FINANCIAL REPORT 2011

NOVAVISIONS AG

LETTER TO SHAREHOLDERS

Novavisions to clean up balance sheets and resultant effects on the financial statements 2011

Dear Shareholders,

Small investment companies on the stock market have a hard time. Although options have been considered for years, no real milestone could be achieved until now. Therefore, the Board of Directors has determined to further clean up the portfolio of Novavisions and to adjust the capital structure accordingly. The share price does not reflect the internal value of the portfolio for many years. Under these circumstances, it makes no sense to have GDRs with a nominal value of CHF 0.35 (EUR 0.28), traded at an average of EUR 0.05 – 0.12 on the stock exchange. This situation makes any meaningful change in capital impossible.

Therefore we have sold – manly against loans - all shares held on the subsidiaries NovaStor (-30% NovaStor Software AG, NovaStor Corp. – 49%, -100% NovaStor GmbH) to NovaStor AG in 2011. NovaStor AG now controls all NovaStor companies at 100%. Novavisions is still engaged in NovaStor AG with approximately 17%. These transactions were an important part of the portfolio adjustment. Since the individual NovaStor companies were rated higher than the average sale price, this adjustment led to a book loss, which contributed significantly to the negative result. We would like to mention at this occasion that NovaStor was very successful in 2011.

2011 the participation in Finanzkontor Zürich AG was sold at the stock exchange.

Petshop.de continued to grow in 2011. However, the growth rate slightly reduced compared to the previous year. For this segment, we remain positive and see various options.

MultiCom in Finland – in which Novavisions holds a stake of 40% - ended the year with record sales and profit. Therefore a further increase in dividend payments can be assumed.

The value of Novavisions and therefore of the share depends primarily on the valuation of the portfolio companies. Despite the realized book loss from the sale transaction, Novavisions assess all investments positive, since all companies have worked well even in difficult times.

In order to restructure the capital, to reduce the nominal value per share, by a nominal value reduction and a share split of 1:10 from CHF 3.50 to CHF 0.05 will be proposed to the Shareholders Meeting of May 29, 2012. Each GDR traded at the stock exchange will be backed by a bearer share than. This represents an important simplification and the new nominal value allows opportunities for capital market transactions.

Outlook 2012

The Board of Directors constantly examines options to increase the value of Novavisions. However the scarce liquidity narrows the scope considerably. Novavisions is dependent form e.g. loan repayments from NovaStor AG and dividend income from investment companies as well as certain service income to pay the operating costs.

All the companies in the portfolio achieved positive results in 2011. This should continue to have a good effect on the future portfolio valuation. However, if no gains from sale of investments or changes of the portfolio valuations can be achieved, this could lead to losses.

The sustained increase of the portfolio value in line with low administrative costs is core of added value creation which is Novavisions' aim. In addition, alternative opportunities to realize a better return for the shareholders are considered.

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	Jean-Christophe Probst
CEO/Chairman	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.-12.11	01.-12.10
	EUR	EUR
Net operating income	-3'339	635
General & administrative expenses	-413	-428
EBTDA	-3'752	207
Depreciation	-2	-5
Operating result (EBT)	-3'754	202
Profit/Loss for Period	**-3'700**	**170**
Earnings per GDR, diluted and undiluted	-0.154	0.007
GDR, diluted and undiluted		
- average in circulation	24'077'470	24'077'470
- in curculation as per spot date	24'077'470	24'077'470
	31.12.11	**31.12.10**
Equity capital	2'812	6'387
Equity ratio	***55.8%***	***72.2%***
Balance sheet total	5'037	8'847

MAJOR INVESTMENTS

NOVASTOR

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.

System Restore Made Convenient

NovaBACKUP 13 simplifies life for those needing to restore their critical data and make it available at a moment's notice. With the addition of a universal restore function, users achieve the capability for the seamless restoration of a complete system to dissimilar hardware. Users of the new version benefit from a boot environment based on original Microsoft technology, Windows PE, for the restoration of a system. Instead of using supplied boot images based technologies that may not always be current, NovaBACKUP 13 users start the restore of a complete system using the Win PE a platform which is continuously updated by Microsoft for the use of current hardware.

