



**NOVAVISIONS AG**

**FINANCIAL REPORT 2010**

**NOVAVISIONS AG**

## LETTER TO SHAREHOLDERS

### Novavisions AG with confidence into the new year

Dear Shareholders,

The economic conditions in the different countries are also partly reflected in Novavisions' portfolio. Companies with their focus in Germany (Petshop and part of NovaStor) developed very well. The U.S. business of NovaStor was rather moderate and less dynamic. Nevertheless, for the full year 2010 NovaStor group could achieve a positive result.

Particularly remarkable is the development of Petshop.de. After a top line growth of more than 60% in the prior year, this was exceeded again with more than 75% in 2010.

The value of Novavisions and therefore of the share depends primarily on the valuation of the portfolio companies. Novavisions has a very positive opinion of all the investments, as all companies have worked well in a difficult period, are at least break-even on an operating basis and have a sound financial base.

### Portfolio valuation

The carrying amounts of the portfolio investments correspond to market value. All the companies in the portfolio achieved positive results in 2010. This should continue to have a good effect on the future portfolio valuation.

### Outlook 2011

The Board of Directors is expecting positive developments. It should nevertheless be remembered that Novavisions has operating expenses that result in operating losses if no gains from sale of investments, major revenue from dividends or positive changes in the portfolio valuation can be accounted for. Nevertheless these losses can be compensated very rapidly if changes in the portfolio take place. Furthermore, the results are subject to greater currency volatility, particularly if the relations between the euro and the Swiss franc change significantly. This is because the group's reporting is in Euro, but its underlying accounting of a Swiss firm is based in Swiss francs.

We would nevertheless like to take this opportunity of reminding shareholders of this normal feature of a venture capital company. Increasing the value of the investment sustainably while keeping management costs low is the core of the value creation process which Novavisions strives to achieve. With the balanced portfolio and low management expenses this is a realistic objective.

### Thanks

Our thanks are due for the confidence placed in us. We thank the staff of the various portfolio companies for their great commitment and their professionalism.

Yours sincerely,

Novavisions AG



Adrian Knapp  
CEO/Chairman



Jean-Christophe Probst  
Chief Financial Officer



## THE COMPANY

Novavisions AG is an investment company specialised in consulting and investments in the technology sector. In addition to the overall idea and the sustainable potential of the technology, the decision to invest will depend primarily on the management and the people involved. Novavisions takes an active role in the investment but does not aim for holding majority stakes.

## NOVAVISIONS AG OVERVIEW

In thousand EUR

	01.-12.10	01.-12.09
	EUR	EUR
Net operating income	635	461
General & administrative expenses	-428	-672
EBTDA	207	-211
Depreciation	-5	-18
Operating result (EBT)	202	-229
<b>Profit/Loss from continued operations</b>	<b>170</b>	<b>-35</b>
Profit/Loss from discontinued operations	n.a.	897
<b>Profit/Loss for Period</b>	<b>170</b>	<b>862</b>
Earnings per GDR, diluted and undiluted	0.007	0.036
GDR, diluted and undiluted		
- average in circulation	24'077'470	24'077'470
- in circulation as per spot date	24'077'470	24'077'470
	<b>31.12.10</b>	<b>31.12.09</b>
Equity capital	6'387	5'275
<i>Equity ratio</i>	<b>72.2%</b>	<b>72.3%</b>
Balance sheet total	8'847	7'291



**MAJOR INVESTMENTS**


**NovaStor** is headquartered in Switzerland but it also owns offices/operations in the United States and in Germany. NovaStor is a leading provider of award winning software solutions for data availability and protection. NovaStor's products, which comprises online/offline data protection, data recovery and the long-term, legally-compliant storage meet the requirements of different end-users starting from individuals over small and medium-sized business users to large enterprises.

## NovaStor is Backup and Data Protection


- Reliable backup software & data protection for over a decade
- Backup & restore software is our business
- Serving customers scaled up to 8,000 servers with over 8 Petabytes of data
- We are easy to do business with

**VIEW BACKUP SOLUTIONS**

Service Providers Solutions

Enterprise Solutions

Home User & Small Business Solutions



Simple. Fast. Reliable.

NEW V12.0

More info...

NEW V12.0

More info...

NEW V12.0

Shop Online...

NovaStor provides in the growing SaaS/Cloud Market – with approx. 1.000 active Service Providers – one of the market leading solutions. Through a recently launched initiative [www.storage-line.com](http://www.storage-line.com), NovaStor offers an industry first, strategic growth package for service providers with the worldwide first Storage as a Service (SaaS)-Portal). Amongst others the offering of a professional Backup Software for free on [www.storage-line.com](http://www.storage-line.com) enables high clicks of potential customers. NovaStor is available at [www.novastor.com](http://www.novastor.com).

Selected Awards and Certifications









Selected References

















**Finanzkontor Zuerich AG**

**Finanzkontor Zürich AG** invests in severely undervalued assets of all kinds. Its broadly diversified portfolio, which covers all asset classes such as equities, bonds, property, shipping partnerships, precious metals and commodities, is intended to offer an above-average medium to long-term return at lower volatility and minimal risk.

The company invests in publicly listed and non-listed asset classes. Finanzkontor Zürich AG is therefore able to purchase shares in the secondary market for shipping partnership interests and property for instance. But attractive pre-IPO investments, i.e. companies preparing for a flotation, can also be included in the portfolio. This means there are no barriers to an optimal portfolio allocation and the company can respond flexibly in all market phases. Finanzkontor Zürich AG can be reached [www.zfk-ag.ch](http://www.zfk-ag.ch).



**MultiCom Software Oy** improves and integrates software technologies (from NovaStor amongst others) for important Finnish companies such as TietoEnator and Cap Gemini. The company is based in Lappeenranta in Eastern Finland, near St. Petersburg and constitutes an important hub in the innovative Finnish mobile market, which continues to set global trends. MultiCom Software Oy has been profitable for years. MultiCom can be reached at [www.multicom.fi](http://www.multicom.fi).

**Ausgewählte Referenzen**



With more than 10,000 articles for dogs, cats, birds, small animals, horse-riding, aquariums and terrariums, **Petshop.de** is one of the largest German online shops for pet supplies. Petshop.de GmbH can draw on logistics support from BTG Systemlogistik Group, the largest wholesale purchasing alliance for pet supplies in Germany and Austria, giving the company considerable strategic advantages.

In 2010 petshop.de re-increased sales and reported a year-on-year revenue growth of around 75%. Petshop.de can be found at [www.petshop.de](http://www.petshop.de).



Solange der Vorrat reicht!

**NICHT SO SCHÜCHTERN BITTE!**

**15 KG KAUFEN + 3 KG\* GRATIS!**

« HIER KLICKEN »

\* 3 kg von der gleichen Sorte

1 2 3 4 5

The banner features a beagle dog on the left, several bags of Eukanuba dog food in the center, and a large pink button with the text '« HIER KLICKEN »'. The background is white with pink and blue accents.





## MANAGEMENT AND BOARD OF DIRECTORS

As of December 31, 2010, the Management and the Board of Directors at Novavisions' Group comprised the following persons:

### Board of Directors

**Adrian Knapp, Chairman** is a seasoned entrepreneur. He has a degree in Business Economics from GSBA Zurich. He has been involved in the launch of several companies. In 1991 he was one of the founders of Dicom AG (Kofax plc today), an international Swiss VAD (value added distributor) for imaging products. Dicom had its IPO at AIM London in 1995. He was also a co-founder of COPE AG, the first fully data storage focused system integrator in Central Europe. COPE had a Nasdaq IPO in 1998. Later Adrian was involved in Mount10, a Swiss based managed service firm. Mount10 went public on Frankfurt Neuer Markt in 2000 and bought the American NovaStor in 2005. 2006 he was the initiator of Novavisions, a Holding firm that is investing in technology firms.

**Dipl.-Kfm. Karl-Friedrich Kaupp, Member of the Board of Directors** is tax advisor/auditor and a recognized expert in the field of Capital Markets and Mergers & Acquisitions. Mr. Kaupp is a founding partner of the tax and auditing firm Kaupp, Krebok & Partner GbR, with offices in Stuttgart, Hannover, Mannheim and Munich. On 31 March 2010 he was elected as Member of the Board of Directors of Novavisions AG.

