Jan 2010	Utilisation	Reversal	Allocation	Currency difference	As of 31 Dec 2010
Income tax liabilities	20	21	0	34	1	34
Provisions for:						
- Personnel expenses	554	399	78	751	12	840
- Trade associations	13	13	0	13	0	13
- Outstanding invoices	227	203	20	114	1	119
- Annual accounts costs	108	104	5	139	1	139
- Litigation costs	361	62	299	9	0	9
- Other	37	0	37	113	0	113
Total provisions	1,300	781	439	1,139	14	1,233
Total	1,320	802	439	1,173	15	1,267

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

36. Deferred income and other liabilities

Deferred income and other liabilities include the following:

in TEUR	Short-term		Long-term		Total	
	2010	2009	2010	2009	2010	2009
Deferred income	772	1,682	0	0	772	1,682
Value added tax	522	584	0	0	522	584
Payroll tax	175	183	0	0	175	183
Social security charges	233	221	0	0	233	221
Salaries	50	416	0	0	50	416
Other miscellaneous liabilities	327	132	0	0	327	132
Total	2,079	3,218	0	0	2,079	3,218

37. Subscribed capital

The registered share capital of InVision Software AG is reported as the subscribed capital. The subscribed capital in the amount of EUR 2,235,000 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 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% 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.

38. Capital reserves

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

39. Earnings reserves

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

40. 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 [*modifizierten 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.

IV. Notes to the Consolidated Statement of Comprehensive Income

41. Revenues

Revenues categorised according to business activities are as follows:

in TEUR	2010	2009
Software & Subscriptions	12,024	9,020
- of which licenses	7,057	4,689
Services	3,982	2,952
Total	16,006	11,972

Revenues categorised according to regions are as follows:

in TEUR	2010	2009
Germany, Austria and Switzerland	7,947	5,601
Other foreign countries	8,059	6,371
- of which other Europe	6,638	5,334
Total	16,006	11,972

Revenues categorised according to certain sectors are as follows:

in TEUR	2010	2009
Contact Centre	10,245	7,753
Other sectors	5,761	4,219
Total	16,006	11,972

42. Other operating income

Other operating income is broken down as follows:

in TEUR	2010	2009
Income from reversing or liquidating provisions	0	164
Income from support services	0	148
Income from reducing bad debt allowances	37	46
Income attributable to other periods	33	6
Income from cost transfers	0	3
Income from the sale of long-term assets	0	2
Other miscellaneous income	68	65
Total	138	434

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

43. Cost of materials

In the reporting year, no cost of materials was incurred.

44. Personnel expenses

Personnel expenses consisted of the following:

in TEUR	2010	2009
Wages and salaries	8,952	10,397
Social charges and other pension provisions	1,616	2,222
Total	10,568	12,619
- of which for pensions (direct insurance)	15	15

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

45. 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.

46. Other operating expenses

Other operating expenses are itemised as follows:

in TEUR	2010	2009
Office space expenses	1,016	1,121
Consulting costs	743	700
Marketing and advertising costs	501	631
Vehicle expenses	484	486
Other third party services	465	614
Miscellaneous expenses	420	1,165
Travel expenses	402	454
Leasing and maintenance costs	392	248
Communication expenses	263	288
Receivables write-offs and bad debt allowances	104	597
Restructurings	0	209
Income from reversing or liquidating provisions	-439	0
Total	4,351	6,513

47. Financial result

The financial result is divided into the following:

in TEUR	2010	2009
Interest and similar income	61	86
Interest and similar expenses	-33	-66
Total	28	20

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

48. Income taxes

Income taxes are divided as follows:

in TEUR	2010	2009
Income tax	-74	154
Deferred tax	-41	2,140
Total	-115	2,294

Detailed information about the deferred tax assets and liabilities, which must be set aside, can be found in note 28 above. The basis, upon which the deferred taxes were set aside, is an income tax rate of 30% 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:

in TEUR	2010	2009
Consolidated net income/loss before taxes and minority shares	1,124	-7,093
Income tax	-115	2,294
Actual tax rate	10.2%	32.3%