Selected Awards and Certifications

Microsoft GOLD CERTIFIED Partner · PC WELT 1,7 (gut) · PC WORLD Best BUY · PC Professionell · PCWorld · CHIP

Selected References

T-Systems · MultiCom · syngenta · General Mills · P&G · BUFFALO · Staunch · US Internet · Henry Schein · Hostway · GDS · SITaaS

MultiCom SOFTWARE

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.

Ausgewählte Referenzen

Capgemini · DataInfo · sonera · Crescom · TietoEnator · UPM

PETSHOP.de

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.

Petshop.de can be found at www.petshop.de.

Management and Board of Directors

As of December 31, 2011, 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.

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

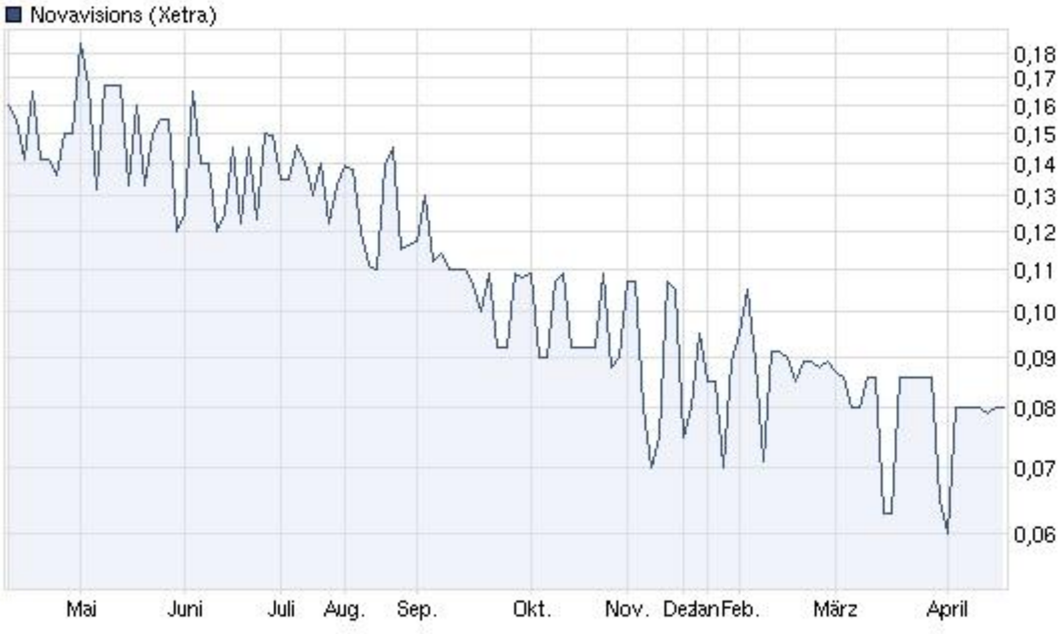
Adrian Knapp, Chief Executive Officer
Jean-Christophe Probst, Chief Financial Officer

NOVAVISIONS SHARE

The share price of Novavisions has developed as follows:

Highest price (Xetra) 05.05.11: EUR 0.17
Lowest price (Xetra) 31.03.12: EUR 0.06

General Standard (12 month)



Investor Relations:

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

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Financial Report according to IFRS 2011

BALANCE SHEET (IFRS)

		31.12.11	31.12.10
ASSETS		EUR	EUR
Long-term assets			
Tangible fixed assets	D 3	2'535	2'611
Investments	D 4	1'605'823	6'619'935
Investments in associated companies	D 5	1'085'384	1'000'214
Long-term loans		1'912'428	1'163'230
Long-term assets, total		**4'606'170**	**8'785'990**
Short-term assets			
Short-term part of long-term assets		410'341	0
Prepaid expenses		7'970	15'032
Other short-term current assets	D 2	2'572	33'592
Cash and cash equivalents	D 1	9'783	11'961
Short-term assets, total		**430'666**	**60'585**
Assets, total		**5'036'836**	**8'846'575**

The Notes to the Financial Statements are part of the IFRS Financial Report.