**Markus Bernhard, Member of the Board of Directors** graduated from the University of St. Gallen (HSG) as a licensed Business Economist HSG. He worked for Revisuisse Pricewaterhouse between 1991 and 1997. During this period, he became a Certified Public Accountant. In September 1997 he became Chief Financial Officer of COPE, Inc. and was the main driver in the IPO processes of COPE (Nasdaq 1998) and Mount10 (Neuer Markt Frankfurt, 2001). He served as CFO for Novavisions till March 2007. In April 2007 he became CFO of mobilezone holding ag, the leading Swiss based independent mobile phone provider.

**Peter Urs Naef, Member of the Board of Directors** is the owner and partner of Naef Partners AG in Zurich, Switzerland. He is also a member of the board of directors of Engelberg Titlis Tourismus AG in Engelberg, Switzerland, of Swiss Equity Medien AG in Bern, Switzerland of the Willisauer Bote in Willisau, Switzerland and a member of the Advisory Board of the Swiss Economic Forum. Peter Urs Naef joined the Board of Directors of today's Novavisions AG in 2002.

**Sascha Magsamen, Member of the Board of Directors** holds a Master of Science in Economics (FH). After graduating he worked as business editor for print magazines such as "Euro am Sonntag", "Die Telebörse" as well as the business newspaper "Börsen-Zeitung". 2004 he moved from Economic Journalism to Investment Banking. At Dresdner Kleinwort Wasserstein he was in the bank's own share trading with focus on second-line stocks in the DACH region. At the function of a director he left the institution end of 2009. Sascha Magsamen is member of the management board of Impera Total Return AG in Frankfurt since 2010. Sascha Magsamen started his activities as an entrepreneur in the media sector in 1995. As from 2001 he co-founded and financed more than a dozen SMBs. He serves in several Boards of Directors.

### Management

Adrian Knapp, Chief Executive Officer  
Jean-Christophe Probst, Chief Financial Officer



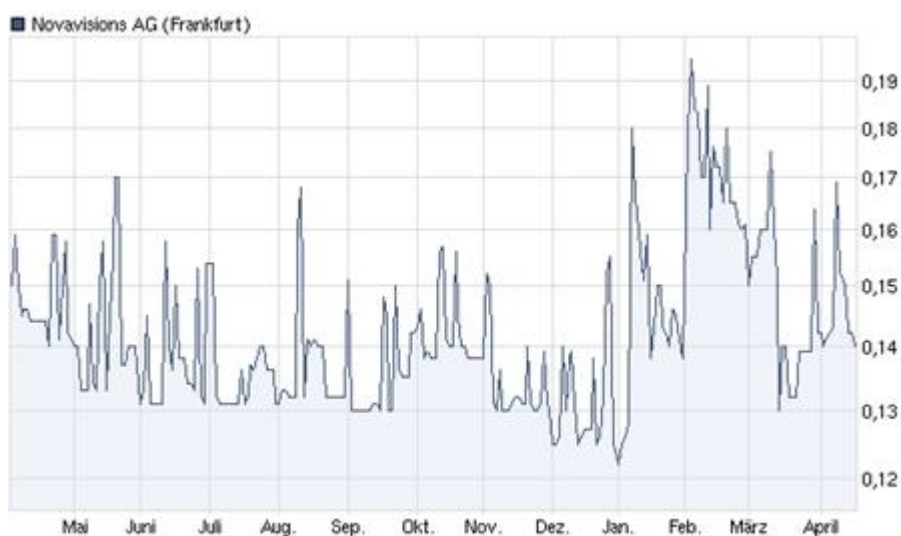
## NOVAVISIONS SHARES

The share price of Novavisions has developed as follows:

Highest price (Xetra) 10.01.11: EUR 0.20

Lowest price (Xetra) 30.12.10: EUR 0.12

Prime Standard (12 month)



### Investor Relations:

Would you like to receive Novavisions' newsletter? Get in contact with us:

Novavisions AG  
Claudia Schumacher  
Grundstrasse 12  
Ch-6343 Rotkreuz

Tel.: +41 41 798 33 44  
mailto: [claudia.schumacher@novavisions.com](mailto:claudia.schumacher@novavisions.com)

or register yourself directly on our homepage:  
[http://www.novavisions.com/content/anmeldung\\_d.asp?seiid=6](http://www.novavisions.com/content/anmeldung_d.asp?seiid=6)





**FINANCIAL REPORT ACCORDING TO IFRS 2010**

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**BALANCE SHEET (IFRS)**

		31.12.10	31.12.09
		EUR	EUR
<b>A S S E T S</b>			
<b>Long-term assets</b>			
Tangible fixed assets	D 3	2'611	5'540
Investments	D 4	6'619'935	4'931'477
Investments in associated companies	D 5	1'000'214	860'775
Long-term loans	D 14	1'163'230	1'200'715
<b>Long-term assets, total</b>		<b>8'785'990</b>	<b>6'998'507</b>
<b>Short-term assets</b>			
Prepaid expenses and other short-term current assets	D 2	21'697	27'086
Accounts receivables from sales & services		26'927	6'959
Cash and cash equivalents	D 1	11'961	258'857
<b>Short-term assets, total</b>		<b>60'585</b>	<b>292'902</b>
<b>Assets, total</b>		<b>8'846'575</b>	<b>7'291'409</b>

Notes in the appendix are part of the IFRS Financial Report.



**BALANCE SHEET (IFRS)**

		<b>31.12.10</b>	<b>31.12.09</b>
		<b>EUR</b>	<b>EUR</b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity capital</b>			
	D 13	5'472'299	5'472'299
		2'131'561	2'131'561
		-2'552'613	-2'722'202
		1'336'219	393'090
		<b>6'387'466</b>	<b>5'274'748</b>
<b>Equity capital, shareholders of Novavisions AG</b>			
	D 10	395'781	958'151
	D 6	82'452	39'400
		<b>478'233</b>	<b>997'551</b>
<b>Long-term liabilities, total</b>			
	D 10	1'050'247	159'000
		68'217	10'593
	D 7	95'745	94'327
	D 8	562'666	657'164
	D 9	204'001	98'026
		<b>1'980'876</b>	<b>1'019'110</b>
<b>Short-term liabilities, total</b>			
<b>Liabilities, total</b>		<b>2'459'109</b>	<b>2'016'661</b>
<b>Equity and Liabilities, total</b>		<b>8'846'575</b>	<b>7'291'409</b>

Notes in the appendix are part of the IFRS Financial Report.



**INCOME STATEMENT (IFRS)**

		01.-12.10	01.-12.09
		EUR	EUR
Net result from investments	E 1	0	14'066
Revaluation at fair value	E 1	289'976	325'216
Net result from associated companies	D 5	29'670	7'189
Dividend income	D 5, E 1	43'076	22'792
Interest income	E 1	32'673	15'236
Income from disposal of fixed assets		0	180'502
Other income	E 1	119'714	89'460
Interest expense	E 1	-167'117	-155'679
Other financial expenses	E 1	-6'366	-36'394
Net foreign exchange gain/loss	E 1	293'375	-1'459
<b>Net operating income</b>		<b>635'001</b>	<b>460'929</b>
General and administrative expenses	E 2	-428'091	-671'626
<b>Earnings before taxes, depreciation and amortization</b>		<b>206'910</b>	<b>-210'697</b>
Depreciation	D 3	-4'810	-18'159
<b>Earnings before taxes</b>		<b>202'100</b>	<b>-228'856</b>
Income taxes	E 3	-32'511	193'573
<b>Net result from continued operations</b>		<b>169'589</b>	<b>-35'283</b>
Net result from discontinued operations		n.a.	896'894
<b>Total net result</b>		<b>169'589</b>	<b>861'611</b>
of which attributable:			
to shareholders		169'589	861'611
to holders of minority stakes		0	0
Earnings per GDR	E 4		
<b>undiluted</b>		<b>0.007</b>	<b>0.036</b>
continued operations		0.007	-0.001
discontinued operations		n.a.	0.037
<b>diluted</b>		<b>0.007</b>	<b>0.036</b>
continued operations		0.007	-0.001
discontinued operations		n.a.	0.037
Average of GDRs in circulation:			
undiluted		24'077'470	24'077'470
diluted		24'077'470	24'077'470

Notes in the appendix are part of the IFRS Financial Report.