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:

in TEUR	2010	2009
Result before income tax	1,124	-7,093
Theoretical income tax expense 30% (2009: 30%)	337	-2,128
Write-down of deferred tax loss carry-forwards	-901	0
Deferred taxes through elimination of inter-company profits (losses)	365	-52
International tax rate differences	311	-52
Tax add-backs (attributions)/abatements	-16	-51
Other discrepancies	19	-11
Total	115	-2,294

The deferred tax assets were written down by a total of TEUR 901 on the balanced sheets of the French, Swedish and Italian subsidiaries based on the future local profits that are expected in the coming years.

The elimination of inter-company results had led to deferred taxes in the amount of TEUR 365, of which TEUR 519 are attributable to a tax rate change.

V. 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:

in TEUR	2010	2009
Interest received	61	86
Interest paid	33	66
Income taxes paid	-74	154

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:

in TEUR	2010	2009
Liquid funds	5,723	3,512
less short-term liabilities	-291	-10
Net financial position	5,432	3,502

VI. Other Information

49. 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:

in TEUR	< 1 year	1 - 5 years	Total
Obligations as lessee	738	1,382	2,120
Obligations as lessor	380	434	814

50. Contingent liabilities

in TEUR	2010	2009
Non-payment guarantee	124	124

51. Financial assets and liabilities

The financial liabilities existing in the Group are short-term liabilities arising from accounts payable. The significant assets of the Group consist of cash and cash equivalents, securities 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 5,104 (2009: TEUR 7,064). 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. No bad debt allowances were created for trade receivables totalling TEUR 1,942 (2009: TEUR 2,218), which were overdue as of the balance sheet date, because no material changes in the customers' creditworthiness were identified and these outstanding amounts appear likely to be paid.

Market risks can arise from changes in exchange rates (currency risk) or interest rates (interest risk). Given the limited relevance these risks have 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 2009 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 2010 or in 2009.

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

52. 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:

in TEUR	31 Dec 2010	31 Dec 2009
Equity capital	12,055	11,080
- as a percentage of total capital	73.9%	66.9%
Liabilities	4,250	5,494
- as a percentage of total capital	26.1%	33.1%
Short-term liabilities	4,205	5,369
- as a percentage of total capital	25.8%	32.4%
Long-term liabilities	45	125
- as a percentage of total capital	0.3%	0.7%
Net gearing*	-12%	9%

* 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%.

53. 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. In order to evaluate the creditworthiness of the contracting parties, particularly larger customers, the Group relies on assessments made by independent rating agencies, on other financial information and on its own trading records. Moreover, the amounts of any receivables are constantly monitored in order to avoid exposing the InVision Group to any significant credit risk. The maximum default risk is limited to the book value of the asset as reported in the balance sheet.

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

54. 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 722 (2009: TEUR 1,280) and the payables denominated in foreign currencies equalled TEUR 22 (2009: TEUR 94). Had the euro appreciated (depreciated) by 10% compared to other

currencies relevant to the Group as of 31 December 2010, then the pre-tax result would have been TEUR 36 (2009: TEUR 126) lower (higher).

55. 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:

in TEUR		2010	2009
eTimum Software GmbH	Consulting services	465	454
Total		465	454

56. 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.

57. Number of employees

In fiscal year 2010, the Company employed on average 170 employees (2009: 223), not including the Executive Board.

58. 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
- Mauro Marengo, Turin (Italy), since 1 October 2010

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

in EUR		2010	2009
Peter Bollenbeck		206,517	206,454
	of which fixed salary	189,138	189,138
	of which other benefits	17,379	17,316
Matthias Schroer		205,706	203,024
	of which fixed salary	192,098	190,003
	of which other benefits	13,608	13,021
Mauro Marengo (since 1 October 2010)		43,132	0
	of which fixed salary	41,250	0
	of which other benefits	1,882	0
Total remuneration Executive Board		455,355	409,478

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 the supervisory board chairman of Delignit AG, Blomberg. Prof. Dr. Wilhelm Mülder does not sit on any other supervisory boards.