Balance Sheet (IFRS)

		31.12.11	31.12.10
EQUITY & LIABILITIES		**EUR**	**EUR**
Equity capital			
Subscribed capital	D 13	5'472'299	5'472'299
Capital reserve		2'131'561	2'131'561
Retained earnings		-6'252'853	-2'552'613
Cumulative exchange rate difference		1'460'585	1'336'219
Equity capital, shareholders of Novavisions AG		**2'811'592**	**6'387'466**
Bonds	D 10	1'512'649	395'781
Other long-term liabilities		97'664	0
Deferred tax liabilities	D 6	30'567	82'452
Long-term liabilities, total		**1'640'880**	**478'233**
Short-term loan		151'826	0
Short-term bonds	D 10	0	1'050'247
Short-term provisions	D 7	73'705	95'745
Other short-term liabilities	D 8	290'402	630'883
Deferred revenue	D 9	68'431	204'001
Short-term liabilities, total		**584'364**	**1'980'876**
Liabilities, total		**2'225'244**	**2'459'109**
Equity and Liabilities, total		**5'036'836**	**8'846'575**

The Notes to the Financial Statements are part of the IFRS Financial Report.

INCOME STATEMENT (IFRS)

		01.-12.11	01.-12.10
		EUR	EUR
Net result from investment	E 1	-3'714'077	0
Revaluation at fair value	E 1	193'322	289'976
Net result com associated companies	D 5	63'552	29'670
Dividend income	D 5, E 1	58'103	43'076
Interest income	E 1	30'211	32'673
Other income	E 1	109'442	119'714
Interest expense	E 1	-122'892	-167'117
Other financial expenses		0	-6'366
Net foreign exchange gain/loss	E 1	43'653	293'375
Net operating income		**-3'338'686**	**635'001**
General and administrative expenses	E 2	-413'188	-428'091
Earnings before taxes, depreciation and amortization		**-3'751'874**	**206'910**
Depreciation	D 3	-1'872	-4'810
Earnings before taxes		**-3'753'746**	**202'100**
Income taxes	E 3	53'506	-32'511
Net result		**-3'700'240**	**169'589**
of which attributable:			
to shareholders		-3'700'240	169'589
to holders of minority stakes		0	0
Earnings per GDR			
undiluted	E 4	-0.154	0.007
diluted		-0.154	0.007
Average of GDRs in circulation			
undiluted		24'077'470	24'077'470
diluted		24'077'470	24'077'470

The Notes to the Financial Statements are part of the IFRS Financial Report.

Comprehensive Income (IFRS)

	01.-12.11	01.-12.10
	EUR	**EUR**
Net result	**-3'700'240**	**169'589**
Other comprehensive income:		
Currency translation differences	124'366	943'129
Other comprehensive income	**124'366**	**943'129**
Total comprehensive income	**-3'575'874**	**1'112'718**
of which attributable:		
to shareholders	-3'575'874	1'112'718
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
Balance 31.12.09	**5'472'299**	**2'131'561**	**-2'722'202**	**393'090**	**5'274'748**
Net result	0	0	169'589	943'129	1'112'718
Balance 31.12.10	**5'472'299**	**2'131'561**	**-2'552'613**	**1'336'219**	**6'387'466**
Net result	0	0	-3'700'240	124'366	-3'575'874
Balance 31.12.11	**5'472'299**	**2'131'561**	**-6'252'853**	**1'460'585**	**2'811'592**