**COMPREHENSIVE INCOME (IFRS)**

	01.-12.10	01.-12.09
	<b>EUR</b>	<b>EUR</b>
<b>Net result</b>	<b>169'589</b>	<b>861'611</b>
<b>Other comprehensive income:</b>		
Currency translation differences	943'129	49'109
<b>Other comprehensive income</b>	<b>943'129</b>	<b>49'109</b>
<b>Total comprehensive income</b>	<b>1'112'718</b>	<b>910'720</b>
of which attributable:		
to shareholders	1'112'718	910'720
to holders of minority interests	0	0

**STATEMENT OF CHANGES IN EQUITY (IFRS)**

EUR	Subscribed capital	Capital reserves	Net profit/loss	Cumulative exchange rate difference	TOTAL
<b>Balance 31.12.08</b>	<b>5'472'299</b>	<b>4'118'974</b>	<b>-5'571'226</b>	<b>343'981</b>	<b>4'364'028</b>
Assignment of net result	0	-1'987'413	1'987'413	0	0
Net result	0	0	861'611	49'109	910'720
<b>Balance 31.12.09</b>	<b>5'472'299</b>	<b>2'131'561</b>	<b>-2'722'202</b>	<b>393'090</b>	<b>5'274'748</b>
Net result	0	0	169'589	943'129	1'112'718
<b>Balance 31.12.10</b>	<b>5'472'299</b>	<b>2'131'561</b>	<b>-2'552'613</b>	<b>1'336'219</b>	<b>6'387'466</b>

The share capital as of December 31, 2010 is CHF 8'427'114.50 divided into 2'407'747 bearer shares (31.12.09: 2'407'747 bearer shares) of CHF 3.50 each which is converted at historical cost. For further information see appendix pos. D13.



**CASH FLOW STATEMENT (IFRS)**

	01.-12.10	01.-12.09
	EUR	EUR
Profit/loss before taxes	202'100	-228'856
Depreciation of fixed assets and amortisation of intangible assets	4'810	18'159
Net result investments	0	-14'066
Revaluation at fair value	-289'976	-325'216
Financial revenue from associated companies	-29'670	-7'189
Financial result	-207'582	196'420
Gain on disposal of fixed assets	0	-180'502
Gain on disposal of investments	0	-6'959
Change in accounts receivables from goods and services	-12'411	0
Change in other current assets	9'490	-17'458
Change in accounts payable for goods and services	51'831	-35'534
Change in other short-term liabilities	-47'042	-147'359
Change in provisions	-14'642	94'327
Taxes paid	0	-268
Off-set elimination of discontinued operations	0	-445'300
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-333'092</b>	<b>-1'099'801</b>
Purchase/disposal of fixed assets and intangible assets	-1'210	179'860
Purchase of investments	-444'294	0
Disposal of investments	0	1'252'070
Repayment of loans	220'472	1'532
Interests received	43'836	1'763
Dividends received	43'076	22'792
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-138'120</b>	<b>1'458'017</b>
Net expenditures/payments from loans	256'801	-37'111
Interests paid	-53'919	-70'738
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>202'882</b>	<b>-107'849</b>
Foreign exchange differences	21'434	4'273
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-246'896</b>	<b>254'640</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>258'857</b>	<b>4'217</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>11'961</b>	<b>258'857</b>
<b><u>CASH AND CASH EQUIVALENTS FROM CONTINUED OPERATIONS</u></b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-246'896</b>	<b>254'640</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>258'857</b>	<b>4'217</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>11'961</b>	<b>258'857</b>
<b><u>CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS</u></b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>n.a.</b>	<b>-706'975</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>n.a.</b>	<b>813'825</b>
Disposal of cash through deconsolidation	n.a.	-106'850
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>n.a.</b>	<b>0</b>

D 14

Notes in the appendix are part of the IFRS Financial Report.



## APPENDIX

### A CORPORATE DATA

#### General

The headquarters of Novavisions AG (Novavisions for short) is located at Grundstrasse 12 in Rotkreuz/Kanton Zug (Switzerland). The company was established on entry into the commercial register on 16 December 1999.

Novavisions AG is an investment company, which seeks to play active role in their investments but not to hold majority stakes nor to control the companies.

The reporting date is 31 December and the accounting period starts on 1 January and ends on 31 December.

This financial report was approved by the Board of Directors on April 29 2011.

### B REPORTING STANDARDS

The annual financial report is prepared in accordance with International Financial Reporting Standards (IFRS).

As of January 1, 2010 the following new or revised IFRS or IAS standards apply:

The implementation and adaption of these standards had no significant effects on the financial statements of Novavisions:

IFRS 2 (amended)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (amended)	Business combinations
IAS 27 (amended)	Consolidated and Separate Financial Statements
IAS 39 (amended)	Financial Instruments: Recognition and Measurement: Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
Annual amendment process – adjustments of standards (editions 2009/2008)	

#### **Forthcoming applicable International Financial Reporting Standards (IFRS)**

The following new and revised standards and interpretations have been issued, but will later become effective and were not early adopted for this annual report. Their impact on the financial statements have not yet been systematically analysed so that the listed expected effects are management estimates and assumptions only.

#### **Enforcement and implementation planned for fiscal year 2011 or later**





The implementation of the following standards has no impact on future annual financial reports of Novavisions but as applicable for Novavisions lead to further or adapted disclosures in the following years:

IAS 32 (amended)	Classification of Rights Issues (1 February 2010)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)
IAS 24 (amended)	Related Party Disclosures (1 January 2011)
IFRIC 14 IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1 January 2011)
Misc. annual amendment process	– adjustments of standards (1 January 2011)
IFRS 7 (amended)	Improving Disclosures about Financial Instruments (1 July 2011)
IAS 12 (amended)	Deferred taxes: Retrieval of the underlying assets (1 January 2012)

For the following standards the effects on the financial statements of Novavisions are not determined with sufficient certainty:

IFRS 9	Financial Instruments Part 1: Classification and Measurement (1 January 2013)
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## C ACCOUNTING PRINCIPLES

### 1. Segment reporting

The activities of Novavisions are investment activities only. Therefore a segment reporting under IFRS does not apply.

### 2. Historical cost concept

The annual financial statement is based on the historical cost concept. Unless otherwise indicated, assets and liabilities are posted at their nominal value minus any necessary adjustments. For selected assets Fair Value (Market Value) applies a priori

### 3. Currency translation

The company prepares its financial statement in its functional currency, Swiss Francs. Monetary assets and liabilities held in foreign currencies are translated at the reporting date. Exchange rate gains and losses resulting from transactions and from the translation of balance sheet items are recognized in the income statement.

The financial reports are prepared and presented in euros. The translation is as follows: balance sheet at spot rates on the reporting date, income statement and cash flow statement at average rates for the financial year. Translation differences resulting from differing translation of balance sheets and income statements are recognized directly in the company's reserves without effect on profit or loss – the cumulative amount is shown separately

The exchange rate tables are used for foreign currency translations.

1 EUR entspricht	ISO-Code	Unit	2010		2009	
			31.12.	Average	31.12.	Average
Swiss Francs	<b>CHF</b>	1	1.2518	1.3760	1.4842	1.5095
US-Dollar	<b>USD</b>	1	1.3402	1.3250	1.4336	1.3919



#### **4. Cash and cash equivalents**

Cash and cash equivalents are posted at their nominal value. They include cash in hand, cash in post office and bank accounts.

#### **5. Trade receivables**

Trade receivables are classified as loans and receivables in line with IAS 39. Default risks are accounted for using impairment losses and expected recoverable amounts.

#### **6. Financial investments**

Financial investments are divided into financial assets and liabilities held at fair value through profit and loss, financial investments held to maturity, loans and receivables and financial assets available for sale.

The assets and liabilities held at fair value through profit and loss are either held for trading or explicitly classified as such. The financial investments held for trading are purchased with the aim of earning a profit on short-term price fluctuations. The financial investments held to maturity are financial assets with a fixed term which the Group is able and willing to hold to maturity.

The available-for-sale financial assets are non-derivative financial instruments which are either assigned to this category or do not belong to another category. Following initial recognition, financial investments and loans and receivables held to maturity are carried at amortised cost using the effective interest method. The available-for-sale financial investments are carried at fair value following initial recognition and changes recognised in equity. Permanent and ongoing impairments are recognised in profit and loss.