The remuneration of the Supervisory Board in fiscal year 2010 totalled TEUR 28 (2009: TEUR 30).

59. Information on the fees of the Company auditors

The fee for the Company's annual accounts auditor, which was recognised for fiscal year 2010, consists of the following:

in TEUR	2010	2009
Auditing service for the annual accounts	50	81
Tax advisory services	15	8
Other services	9	32
Total	74	121

60. 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.

61. 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 2010, there was an average of 2,235,000 shares issued and outstanding. Earnings per share for this period were therefore EUR 0.45, compared to EUR -2.15 in the previous year (based on the same number of shares issued).

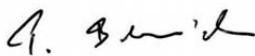
62. Statement under § 161 of the German Stock Corporation Act

On 31 January 2011, 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.

63. 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.

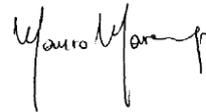
Ratingen, 21 March 2011



Peter Bollenbeck



Matthias Schroer



Mauro Marengo

Management Report

of InVision Software AG as of 31 December 2010

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.

1. The Company

Business and strategy

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

The Company's goal is to attain a leading global position in the market for workforce management software and to set the standard in the field of workforce management. Key elements of the Company's strategy are effective penetration of international markets and the successive diversification of its target markets and sales territories.

Employees

On 31 December 2010, the InVision Group employed 163 employees worldwide (including the Executive Board members). Thus, compared to the end of 2009, the number of employees decreased by 20% (31 December 2009: 203 employees).

At the end of the year, 76 employees (31 December 2009: 86 employees) were employed in

Germany, while 87 employees (31 December 2009: 117 employees) were employed in foreign subsidiaries.

The number of employees working in Research and Development fell to 77 (2009: 86 employees). The number of employees in Professional Services declined by 37 percent to 38 (2009: 60 employees). In Sales as of 31 December 2010, the number of employees dropped by 28 percent to 26 (2009: 36 employees).

Research & Development

For InVision, the further development of its software solutions for workforce management is a decisive competitive factor. For this reason, 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 5,325 and were almost the same as the previous year (2009: TEUR 5,290). Research and development costs as a percentage of revenues equalled 33 percent (2009: 44 percent).

Above all in fiscal year 2010, there were a number of service packs published for the releases existing on the market and the work on the product versions of InVision Enterprise WFM and iWFM.com, which had been scheduled for publication in 2011, was continued.

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% 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.

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 be carried out only to the extent that the creditors, to whom convertible or warrant-linked 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 *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 does not hold any treasury 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 2010, the following shareholders held more than 10 percent of the Company's registered share capital:

- InVision Holding GmbH, Ratingen (23.6%)
- Peter Bollenbeck, Düsseldorf (17%)
- Matthias Schroer, Mühlheim an der Ruhr (17%)
- Armand Zohari, Bochum (17%)
- 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.

2. General Business Conditions

In its forecasts of 25 January 2011, the International Monetary Fund (IMF) is assuming a 5.0 percent increase in global economic output for 2010, after a 0.6 percent decline in the previous year. According to the forecasts, the developed economies have seen their economic output rise by 3.0 percent in 2010 (compared to 3.4 percent decline in previous year).

In the euro area, which is important to the InVision Group, the forecasts are calling for 1.8 percent growth in economic output (prior year: 4.1 percent decline). Germany is the most important single market for the InVision Group and is expected to enjoy a 3.6% growth rate.

3. Business Development

Results of operation

Revenues

Consolidated revenues during the reporting year equalled TEUR 16,006 (2009: TEUR 11,972) and therefore rose by 34 percent. Licence revenues jumped by 51 percent to TEUR 7,057 (2009: TEUR 4,689). Maintenance revenues climbed by 15 percent to TEUR 4,967 (2009: TEUR 4,331). Service revenues increased by 35 percent to TEUR 3,982 (2009: TEUR 2,952).