The share capital as of December 31, 2011 is CHF 8‘427‘114.50 divided into 2‘407‘747 bearer shares (31.12.10: 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.-12.11	01.-12.10
		EUR	EUR
Profit/Loss before taxes		-3'753'746	202'100
Depreciation of fixed assets and amortization of intangible assets		1'873	4'810
Net result investments		3'714'077	0
Revaluation at fair value		-193'322	-289'976
Financial revenue from associated companies		-63'552	-29'670
Financial result		-9'075	-207'582
Change in other current assets		33'134	-2'921
Change in other short-term liabilities		-308'181	4'789
Change in provisions		73'705	-14'642
CASH FLOW FROM OPERATING ACTIVITIES		**-505'087**	**-333'092**
Purchase/disposal of fixed assets and intangible assets		-1'727	-1'210
Purchase of investments		0	-444'294
Disposal of investments		132'959	0
Repayment of loans	D 14	171'820	220'472
Interests received		36'084	43'836
Dividends received		58'103	43'076
CASH FLOW FROM INVESTMENT ACTIVITIES		**397'239**	**-138'120**
Loans received		150'053	0
Net expenditures/payments from bonds		0	256'801
Interests paid		-44'680	-53'919
CASH FLOW FROM FINANCING ACTIVITIES		**105'373**	**202'882**
Foreign exchange differences		297	21'434
CHANGE IN CASH AND CASH EQUIVALENTS		**-2'178**	**-246'896**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**11'961**	**258'857**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**9'783**	**11'961**

The Notes to the Financial Statements are part of the IFRS Financial Report.

NOTES TO THE FINANCIAL STATEMENTS

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 16 2012.

B REPORTING STANDARDS

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

As of January 1, 2011 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:

IAS 24 Related Party Disclosures (revised)

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – voluntary prepaid contributions in the case of a minimum financing requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Annual Amendment Procedure – Amendments of standards, 2010 edition)

Amendments to published standards that are not yet mandatory to apply:

The following new or amended Guidelines (IAS/IFRS) or Interpretations (IFRIC) will become effective for the reporting years beginning on July 1, 2011, or at a later date as indicated below.
The following amendments will have 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 12 Income Taxes	limited amendment regarding recovery of the underlying assets (concerning investment property measured at fair value and assets measured using the revaluation method) (January 1, 2012).

IAS 27 Consolidated and Separate Financial Statements

As a consequence of the newly introduced standards IFRS 10 and IFRS 12, the consolidation requirements previously included in IAS 27 were revised and are now included in IFRS 10. IAS 27 is now limited to accounting for investments in subsidiaries, jointly controlled entities, and associates in separate (non-consolidated) financial statements (January 1, 2013).

IAS 28 Investments in Associates and Joint Ventures

In consequence of the newly introduced standards IFRS 11 and IFRS 12, IAS 28 has been renamed Investments in Associates and Joint Ventures and describes the application of the equity method to investments in associates and joint ventures (January 1, 2013).

IFRS 10 Consolidated Financial Statements – new (January 1, 2013)

IFRS 11 Joint Arrangements – new (January 1, 2013)

IAS 1 Presentation of Financial Statements

Amendments regarding the way other comprehensive income is presented (July 1, 2012).

IFRS 7 Financial Instruments: Disclosures

Amendments to improve disclosures regarding transfer transactions of financial assets (July 1, 2011).

IFRS 12 Disclosure of Interests in Other Entities – new (January 1, 2013)

IAS 19 Employee Benefits

Amendments resulting from projects regarding employee benefits and termination benefits (January 1, 2013)

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)

IFRS 13 Fair Value Measurement – new (January 1, 2013)

IFRS 7/IAS 32 Financial Instruments: Disclosures and Presentation

Amendments to improve disclosures regarding offsetting financial assets and financial liabilities (January 1, 2013 / January 1, 2014)

2011 Annual Improvements process of the IFRS – Adjustments of various standards

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 equals	ISO-Code	Unit	**2011**		**2010**	
			31.12.	Average	31.12.	Average
Swiss Francs	**CHF**	1	1.2185	1.2329	1.2518	1.3760
US-Dollar	**USD**	1	1.2877	1.3932	1.3402	1.3250

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. 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.

6. 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 as of 31.12.

Name / Headquarters	***Country***	***Stake 2011***	***Stake 2010***	***Share capital***		***Valuation***
NovaStor AG, Zug	Switzerland	16.6%	16.6%	CHF	100'000	Fair Value
NovaStor Corporation, Agoura Hills (CA)	USA	0%	49%	USD	0	Fair Value 1)
NovaStor Software AG, Zug	Switzerland	0%	30%	CHF	100'000	Fair Value
NovaStor GmbH, Hamburg	Germany	0%	100%	EUR	25'565	Fair Value 1)
Finanzkontor Zürich AG (Risch), Rotkreuz	Switzerland	0%	2.9%	CHF	2'683'200	Fair Value
Petshop.de, Viersen	Germany	30%	30%	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.