All financial instruments are initially recognised at fair value including transaction costs. All purchases and sales are recognised on the settlement date (i.e. the date on which the asset is transferred) as realised net gains or losses on assets. Following initial recognition the financial assets and liabilities at fair value through profit and loss are carried at fair value and changes are shown as unrealised net gains or losses in the appropriate reporting period.

The fair value of publicly listed financial instruments is based on available listed prices. If financial instruments are not traded on an active market alternative valuation methods are used. These refer to recent transactions between willing and independent third parties or cash flow valuations or similar. Minority interests are carried at fair value if they have not historically been accounted for under the equity method as associated companies.

All gains and losses on the purchase and disposal of securities are recognised in the income statement as realised net gains and/or losses on securities as of the settlement date. Changes in the fair value of securities are recognised in the income statement as unrealised net gains and/or losses on securities in the period they arise. Securities are no longer recognised when the rights and obligations have been transferred to the counterparty.

Dividends are recognised when Novavisions becomes legally entitled to receive the dividend.

#### **7. Investment portfolio**

Equity interests in companies in which Novavisions AG can exercise a significant influence on operating and financial decisions (associated companies) are accounted for using the equity method. The acquisition costs are offset by changes in equity attributable to the share of capital in the company (see IFRS income statement). Changes are recorded in the income statement except those which result from the conversion of companies from foreign currencies into the functional currency. Those are directly stated in the cumulative exchange rate difference.



Significant influence normally exists when an investor holds a voting share of at least 20%.

All other investments are stated at Fair Value.

### Investment portfolio per 31.12.

<i>Name / Headquarters</i>	<i>Country</i>	<i>Stake</i>	<i>Stake</i>	<i>Share capital</i>		<i>Valuation</i>
		<i>2010</i>	<i>2009</i>			
NovaStor AG, Zug	Switzerland	16.6%	16.6%	CHF	100'000	Fair Value
NovaStor Corporation, Agoura Hills (CA)	USA	49%	49%	USD	0	Fair Value 1)
NovaStor Software AG, Zug	Switzerland	30%	30%	CHF	100'000	Fair Value
NovaStor GmbH, Hamburg	Germany	100%	100%	EUR	25'565	Fair Value 1)
Finanzkontor Zürich AG (Risch), Rotkreuz	Switzerland	2.9%	2.9%	CHF	2'683'200	Fair Value
Petshop.de, Viersen	Germany	30%	0%	EUR	81'428	Fair Value
Multicom Software Oy, Lappeenranta	Finland	40%	40%	EUR	166'912	Equity method
Mount10 PCM GmbH, Rotkreuz	Switzerland	24%	24%	CHF	55'000	Equity method

1) With the contract of sale dated 30.06.2009 NovaStor granted a five-year purchase option on 70% of NovaStor GmbH and 19% of NovaStor Corporation to NovaStor AG. As from this date, Novavisions does not control this company anymore.

## 8. Recording and depreciation of tangible and intangible assets

### 8.1 Leased items

A lease arrangement is classified as an operating lease if all the risks and benefits associated with proprietorship predominantly remain with the lessor. Lease payments under operating lease arrangements are recognised as expenses in a straight line over the term of the lease contract.

Novavisions' leasing arrangements mainly involve vehicles. The terms of these operating lease contracts are generally between three and five years. Novavisions has not entered into any obligation to take over the lease items at the end of the term. The lease payments are recognised as costs in the income statement.

### 8.2 Tangible fixed assets

Tangible fixed assets are valued at purchase or production costs minus scheduled and non-scheduled depreciation. The costs of borrowed capital are not applied in determining the purchase or production costs, because they cannot be directly assigned to the respective assets. Depreciation is basically linear over the expected effective life.

The following depreciation periods apply:

Tangible assets	3 to 5 years
Leasehold improvements	10 years, but at most the period of the tenancy agreements

Tangible assets include computing systems, movable property, furnishings, office equipment, communication equipment, and system software.

Low-value property items with purchase costs of EUR 500 or less are debited directly from the income statement in the purchase year. Maintenance costs are recorded directly as expenses.



## 9. Liabilities

Liabilities are initially recognised at market value and subsequently at amortised cost. Liabilities in foreign currencies are translated at the rate on the reporting date and difference due to exchange rate movements recognised in profit and loss.

For the purposes of subsequent measurement the following categories of financial instruments as liabilities are distinguished:

### **Financial liabilities at fair value through profit and loss**

These include financial liabilities designated as at fair value through profit and loss on initial recognition. Changes in fair value in the reporting period are recognised in the financial result.

### **Liabilities held at amortised cost**

These are measured at amortised cost using the effective interest method.

### **Financial liabilities designated as hedged items**

If the conditions for using hedge accounting are met, hedged items and hedging instruments are accounted for so that changes in their respective fair values offset one another. The Group does not use hedge accounting.

On recognition financial liabilities are fundamentally held at fair value (plus direct transaction costs if applicable - except for items held at fair value through profit and loss).

The Group currently only holds the following categories:

### **Loans and receivables**

To the extent that the consolidated financial statements include partnerships under German law the partners' termination rights under statute and the partnership agreement do not allow for equity to be recognised in line with IAS 32. In this case the Group recognises the net asset value attributable to the partners as measured at fair value within liabilities.

### **Liabilities measured at amortised cost**

These correspond to accounts payable and other liabilities in the balance sheet. Accounts payable and other liabilities are always current liabilities. The classification as current or non-current liabilities depends on whether they are payable within one year or longer. Nominal values are equivalent to amortised cost. Fair values are roughly equivalent to the carrying amounts as they largely correspond to the estimated outflow of resources (apart from the effect of discounting), the terms are market standard and the Group is capable of making interest and principal repayments as agreed.

## 10. Instruments of credit/loans

When instruments of credit with options are issued, the loan portion is calculated on the basis of the market interest rate of comparable instruments of credit without options. After initial posting, the loan portion is reported at the amortized cost value. The issue costs are divided into a loan portion and an equity portion at the same ratio as the credit instrument. The amortization of the discount and issue cost share is debited from the result over the term of the credit instrument. The value assigned to exchange options on initial posting as equity capital remains unchanged during the subsequent reporting periods.

## 11. Provisions

Rückstellungen werden erfasst für ungewisse Verbindlichkeiten, vorausgesetzt, der zukünftige Abgang von Ressourcen ist wahrscheinlich und der Betrag kann verlässlich geschätzt werden. Bei wesentlicher Auswirkung wird vom Barwert langfristiger Rückstellungen ausgegangen. Zurzeit bestehen ausschliesslich kurzfristige Rückstellungen.



Provisions are posted at their nominal value. The value that appears most probable on careful consideration of the factual frame is set aside. Discounting is only performed if the time of outflow can be reliably determined and the effect is substantial. Currently there are short-term provisions only.

## **12. Pension obligations**

The Novavisions AG provides pension schemes for employees in accordance with national legislation. They are outsourced to establishments and foundations that are financially independent of Novavisions AG.

Novavisions AG bears the costs of benefits for all employees and their surviving dependents in accordance with legal requirements. The benefit obligations and the assets used to cover them are held by legally independent collective foundations of insurance companies. The organization, management and financing of the benefit schemes are based on Swiss insurance law (BVG), the foundation instruments and the applicable pension regulations.

In the case of schemes with defined benefit plans, the present value of expectancy based on seniority, expected salary and pension development, and expected return on the capital investment is periodically calculated by independent insurance experts according to the projected unit credit method.

The differences in comparison between the benefit obligations and benefit assets, as well as between the employer contributions paid and the net pension expenses are insignificant. Employer's contributions have been recorded as expenditure.

## **13. Management of capital**

The capital managed by the group corresponds to the consolidated equity. The objectives pursued by Novavisions in the management of capital are as follows:

- to safeguard a healthy and solid balance sheet structure on the basis of going concern values;
- to secure the requisite financial leeway for future investments and acquisitions;
- to achieve an appropriate return on investment.

Novavisions monitors equity on the basis of the equity ratio. It corresponds to equity expressed as a percentage of the balance sheet total.

As per 31.12.2010 the equity ratio is 72.2% (per 31.12.2009: 72.3%)

## **14. Affiliated persons and companies**

Transactions with affiliated persons and companies (related parties) are handled on terms that conform to the market. "Related persons" is understood to mean the members of the entity's board of directors as well as the member of group management. "Related companies" is understood to mean entities where members of the board of directors have a significant influence. Further disclosures on related parties are given in the notes D 5, D 14, F 6.