The increase in licence revenues is a result of greater efficiencies in sales and marketing based on changes the Group made in refocusing the sales organisations on projects with better revenue potential. Higher maintenance revenues are a direct result of the Group's increased maintenance base stemming from licence revenues generated from new and existing customers over the course of the past year and from the persistent high level of customer loyalty. The growth in service revenues is attributable primarily to the high utilisation of service capacities coming off of the strong licence business in the second half of 2010

Revenues in the region of Germany, Austria and Switzerland rose by 42 percent to TEUR 7,947 (2009: TEUR 5,601), which represents a share of 50 percent (2009: 47 percent). Revenues generated in other foreign countries climbed to TEUR 8,059 (2009: TEUR 6,371) and is therefore 26 percent higher than the previous year. Revenues from other foreign countries as a percentage of total revenues therefore equal 50 percent (2009: 53 percent).

Revenues generated with customers in the contact centre sector rose by 32 percent to TEUR 10,245 (2009: TEUR 7,753) and therefore constitutes 64 percent (2009: 65 percent). Revenues generated with other customers rose by 37 percent to TEUR 5,761 (2009: TEUR 4,219) and now constitutes 36 percent (2009: 35 percent).

Personnel expenses and other operating costs

Personnel expenses declined in the reporting year to TEUR 10,568 (2009: TEUR 12,619).

Due to cost savings measures, other operating expenses sank by 33 percent to TEUR 4,351 (2009: TEUR 6,513). Travel expenses fell by 11 percent to TEUR 402 (2009: TEUR 454) and marketing expenses declined by 21 percent to TEUR 501 (2009: TEUR 631). Miscellaneous expenses dropped by approximately TEUR 750 to TEUR 420 (2009: TEUR 1,165).

Operating and financial result

The operating result (EBIT) improved in the reporting period to TEUR 1,051 (2009: TEUR -6,994). The EBIT margin in the reporting period was +7 percent (2009: -58 percent).

Interest income dipped by 30 percent to TEUR 61 (2009: TEUR 86). Interest expense also declined, falling by 50 percent to TEUR 33 (2009: TEUR 66).

The heavy exchange rate volatility mostly in the US dollar and British pound *vis-à-vis* the Euro led to a currency gain of TEUR 45 (2009: currency loss of TEUR 119).

Consolidated result

In fiscal year 2010, consolidated net profit equalled TEUR 1,010 (2009: net loss of EUR 4,800). Accordingly earnings per share totalled EUR 0.45 (2009: EUR -2.15), in each case based on 2,235,000 shares.

Net assets and financial position

The development of the net assets and financial position in fiscal year 2010 was influenced primarily by the consolidated profit.

As of the end of the fiscal year, the liquid funds (cash and cash equivalents) rose to TEUR 5,723 due to positive operating cash flow (2009: TEUR 4,512). Trade receivables declined by 16 percent to TEUR 4,660 as of the end of the fiscal year due to the better payment behaviour of the customers (2009: TEUR 5,532). The income tax claims fell by 84 percent to TEUR 66 (2009: TEUR 414). The prepaid expenses and other short-term assets declined by 45 percent to TEUR 294 (2009:

TEUR 531). During the reporting year, intangible assets remain almost unchanged at TEUR 119 (2009: TEUR 118). Financial assets totalled TEUR 150. Tangible assets declined by 17 percent to TEUR 315 (2009: TEUR 378). Deferred tax assets fell by 2 percent to TEUR 4,934 (2009: TEUR 5,054). Other long-term assets rose by 25 percent to TEUR 44 (2009: TEUR 35).