7. Recording and depreciation of tangible and intangible assets

7.1 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.

7.2 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.

8. 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.

9. 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 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.

10. Provisions

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.

11. 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.

12. 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 31.12.2011 the equity ratio is 55.8% (per 31.12.2010: 72.2%)

13. 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 4, D 5, D 14, D 16 and F 6.

14. 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.

15. 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. (see E 4)

16. Estimates

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 2011 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 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 taxable 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. The maturity of all outstanding share options ended 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.

17. Financial risks

17.1 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 (notes D 12).

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 2011 no credit lines existed.

17.2 Interest risk

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

17.3 Measurement risk

Novavisions holds equity investments in companies and accordingly is exposed to measurement risk. The development of the companies is monitored continuously (see D 12.2).

17.4 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 (see D 12.2, D 12.3, D 14 and D 16) depends on the performance and the liquidity of the NovaStor companies. The management of Novavisions does not consider the default risk to be significant.

17.5 Foreign currency risk

The foreign currency risks arise from financial instruments whose currency deviates from the functional currency of the respective group company (see D 12.4)
.
Novavisions did not deploy any financial instruments to hedge the foreign currency risk in the reporting period.

D NOTES TO THE BALANCE SHEET

	31.12.11 EUR	31.12.10 EUR

1. Cash and cash equivalents

Cash and cash equivalents	9'783	11'961
Total	9'783	11'961

Average interest on CHF bank current accounts was 0.125% (2010: 0.125%) EUR bank current accounts had an average interest of 0.25% (2010: 0.25%)

2. Accruals and other current assets

Receivables other taxes	196	197
Receivables from social establishments	0	3'654
Other receivables	2'376	29'741
Total	2'572	33'592

3. Tangible assets

Acquisition costs in EUR	Furnishings	IT equipment	Total Tang.assets
January 1, 2010	**252'821**	**289'766**	**542'587**
Additions	0	1'209	1'209
Transfer	781	1'815	2'596
Currency difference	47'082	54'253	101'335
December 31, 2010	**300'684**	**347'043**	**647'727**
Additions	0	1'727	1'727
Currency difference	8'217	9'505	17'722
December 31, 2011	**308'901**	**358'275**	**667'176**

Depreciations in EUR	Furnishings	IT equipment	Total Tang.assets
January 1, 2010	**248'896**	**288'151**	**537'047**
Annual depreciation	3'483	1'327	4'810
Disposals	782	1'814	2'596
Currency difference	46'699	53'964	100'663
December 31, 2010	**299'860**	**345'256**	**645'116**
Annual depreciation	324	1'548	1'872
Currency difference	8'199	9'454	17'653
December 31, 2011	**308'383**	**356'258**	**664'641**

Book value in EUR	Furnishings	IT equipment	Total Tang.assets
January 1, 2010	**3'925**	**1'615**	**5'540**
December 31, 2010	**824**	**1'787**	**2'611**
December 31, 2011	**518**	**2'017**	**2'535**

	31.12.11 EUR	31.12.10 EUR

4. Equity investments

Equity investments third party	1‘605‘823	6‘619‘935
Total	1‘605‘823	6‘619‘935

Disposal
The shares of the NovaStor subsidiaries were sold to the NovaStor parent company for CHF 1.9 million, mostly against loans (see D 14 and E 1).
As stated in last year’s report under “events after the reporting date”, the shares of Finanzkontor Zürich AG (balance sheet value of EUR 94’000) were completely sold at the stock exchange on January 31, 2011 (see E 1).