## **15. Ordinary taxes and deferred taxes**

Ordinary taxes are calculated on taxable earnings using the applicable tax rate. Deferred taxes are calculated for temporary differences between the financial statements for tax purposes and the consolidated financial statements. In so doing the group applies the 'liability method' by which deferred taxes are calculated using the tax rates applicable at the time the taxes are likely to be due. Deferred tax assets are only recognised when their recovery can be expected.



Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries and associates are recognised unless the timing of the reversal of the temporary differences can be controlled by the group and it is likely that the temporary differences will not be reversed in the foreseeable future.

## **16. Earnings per share (GDR)**

The earnings per GDR has been determined as the quotient of the net profit for the period and the weighted average of GDRs in circulation. The diluted earnings per GDR are determined in the same way as the earnings per GDR, but the weighted average of GDRs in circulation is increased by the number of GDRs that would have to be issued if the exercisable options were to be exercised whose exercise price is below the GDR's market value.

## **17. Estimates**

Die Aufstellung von im Einklang mit den IFRS stehenden Jahresabschlüssen erfordert Schätzungen. Des Weiteren macht die Anwendung der Bilanzierungs- und Bewertungsmethoden Wertungen des Managements erforderlich. Die sich tatsächlich einstellenden Beträge können von den Schätzungen abweichen.

Schätzungen, bei denen ein wesentliches Risiko für eine Bilanzkorrektur innerhalb von zwölf Monaten besteht, sowie andere weitreichende Ermessensentscheide werden unter hier aufgeführt.

The preparation of financial statements in accordance with IFRS requires estimates. Furthermore, the application of account standards requires management's assessments. The effective amounts may differ from those estimates. Estimates with a significant risk for a restatement within twelve months as well as far-reaching discretionary decisions are listed below:

### **Going concern:**

The financial statements 2010 have been established based on the principle of going concern. The going concern is widely depending on the covering of the liquidity needs (notes D 12.1).

### **Wide-ranging uncertainty with estimates:**

Quantifying the effects of uncertainty (sensitivity analysis) for the following estimates is barely feasible. However, it cannot be ruled out that adjustments made in response to actual events will have a material effect at short notice on the balance sheet items affected.

### **Measurement of equity investments:**

The fair value of non-quoted equity investments is measured by the Board of Directors using standard valuation methods (discounted cash flow, multiple analysis etc) based on market data as of the measurement date.

Every company valuation based on future cash flows requires various estimates to be made (see D 4). Expectations of future performance and changes in individual parameters have an effect on the result: this alone can in certain circumstances lead to a write-down or a write-up.

### **Impairment of intangible assets equity interests in associated companies:**

A judgement must be made as of the reporting date as to whether there is an indication of impairment. If this is the case, the higher of fair value less costs to sell and value in use is to be compared to the carrying amount in the consolidated financial statements. To estimate value in use - on the basis of future cash flows - estimates must be made. Under certain circumstances changes in these alone can result in an impairment.

### **Current and deferred income taxes:**

The amount and existence of postponed and deferred taxes depends on legal interpretations, the estimate of taxable profit in the reporting year, the tax rate (e.g. progressive rates), assessment procedures, future taxable profits and future legal changes. For deferred tax assets the future tax-



able profit also has to be estimated. If things turn out differently, this has an effect on future tax expenses.

**Share-options:**

The fair value of share options issued to employees and executives are recognised as payment on the date of distribution. On calculation of the fair value of the share options has been renounced as the exercise price is far out of the money and the maturity ends on 31.12.2011.

**Miscellaneous:**

Elsewhere too, accounting is often dependent on estimates (e.g. the course of business in investee companies, useful life of intangible assets and items of property, plant and equipment, amounts of provisions or contingent liabilities).

**18. Financial risks** (notes D 12)

**18.1 Liquidity risk**

The liquidity risk is that Novavisions is unable to satisfy its financial obligations when they fall due. Liquidity is monitored on a continuous basis.

Farsighted liquidity control comprises the guarantee of adequate liquidity reserves and usable financial assets as well as the possibility to make use of credit facilities.

As of 31 December 2010 no credit lines existed.

**18.2 Interest risk**

The interest change risk pertains primarily to long-term, interest-bearing loans. NovaStor used no financial instruments to protect against the interest change risk in the year under review.

**18.3 Measurement risk**

Novavisions holds equity investments in companies and accordingly is exposed to measurement risk. The development of the companies is monitored continuously.

**18.4 Default risk**

Financial instruments which may possibly expose Novavisions to a concentration of loss risks are primarily cash and cash equivalents and trade receivables. Banking relationships exist only with first class financial institutions. Novavisions monitors the credit standing of its customers on a continuous basis.

The default risk of the loan to NovaStor AG depends on the performance and the liquidity of the NovaStor companies. The management of Novavisions does not consider the default risk to be significant.

**18.5 Foreign currency risk**

The foreign currency risks arise from financial instruments whose currency deviates from the functional currency of the respective group company (see E 15).

Novavisions did not deploy any financial instruments to hedge the foreign currency risk in the reporting period.





**D NOTES TO THE BALANCE SHEET**

	<b>31.12.10</b> <b>EUR</b>	<b>31.12.09</b> <b>EUR</b>
<b>1. Cash and cash equivalents</b>		
Cash and cash equivalents	11'961	258'857
Total	11'961	258'857

Average interest on CHF bank current accounts was 0.125% (2009: 0.125%) EUR bank current accounts had an average interest of 0.25% (2009: 0.25%)

	<b>31.12.10</b> <b>EUR</b>	<b>31.12.09</b> <b>EUR</b>
<b>2. Accruals and other current assets</b>		
Receivables other taxes	197	7'984
Receivables from social establishments	3'654	0
Other receivables	2'814	4'021
Accruals	15'032	15'164
Total	21'697	27'086

As of 31.12.2010 prepaid expenses of EUR 15'032 were recognised for services for 2010 (2009: EUR 15'164). Other receivables include expenses reinvociced to customers.



**3. Tangible assets**

<b>Acquisition costs in EUR</b>	<b>Furnishings</b>	<b>IT equipment</b>	<b>Total Tang.Assets</b>
<b>January 1, 2009</b>	<b>253'295</b>	<b>290'574</b>	<b>543'869</b>
Additions	0	655	655
Disposals	-768	-1'828	-2'596
Currency difference	294	365	659
<b>December 31, 2009</b>	<b>252'821</b>	<b>289'766</b>	<b>542'587</b>
Additions	0	1'209	1'209
Transfer	781	1'815	2'596
Currency difference	47'082	54'253	101'335
<b>December 31, 2010</b>	<b>300'684</b>	<b>347'043</b>	<b>647'727</b>

<b>Depreciations in EUR</b>	<b>Furnishings</b>	<b>IT equipment</b>	<b>Total Tang.Assets</b>
<b>January 1, 2009</b>	<b>234'351</b>	<b>286'191</b>	<b>520'542</b>
Annual depreciation	14'790	3'369	18'159
Disposals	-768	-1'828	-2'596
Currency difference	523	419	942
<b>December 31, 2009</b>	<b>248'896</b>	<b>288'151</b>	<b>537'047</b>
Annual depreciation	3'483	1'327	4'810
Additional depreciation	0	0	0
Disposals	782	1'814	2'596
Currency difference	46'699	53'964	100'663
<b>December 31, 2010</b>	<b>299'860</b>	<b>345'256</b>	<b>645'116</b>

<b>Book value in EUR</b>	<b>Furnishings 0</b>	<b>IT equipment</b>	<b>Total Tang.Assets</b>
<b>January 1, 2009</b>	<b>18'944</b>	<b>4'383</b>	<b>23'327</b>
<b>December 31, 2009</b>	<b>3'925</b>	<b>1'615</b>	<b>5'540</b>
<b>December 31, 2010</b>	<b>824</b>	<b>1'787</b>	<b>2'611</b>



**31.12.10**  
**EUR**      **31.12.09**  
**EUR**

#### 4. Equity investments

Equity investments third party	6'619'935	4'931'477
Total	6'619'935	4'931'477

#### Measurement of equity investments (apart from associated companies) at fair value

Measurement was made at the end of the reporting year using the DCF method and based on the companies, five-year financial planning. For the period from year 5 the nominal amount in year 4 was extrapolated using a conservative estimate of the growth rate. For the 2010 measurement these growth rates were between 1% and 2% (2009: 0% to 1%). The cash flow forecasts are based on the relevant revenue expectations and the operating earnings in the 5-year budgets approved by the Board of Directors.