Financial liabilities climbed to TEUR 291 (2009: TEUR 9). At the same time, trade payables fell by 31 percent to TEUR 567 (2009: TEUR 822). The provisions declined by 5 percent to TEUR 1,233 (2009: TEUR 1,300). The tax reserves rose by 66 percent to TEUR 34 (2009: TEUR 20). The short-term share of the deferred income and other short-term liabilities decreased by 35 percent to TEUR 2,079 (2009: TEUR 3,218). The deferred tax liabilities have dropped off by 64 percent to TEUR 45 (2009: TEUR 125).

The balance sheet total as of 31 December 2010 equalled TEUR 16,305 (2009: TEUR 16,574). Equity capital is now at TEUR 12,055 (2009: TEUR 11,080), and the equity ratio equals 74 percent (2009: 67 percent).

Cash flow from operating activities reached TEUR 1,184 in the reporting period (2009: TEUR -7,326) and corresponds to a share of 7 percent of the Group revenues (2009: -61 percent). Cash flow was affected significantly by the TEUR 872 reduction in the trade receivables and by the TEUR 508 decline in the other assets.

Due to the sale of securities, cash flow from investing activities rose to TEUR 744 (2009: TEUR -32).

4. 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. In addition to the fixed-base salary, a bonus tied to achieving certain profit targets was agreed on an individual basis. 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.

5. 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

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

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

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

InVision relies on seasoned and well-trained sales teams and highly qualified employees in the Professional Services division, who support the sales staff in its efforts by providing substantial support on technical questions. The future success of InVision will also depend on finding and retaining, on a long-term basis, highly qualified employees in these areas. It is precisely during periods of economic growth that the competition for employees with scientific, technical or industry-specific expertise becomes quite intense. It is therefore possible that the Company will be unable to promptly recruit new staff on the open labour market and that this may give rise to additional costs. The loss of qualified staff or long-term difficulties in hiring suitable employees 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 software and improve existing software solutions. The Company is of the opinion that in light of its liquidity as well as its short-term and medium-term liquidity planning, its equity capital base is sufficient for these purposes. There is still a risk, however, that the Company would 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.

6. Supplement Report

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

7. Forecast Report and Opportunities

Anticipated global economic developments

According to the forecasts made by the International Monetary Fund (IMF) on 25 January 2011, the world economy will grow by 4.4 percent in the current year (prior year: 5 percent).

Whereas in the United States the economic output is expected to increase by 3.0 percent in 2011 (2010: 2.8 percent), the IMF is assuming a growth rate of 1.5 percent for the Euro zone in 2011, following a 1.8 percent growth rate in 2010. The economic output for

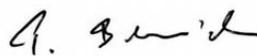
Germany is expected to increase by 2.2 percent (2010: 3.6 percent).

Anticipated development of InVision

Since the beginning of 2010, there has been a noticeable increase in demand for solutions involving cost cutting and productivity improvement, a trend that reflects the current focus of our corporate customers. With its solutions for optimising staff deployment, the InVision Group is capable of providing huge cost savings and sales potential. Thus, the market for workforce management systems also offers the InVision Group growth potential in the long-term.

For the period from 2011 through 2012, InVision is therefore expecting overall revenue growth and profits in each of those years.

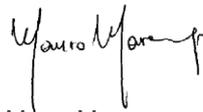
Ratingen, 21 March 2011



Peter Bollenbeck



Matthias Schroer



Mauro Marengo

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 2010 through 31 December 2010. 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, 22 March 2011

Verhülsdonk & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Hillesheim
Wirtschaftsprüfer

Grote
Wirtschaftsprüfer

Financial Calendar

Preliminary results 2010	31 January 2011
Annual Report 2010	28 March 2011
Preliminary results Q1 2011	15 April 2011
Interim Report Q1 2011	16 May 2011
Annual Shareholders' Meeting 2011	15 June 2011
Preliminary results H1 2011	15 July 2011
Interim Report H1 2011	15 August 2011
Preliminary results 9M 2011	14 October 2011
Interim Report 9M 2011	15 November 2011
Analysts' Conference (German Equity Forum 2011, Frankfurt am Main)	21-23 November 2011

Investor Relations

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