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 31.12.11	Fair Value 31.12.10
Germany	1.0%	12.8%	809'763	4'128'654
Switzerland	0.5%	4.2%	796'060	1'043'374
USA	n.a	n.a.	0	1'447'907
Total equity investments			1'605'823	6'619'935

5. Associates

Beginning of period	1‘000‘214	860‘775
Exchange rate difference	21‘618	109‘769
Additions	0	0
Disposals	0	0
Dividends	-58‘104	-43‘076
Financial result from associated companies	121‘655	72‘746
End of period	1‘085‘383	1‘000‘214

Financial information Multicom Software Oy:

Assets	1‘586‘456	1‘644‘168
Liabilities	624‘924	848‘956
Equity	961‘532	795‘212

Financial information Mount10 PCM GmbH:

This equity investment is held at EUR 0 (2010: EUR 0).

6. Deferred taxes

	31.12.11 EUR	*31.12.10 EUR*
Beginning of period	82‘452	39‘400
Currency difference	1‘621	10‘541
Current period	-53‘506	32‘511
End of period	30‘567	82‘452
Deferred tax assets	967‘597	1‘623‘245
Revaluation of deferred tax assets	-967‘597	-1‘623‘245
Deferred tax liabilities	30‘567	82‘452
Total	30‘567	82‘452

The deferred taxes relate to the following balance sheet items:

Long-term loans	-18‘303	0
Other current liabilities	-88	21‘028
Other long-term liabilities	12‘706	0
Bonds	36‘252	61‘424
Total	30‘567	82‘452

Loss carry-forwards exist for EUR 11 million (2010: EUR 11 million) from the years 2005 – 2011. 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 2012.

2012	0
2013	2‘571‘782
2014	2‘650‘021
2015	1‘578‘959
2016	0
2017	1‘375‘299
2018	3‘101‘298
Total loss carry-forward	11‘277‘358

(see E 3)

	31.12.11 EUR	31.12.10 EUR

7. Current provisions

Provision for value added tax	73'705	95'745
Total	73'705	95'745

Development:

Beginning of period	95'745	94'327
Currency difference	2'327	16'059
Addition	0	0
Utilisation	-19'466	-14'641
Reversal	-4'901	0
End of period	73'705	95'745

A provision was made for VAT arrears for the years 2004-2008 including the expected accrued interest. During the reporting period 2011 the amount of EUR 19'466 was used (2010: EUR 14'641).

8. Other current liabilities

Social security obligations	23'099	24'938
Liabilities against employees	35'331	0
VAT	0	1'058
Out-of-court settlement of a liability	150'000	322'664
Liability from convertible rights	1'026	14'077
Liability under a call option	0	177'550
Other liabilities	80'946	90'596
Total	290'402	630'883

Measurement of call options

The liability of the granted options to NovaStor AG to purchase additional shares of the NovaStor companies was completely dissolved in the income statement due to the premature completed purchase. (see E 1)

Beginning of period	177'550	163'736
Currency difference	2'722	28'901
Current period	-180'272	-15'087
End of period	0	177'550

	31.12.11 EUR	31.12.10 EUR

9. Accrued expenses

Wages and salaries, Social costs	16‘020	26‘138
Audit & Advisory Services	20‘517	19‘971
Interests bonds	31‘894	25‘212
Payment for the acquisition of 5% stack in petshop.de	0	132‘680
Total	68‘431	204‘001

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. Bonds

Convertible bond 7% (nominal: TEUR 99)	98‘110	97‘399
Bond with performance tracker (nominal: TEUR 1‘090)	1‘090‘000	1‘050‘247
Convertible bond 0% (nominal: TEUR 400)	324‘539	298‘382
Total	1‘512‘649	1‘446‘028

Of the convertible bonds with a nominal value of EUR 99‘000 and an interest of 7%and a maturity term till 31.12.2013, EUR 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 prolonged maturity term until 16.06.2012. This bond pays interest at 4% and was restated to long-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 7,8% and 8,1 % (2010: between 7,6% and 7,8%).