The parameters on which measurements are based come from publicly available financial data-bases. Sensitivity analyses were carried out for changes in these assumptions of +/- 1% and did not result in any impairment.

The following assumptions were used for the measurements:

in EUR	Growth rate	WACC	Fair Value	
			31.12.10	31.12.2009
Germany	2.0%	10.4%	4'128'654	2'817'378
Switzerland	1.0%	7.3%	1'043'374	892'909
USA	2.0%	10.5%	1'447'907	1'221'190
Total equity investments			6'619'935	4'931'477

#### 5. Associates

Beginning of period	860'775	852'695
Exchange rate difference	109'769	891
Additions	0	0
Disposals	0	0
Dividends	-43'076	-22'792
Financial result from associated companies	72'746	29'981
End of period	<u>1'000'214</u>	<u>860'775</u>

#### Financial information Multicom Software Oy:

Assets	1'644'168	1'266'081
Liabilities	848'956	552'893
Equity	795'212	713'188



**Financial information Mount10 PCM GmbH:**

At the time the consolidated financial statements were prepared no information was available for the reporting period 2010 on Mount10 PCM GmbH, as its financial statements had not yet been drawn up. This equity investment is held at EUR 0 (2009: EUR 0).

	<b>31.12.10</b> <b>EUR</b>	<b>31.12.09</b> <b>EUR</b>
<b>6. Deferred taxes</b>		
Beginning of period	39'400	236'260
Currency difference	10'541	-3'019
Current period	32'511	-193'841
End of period	82'452	39'400
Deferred tax assets	-1'623'245	-1'210'786
Revaluation of deferred tax assets	-1'623'245	1'210'786
Deferred tax liabilities	82'452	39'400
<b>Total</b>	<b>82'452</b>	<b>39'400</b>

The deferred taxes relate to the following balance sheet items:

Other current liabilities	21'028	8'627
Non-current loans	61'424	30'773
<b>Total</b>	<b>82'452</b>	<b>39'400</b>

Loss carry-forwards exist for EUR 11 million (2009: EUR 8,2 million) from the years 2004 – 2010. The loss carry-forwards are re-calculated from Swiss Francs into euros at the closing rate of December 31. Therefore they are subject to exchange rate differences of the reporting currency euro.

For those carry-forward no deferred tax assets are recognised as assets, since from today's perspective their use appears unlikely. The loss carry-forwards begin to expire for tax purposes in 2011..

2011	1'736'278
2012	0
2013	3'821'402
2014	2'579'525
2015	1'536'956
2016	0
2017	1'338'714
<b>Total loss carry-forward</b>	<b>11'012'516</b>



**31.12.10**      **31.12.09**  
**EUR**            **EUR**

**7. Current provisions**

Provision for value added tax	95'745	94'327
<b>Total</b>	<b>95'745</b>	<b>94'327</b>

**Change:**

Beginning of period	94'327	0
Currency difference	16'059	1'581
Addition	0	92'746
Utilisaiton	-14'641	0
Reversal	0	0
<b>End of period</b>	<b>95'745</b>	<b>94'327</b>

A new provision of EUR 92,746 was made in the previous reporting period 2009 for VAT arrears for the years 2004-2008 including the expected accrued interest. During the reporting period 2010 the amount of EUR 14'641 was used (2009: EUR 0).

**8. Other current liabilities**

Social security obligations	24'938	0
VAT	1'058	0
Out-of-court settlement of a liability	322'664	472'664
Liability from convertible rights	14'077	0
Liability under a call option	177'550	163'736
Miscellaneous liabilites	22'379	20'764
<b>Total</b>	<b>562'666</b>	<b>657'164</b>

**Measurement of call options**

The call options granted to NovaStor AG for additional sheres in NovaStor companies were measured using the Black-Schules method. 2010 the measurement resulted in a liability of EUR 177'550 (2009: EUR 163'736).

Beginning of Period	163'736	0
Currency difference	28'901	2'744
Current period	-15'087	160'992
<b>End of period</b>	<b>177'550</b>	<b>163'736</b>

The measurements are based on the following (see also D 4):

Risk-free interest rate - US Swap, 4 years: 2,25%, Euro Swap, 4 years: 2,0%

Annualised volatility: 10%

Discount for illiquidity, restricted marketability: 80%

Exercise period: 4 years

As corresponding market data cannot be reliably determined for non-quoted companies, volatility and discount are based on the following assumptions:

To determine volatility the average was taken of non-quoted companies and a peer group of quoted companies. As the NovaStor companies are not listed on any stock exchange, the individ-



ual companies would need to be separated for a sale and call options have been granted for some of the shares, their marketability is severely restricted and the discount correspondingly high.

If instead of the actual assumptions the measurements were based on a volatility of 25% and a discount of 50%, this would result in a liability of EUR 523'000 (2009: 482'000). This would reduce equity and earnings by EUR 345'000 (2009: EUR 319'000).

	<b>31.12.10</b> <b>EUR</b>	<b>31.12.09</b> <b>EUR</b>
<b>9. Accrued expenses</b>		
Wages, personnel, social security	26'138	29'855
Auditing and advisory	19'971	37'731
Interest expense on bonds	25'212	24'916
Payment purchase 5% investment in petshop.de	132'680	0
Other accrued expenses	0	5'524
<b>Total</b>	<b>204'001</b>	<b>98'026</b>

Accrued expenses (wages, social security, outstanding invoices, auditing of financial statements etc) cover all identifiable obligations to third parties. They have been recognised for their likely settlement amount. In the reporting year 2010 the option right to purchase addition 5% in petshop.de was exercised. The payment was made in January 2011.

## 10. Anleihen

Convertible bond 7% (nominal: TEUR 99; 2009: TEUR 159)	97'399	159'000
Bond with performance tracker (nominal: TEUR 1'090)	1'050'247	958'151
Convertible bond 0% (nominal: TEUR 400)	298'382	0
<b>Total</b>	<b>1'446'028</b>	<b>1'117'151</b>

Of the convertible bonds with a nominal value of EUR 159'000 and an interest of 7% EUR 60'000 were repaid on October 20, 2010 (on its maturity date) and EUR 99'000 prolonged until 31.12.2010. In connection with the prolongation of the bond convertible right for 380'770 GDRs are issued, this right can be exercised until the end of the maturity term. The exercise price is EUR 0,26 per GDR.

The on 17.06.2008 issued bond with a nominal value of EUR 1'090'000 has a maturity term from 17.06.2008 until 16.06.2011. This bond pays interest at 4% and was restated to short-term liabilities in the reporting year.

On January 14, 2010 a privately placed bond with a nominal value of EUR 400'000 was issued. It was issued at 73% of the nominal value. This bond pays interest at 0% and has a strike price of EUR 0,23 per GDR. The bond has a maturity until December 31, 2014.

A total of 1'714'000 options for co-ownership shares (GDRs) were issued in connection with this convertible bond. The options can be exercised up to the end of the maturity. The strike price is EUR 0,23 per GDR.

The recorded values are partly discounted. The effective interest rate is between 7,6% and 7,8 % (2009: 11,2%).



**31.12.10**  
**EUR**                      **31.12.09**  
**EUR**

## 11. Financial instruments

The following table shows the carrying amounts of all financial instruments by category. They are roughly equivalent to fair value in accordance with IFRS.

Cash and cash equivalents	11'961	258'857
Total cash and cash equivalents	11'961	258'857

Trade receivables	26'927	6'959
Loans	1'163'230	1'200'715
Miscellaneous receivables *)	17'846	19'192
Total loans and receivables	1'208'003	1'226'866

Equity investments **)	6'619'935	4'931'477
Assets held at fair value through profit or loss	6'619'935	4'931'477

Other current liabilities ***)	191'627	163'736
Financial liabilities at fair value through profit or loss	191'627	163'736

Trade payables	68'217	10'593
Convertible bond	1'502'600	1'249'000
Miscellaneous current / non-current liabilities	670'785	685'781
Zu fortgeführten Anschaffungskosten bewertete Verbindlichkeiten	2'241'602	1'945'374

\*) The balance sheet items prepaid expenses and other current assets include receivables from tax and social security authorities of 3'851 (2009: EUR 7'894), that do not fall within the scope of IAS 39 and are therefore not included in this table (D 2).