	31.12.11 EUR	31.12.10 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.

	31.12.11 EUR	31.12.10 EUR
Cash and cash equivalents	9‘783	11‘961
Total cash and cash equivalents	9‘783	11‘961

Loans	2‘322‘769	1‘163‘230
Other current assets and prepaid expenses *)	10‘346	44‘773
Total loans and receivables	2‘333‘115	1‘208‘003

Equity investments **)	1‘605‘823	6‘619‘935
Assets held at fair value through profit or loss	1‘605‘823	6‘619‘935

Other current liabilities ***)	1‘026	191‘627
Financial liabilities at fair value through profit or loss	1‘026	191‘627

Loan	151‘826	0
Bond	1‘524‘200	1‘502‘600
Other current / non-current liabilities	529‘176	739‘002
Liabilities held at amortised cost	2‘205‘202	2‘241‘602

*) The balance sheet items prepaid expenses and other current assets include receivables from tax and social security authorities of 196 (2010: EUR 3’851), 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 2011 Novavisions AG held the following financial instruments measured at fair value:

Assets measured at fair value

	31.12.2011	Level 1	Level 2	Level 3
Equity investments	1‘605‘823	0	0	1‘605‘823
Assets held at fair value through profit or loss	1‘605‘823	0	0	1‘605‘823

Liabilities measured at fair value

	31.12.2011	Level 1	Level 2	Level 3
Other current liabilities	1‘026	0	0	1‘026
Liabilities held at fair value through profit or loss	1‘026	0	0	1‘026

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 2011 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 2011

	Total	up to 1 year	1 to 3 years	over 3 years
Bonds	1‘690‘060	50‘530	1‘639‘530	0
Other current / non-current liabilities	731‘591	554‘918	162‘056	14‘617
Liabilities held at amortised cost	2‘421‘651	605‘448	1‘801‘586	14‘617

31 December 2010

	Total	up to 1 year	1 to 3 years	over 3 years
Bonds	1‘653‘390	1‘140‘530	112‘860	400‘000
Other current / non-current liabilities	810‘053	518‘410	253‘414	38‘229
Liabilities held at amortised cost	2‘463443	1‘658‘940	366‘274	438‘229

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

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 (see D 14 and D 16) and/or raising new cash funding.

Since such inflows are in time and in amount only partly predictable, we point out, that a material uncertainty exists in the future to ensure liquidity. Should this – contrary to expectations - not be possible, Novavisions could not continue its activities.

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:

	31.12.11 EUR	***31.12.10 EUR***
Current assets	430‘666	60‘585
Long-term loans	1‘912‘428	1‘163‘230
Property, plant and equipment	2‘535	2‘611
Equity investments	1‘605‘823	6‘619‘935
Associated companies	1‘085‘384	1‘000‘214
Total	5‘036‘836	8‘846‘575

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	2‘322‘769	1‘163‘230
Other receivables*)	10‘346	44‘773
Total loans and receivables	2‘333‘115	1‘208‘003

*) 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 income/loss before taxes in

EUR ***EUR***

2011

Exchange rate movement on balance sheet items in:	**USD**	**EUR**
5%	0	-88‘903
-5%	0	88‘903

2010

Exchange rate movement on balance sheet items in:	**USD**	**EUR**
5%	193	-68‘290
-5%	-193	68‘290

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	
	EUR	EUR

2011

Exchange rate movement on equity invested in:	USD	EUR
5%	0	-88'903
-5%	0	88'903

2010

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

13. Share capital

Share capital

As of 31 December 2011 the share capital of CHF 8,427,114.50 is divided into 2,407,747 bearer shares of CHF 3.50 (2010: 2,407,747 bearer shares). Translating this amount at historic exchange rates gives a figure of EUR 5,472,299 as of 31 December 2011.
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

In the reporting period NovaStor bought shares of the NovaStor companies from Novavisions at a total purchase price of EUR 1'537'838. Thereof EUR 40'555 were paid and the difference added to the existing loan.

Of the loan granted to NovaStor AG EUR 171'820 was re-paid in 2011 (2010: EUR 220'472). The interest revenue in the reporting period was EUR 30'163 (2010: EUR 32'495). Interest of EUR 36'036 (2010: EUR 43'658) were paid by NovaStor AG in the reporting period. Otherwise, there no transactions involving related parties in 2011 as well as in 2010.