\*\*) All equity investments with the exception of associated companies are designated as at fair value through profit or loss.

\*\*\*) The liability from the measurement of the call options included in other current liabilities has been designated as a liability at fair value through profit and loss.

### Fair value hierarchy

As of 31 December 2010 Novavisions AG held the following financial instruments measured at fair value:

#### Assets measured at fair value

	31.12.2010	Level 1	Level 2	Level 3
Equity investments	6'619'935	0	93'560	6'526'375
Assets held at fair value through profit or loss	6'619'935	0	93'560	6'526'375

#### Liabilities measured at fair value

	31.12.2010	Level 1	Level 2	Level 3
Other current liabilities	191'627	0	0	191'627
Liabilities held at fair value through profit or loss	191'627	0	0	191'627





Novavisions uses the following hierarchy to identify and disclose the fair values of financial instruments according to the way they are measured:

**Level 1:** Quoted (unadjusted) prices on active markets for assets or liabilities of the same type.

**Level 2:** Methods for which all input parameters with a significant effect on the fair values measured can be observed either directly or indirectly.

**Level 3:** Methods using input parameters that have a significant effect on the fair values measured and are not based on observable market data.

During the reporting period to 31 December 2010 there were no reclassifications between measurements of fair value in levels 1 and 2 and no reclassifications from or to measurements of fair value in level 3.

## 12. Financial risks

### 12.1 Liquidity risk

The following table shows the contractual terms (including interest) of the financial liabilities:

#### 31 December 2010

	<b>Total</b>	<b>Up to 1 year</b>	<b>1 to 3 years</b>	<b>over 3 years</b>
Trade payables	68'217	68'217	0	0
Bonds	1'653'390	1'140'530	112'860	400'000
Miscellaneous current / non-current liabilities	741'836	450'193	253'414	38'229
Liabilities held at amortised cost	2'463'443	1'658'940	366'274	438'229

#### 31 December 2009

	<b>Total</b>	<b>Up to 1 year</b>	<b>1 to 3 years</b>	<b>over 3 years</b>
Trade payables	10'593	10'593	0	0
Bonds	1'347'330	213'730	1'133'600	0
Miscellaneous current / non-current liabilities	794'530	713'340	81'190	0
Liabilities held at amortised cost	2'152'453	937'663	1'214'790	0

Securing the required liquidity depends on exit opportunities for equity investments, the capability of portfolio companies to distribute dividends, the repayment of the loan made to NovaStor AG and the possibility of extending the bond that is repayable in the near term and/or raising new cash funding. The Board of Directors and management are convinced that funding requirements can be covered by selling shares in equity investments, dividend income from those equity investments, service income and payments of interest and principal from NovaStor. Current costs are to be reduced substantially in 2010. Furthermore the majority part of the convertible bond of EUR 1'090'000 repayable in the short term is expected to be extended.

The banks at which the credit balances are held have a good rating (Moody's long-term credit rating: Aa3).



## 12.2 Measurement risk

The equity investments and the loan are subject to measurement risk. Most of the portfolio investments are not listed on a stock exchange. Their current market values are therefore uncertain.

If it should become necessary to sell this investment quickly in order to secure liquidity or due to other unforeseeable constraints, this could lead to considerable write-downs and/or losses on disposal.

The following table shows the maximum measurement risk for the balance sheet:

	<b>31.12.10</b> <b>EUR</b>	<b>31.12.09</b> <b>EUR</b>
Current assets	60'585	292'902
Loans	1'163'230	1'200'715
Property, plant and equipment	2'611	5'540
Equity investments in third parties	6'619'935	4'931'477
Associated companies	1'000'214	860'775
<b>Total</b>	<b>8'846'575</b>	<b>7'291'409</b>

## 12.3 Default risk

The value of the loan depends on the success of the NovaStor companies and their ability to repay the loan. For the perspective of the Board of Directors and the Management the recoverability of the loan is given.

The maximum default risk on financial instruments is equal to the carrying amounts of the individual financial assets. No guarantees or similar obligations exist which could increase the risk above the carrying amounts. The maximum default risk as of the reporting date was as follows:

Loans	1'163'230	1'200'715
Miscellaneous receivables *)	17'846	19'192
<b>Total loans and receivables</b>	<b>1'181'076</b>	<b>1'219'907</b>

\*) Not including receivables from tax and social security authorities (see D 11).

## 12.4 Foreign exchange risk

Foreign exchange risk relates primarily to provisions, group loans and bonds not held in the functional currency.

As of 31 December changes in balance sheet items translated from foreign currencies due to a movement of +/- 5 per cent in exchange rates would have increased or decreased net income as shown in the following table:



**Effect on net in-  
come/loss before taxes in**

**2010**

**EUR      EUR**

<b>Exchange rate movement on balance sheet items in:</b>	<b>USD</b>	<b>EUR</b>
5%	193	-68'290
-5%	-193	68'290

**2009**

<b>Exchange rate movement on balance sheet items in:</b>	<b>USD</b>	<b>EUR</b>
5%	0	-74'721
-5%	0	74'721

The following table shows the sensitivity of shareholders' equity. A change in shareholders' equity invested in Swiss francs due to exchange rate movements of +/- 5 per cent would have increased or decreased as shown. This analysis assumes that all other variables, in particular interest rates, remain unchanged.

**Effect on equity in**

**2010**

**EUR      EUR**

<b>Exchange rate movement on equity invested in:</b>	<b>USD</b>	<b>EUR</b>
5%	193	-68'290
-5%	-193	68'290

**2009**

<b>Exchange rate movement on equity invested in:</b>	<b>USD</b>	<b>EUR</b>
5%	0	-74'721
-5%	0	74'721

**13. Share capital**

**Share capital**

As of 31 December 2010 the share capital of CHF 8,427,114.50 is divided into 2,407,747 bearer shares of CHF 3.50 (2009: 2,407,747 bearer shares). Translating this amount at historic exchange rates gives a figure of EUR 5,472,299 as of 31 December 2010.

Co-ownership shares (GDR) in the company are listed on the Frankfurt stock exchange. 10 co-ownership shares correspond to one bearer share in Novavisions AG.

**Authorised capital**

The Board of Directors is entitled to increase share capital by a maximum of CHF 3,500,000 by issuing up to 1,000,000 bearer shares at any time up to 30 March 2012.



### Contingent capital

Share capital can be increased by a maximum of CHF 3'592'000 by issuing up to 1'026'000 bearer shares. The contingent capital ensures that conversion and/or option rights can be exercised for bearer shares in Novavisions AG.

A maximum of 901'000 bearer shares with a nominal value of CHF 3.50 are available for holders of convertible bonds. A maximum of 125'000 bearer shares with a nominal value of CHF 3.50 are available for Board of Directors, employees and consultants of the company.

## 14. Related parties

Of the loan granted to NovaStor AG mid of previous reporting period 2009 EUR 220'472 was repaid in 2010 (2009: EUR 0). The interest revenue in the reporting period was EUR 32'495 (2009: EUR 14'975). Interest of EUR 43'658 (2009: EUR 0) were paid by NovaStor AG in the reporting period. Otherwise, there no transactions involving related parties in 2010 as well as in 2009.

### Total remuneration of management:

	Salaries incl. social securities	Expenses for staff benefits	Total
2010:	EUR 163'303	EUR 11'834	EUR 175'137
2009:	EUR 254'111	EUR 16'322	EUR 270'433

### Remuneration Board of Directors:

	Salaries incl. social securities	Expenses for staff benefits	Total
2010:	EUR 25'544	EUR 0	EUR 25'544
2009:	EUR 22'324	EUR 0	EUR 22'324

No share-based payments were made in the reporting period 2010 or in the previous year.

## 15. Events after the reporting date

On January 31, 2011 the shares of Finanzkontor Zürich AG – a balance sheet value of EUR 94'000 - were completely sold at the stock

## 16. Risk assessment

The Board of Directors discussed the topic of risk assessment and appointed company management to implement it accordingly. The objective is not to avoid all risks, but to create room for manoeuvre that should contribute to making consistent use of existing opportunities and increasing the performance of the business. Risk management helps to achieve the company's goals by creating transparency about the risk situation (as the basis for strategic and operating decisions), by identifying possible threats to the company's assets, earnings and financial position and by taking steps to keep risks within acceptable limits.

Regular reports on the risks and opportunities identified are made to the Board of Directors of Novavisions AG as part of this risk assessment process.



**E NOTES ON THE INCOME STATEMENT**

	<b>2010</b>	<b>2009</b>
	<b>EUR</b>	<b>EUR</b>

**1. Net income/loss**
**Net income from equity investments**

Net income is made up as follows:

Gain on the disposal of securities	0	1'500
Impairment losses on loans	0	12'566
Net income from assets	0	14'066

**Measurement at fair value through profit or loss**

The measurement of equity investments and call options granted at fair value led to a net profit of EUR 289'976 (2009: EUR 325'216). This is composed of an increase of EUR 271'975 (2009: EUR 486'208) in the value of the equity investments and of the call options of EUR 15'087 (2009: expenses of EUR 160'992), plus EUR 2'912 from measurement of convertible bond rights.

**Dividend income**

A dividend of EUR 43'076 (2009: EUR 22'792) was paid by MultiCom Software Oy in the reporting period.

**Interest income**

In 2010 interest income from banks came to EUR 178 (2009: EUR 263), and from related parties EUR 32'495 (2009: EUR 14'973).

**Other income**

In 2010 other income was exclusively income from services of EUR 119'714 (2009: EUR 89'460).

**Interest expense**

Banks & other	632	2'668
Interest on arrears	0	13'249
Bonds (incl. discounting)	166'485	139'762
Total	167'117	155'679

Interest expenses result from the use of credit lines and interest for outstanding bonds. Interest on arrears relates to the late payment of VAT returns for the years 2004-2008. Average interest on bank overdrafts in Swiss francs was 10.0% (2009: 8.5%).

**Other financial expenses**

Other financial expenses recognised in 2010 of EUR 6'366 (2009: EUR 36'394) consist of fundraising commissions..

**Fremdwährungserfolg**

In 2010 exchange rate book gains totalling EUR 293'375 were recognised in profit and loss (2009: book losses of EUR 1'459). Foreign exchange gains/losses reflect the effect of exchange rate movements on the loans and bonds not held in the functional currency of Novavisions AG.



**2010**  
**EUR**

**2009**  
**EUR**

**2. Administrative expenses**

Staff expenses	223'644	336'980
Office space	37'790	55'207
Marketing & public relations	47'060	31'887
Miscellaneous administrative expenses	119'597	247'552
<b>Total administrative expenses</b>	<b>428'091</b>	<b>671'626</b>

Staff expenses include salaries, profit-sharing payments, provisions for holiday entitlement, outside staff, training and other personnel expenses.

Cost-cutting measures were implemented in the 2010 reporting period that reduced administrative expenses significantly.

Pension contribution expenses in the financial year 2010 came to EUR 15'568 (2008: EUR 19'861) and the costs of option plans in the reporting year were EUR 0 (2009: EUR 0).

Miscellaneous administrative expenses include costs of business travel, vehicles, telecommunication, leasing, consultancy and others. In the 2009 reporting period this item also includes the increase in provisions of EUR 79,497 for late payment of VAT in the years 2004-2008. The related interest on arrears was recognised in interest expenses (see also D 7).

**3. Income taxes**

Current taxes	0	268
Deferred taxes	32'511	-193'841
<b>Total</b>	<b>32'511</b>	<b>-193'573</b>

The following table shows the difference between effective income taxes and expected income taxes, derived by multiplying net income before taxes by the expected tax rate:

**Income tax analysis**

Profit/loss before taxes	202'100	-228'856
Expected tax income	-29'790	33'733
<i>Tax rate</i>	<i>14.7%</i>	<i>14.7%</i>
Tax effects of:		
Unrecognised deferred taxes	-179'515	-26'696
Non-taxable income	176'794	186'536
<b>Tax income / expense</b>	<b>-32'511</b>	<b>193'573</b>

**4. Earnings per co-ownership share**

The outstanding options for shares in Novavisions AG do not dilute earnings per share as the strike prices are well above the current share price.

The outstanding options were not taken into account when calculating the average number of co-ownership shares in circulation. The relevant earnings are those shown in the income statement, as no further components need to be added. These have been divided by the number of GDR.



## F OTHER DETAILS

### 1. Other financial obligations

#### Leasing and rental obligations

The company especially rents and leases office space and plant. The contracts have varying terms of validity. In some cases there are extension options. In various contracts rent increases are dependent on the consumer price trend and the mortgage interest rates. Rental is treated as operating expense.

On the balance sheet date the following minimum rental payments resulted from non-terminable, non-balanced rental and leasing contracts:

	2011	2012	2013	2014	2015
Leasing obligations	11'451	0	0	0	0
Rent obligations	42'406	42'406	0	0	0
<b>Total</b>	<b>53'857</b>	<b>42'406</b>	<b>0</b>	<b>0</b>	<b>0</b>

In the reporting year EUR 50'207 (2009: EUR 57'613) were recorded as expense for leasing and rental in the consolidated annual report.

### 2. Pledged assets

Deposits are solely contained within the discontinued activities. There were no pledged assets as of 31 December of the reporting period.

### 3. Securities

As of December 31, 2010 the company had no outstanding securities.

### 4. Stock options

The following table shows the development of the options over the past two years:

	2010		2009	
	Options	Exercise-price	Options	Exercise-price
Outstanding options on 01.01.	233'000	€ 1.52	617'000	€ 1.52
Issued	0	-	0	-
Exercised	0	-	0	-
Expired	0	-	384'110	€ 1.10
<b>Balance 31.12.</b>	<b>233'000</b>	<b>€ 2.20</b>	<b>233'000</b>	<b>€ 2.20</b>
Thereof exercisable as 31.12.	233'000	€ 2.20	233'000	€ 2.20





The allocated share options were not measured or recognised for reasons of materiality. Based on the management estimate no expenses were recognised.

No options have been issued since 2006. There are no vesting conditions for the options that have been issued before. All options grant entitlement to 1 GDR (global depository receipt) each.

The composition of the outstanding options on 31 December 2010 was as follows:

Ausübungspreis	Options	Expiration	Average exercise price
€ 2.20	233'000	31.12.2011	€ 2.20
<b>Total</b>	<b>233'000</b>		<b>€ 2.20</b>

## 5. Major shareholders

According §26 of the German Securities Trading Act WpHG obliges the company to publish the attainment or crossing of threshold values for voting interests of 3%, 5%, 10%, 20%, 25%, 30%, 50% or 75% immediately, at the latest within 4 calendar days, in a national newspaper authorized by the stock exchanges. The time limit begins when the company becomes aware that the voting interest of the respective shareholder has reached or crossed the threshold value in either direction.

The following summary reflects the shareholder structure (>3.0%) known to the company as per 31 December:

Name	2010		2009	
	GDR	%	GDR	%
Adrian Knapp	2'180'422	9.06	2'180'422	9.06
Credit Suisse	3'150'000	13.08	3'150'000	13.08
M.M. Warburg	1'211'510	5.03	1'211'510	5.03



## 6. Security holding of executive organs

The following table provides information on the security holdings (GDR) and options on GDRs of members of executive management and the board of directors of Novavisions AG on 31 December 2010:

Name	Position	Category of securities	Quantity
Knapp Adrian	Chairman and CEO	GDR	2'180'422
		Options on GDR	70'000
Bernhard Markus	Member of board of directors	GDR	221'231
		Options on GDR	25'000
Naef Peter Urs	Member of board of directors	GDR	0
		Options GDR	40'000
Sascha Magsamen	Member of board of directors	GDR	0
		Options on GDR	0
Karl-Friedrich Kaupp	Member of board of directors	GDR	0
		Options on GDR	0

## 7. Board of Directors and Executive

Board of Directors:	Adrian Knapp	Chairman
	Markus Bernhard	Member
	Peter Urs Naef	Member
	Sascha Magsamen	Member
	Karl-Friedrich Kaupp	Member

Executive Management:	Adrian Knapp	Chief Executive Officer
	Jean-Christophe Probst	Chief Financial Officer