Total remuneration of management:

	Salaries incl. Social security		Expenses for staff benefits		Total	
2011:	EUR	164'700	EUR	12'382	EUR	177'082
2010:	EUR	163'303	EUR	11'834	EUR	175'137

Remuneration Board of Directors:

	Salaries incl. Social security	Expenses for staff benefits	Total
2011:	EUR 21'178	EUR 0	EUR 21'178
2010:	EUR 25'544	EUR 0	EUR 25'544

No share-based payments were made in the reporting period 2011 or in the previous year.

15. 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.

16. Events after the reporting date

On February 29, 2012 NovaStor AG repaid EUR 205 thousands from the loan and thus contributed importantly to Novavisions' liquidity.

E NOTES ON THE INCOME STATEMENT

1. Net income/loss

Net income from equity investments
Net income is made up as follows:

	2011 EUR	**2010 EUR**
Net loss on the disposal of securities	-3'501'518	0
Expenses bank/stock exchange	-1'674	0
Markdown	-210'885	0
Net income from assets	-3'714'077	0

The loss on disposal of investments is attributable to the sale of NovaStor subsidiaries (see D 4 and D 14). The price cut was due to the early acquisition of the remaining NovaStor shares by NovaStor AG and was charged to the long-term loan.

Measurement at fair value through profit or loss
Following the sale of the NovaStor subsidiaries the granted options to NovaStor AG became obsolete and were booked to the income statement (see D 8). This resulted in a gain of EUR 180'272. The valuation of conversion rights in connection with the convertible bond contributed to the profit with EUR 13'050. Thus the result for the reporting year was a gain of EUR 193'322 (2010: EUR 289'976).

Dividend income
A dividend of EUR 58’103 (2010: EUR 43’076) was paid by MultiCom Software Oy in the reporting period (see D 5).

Interest income
In 2011 interest income from banks came to EUR 49 (2010: EUR 178), and from related parties EUR 30’163 (2010: EUR 32’495) (see D 14).

Other income
In 2011 other income was exclusively income from services of EUR 109’442 (2009: EUR 119’714).

Interest expense

	2011 EUR	***2010 EUR***
Banks & other	6‘979	632
Bonds (incl. discounting)	115‘913	166‘485
Total	122‘892	167‘117

Interest expenses result from the use of credit lines and interest for outstanding bonds. Average interest on bank overdrafts in Swiss francs was 9% (2010: 10%).

Foreign exchange
In 2011 exchange rate book gains totalling EUR 43’653 were recognised in profit and loss (2010: EUR 293’375). 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.

2. Administrative expenses

Staff expenses	224‘742	223‘644
Office space	45‘705	37‘790
Marketing and Public Relations	38‘252	47‘060
Other administrative expenses	104‘489	119‘597
Total General & Administrative expenses	413‘188	428‘091

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

Pension contribution expenses in the financial year 2011 came to EUR 15’120 (2010: EUR 15’568) and the costs of option plans in the reporting year were EUR 0 (2010: EUR 0).

Other administrative expenses include costs of business travel, vehicles, telecommunication, leasing, consultancy and others.

3. Income taxes

Current taxes	0	0
Deferred taxes	-53‘506	32‘511
Total	-53‘506	32‘511

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

	2011 EUR	*2010 EUR*
Profit/loss before taxes	-3'753'746	202'100
Expected tax income	321'989	-29'790
Tax rate	*8.58%*	*14.7%*
Tax effects of:		
Unrecognised deferred taxes	-262'916	-179'515
Non-taxable income	-40'565	176'794
Change in taxe rate	34'998	0
Tax income / expense	53'506	-32'511

(see D 6)

The applicable tax rate in reporting period 2011 is the one of a pure Holding (2010: mixed Holding tax rate).

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 NOTES

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:

	2012	2013	2014	2015	2016
Leasing obligations	7‘020	0	0	0	0
Rent obligations	43‘568	0	0	0	0
Total	50‘588	0	0	0	0

In the reporting year EUR 52‘907 (2010: EUR 50’207) were recorded as expense for leasing and rental in the consolidated annual report.

2. Pledged assets

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:

	2011		2010	
	Options	Exercise-price	Options	Exercise-price
Outstanding options on 01.01.	233'000	€ 2.20	233'000	€ 2.20
Issued	0	-	0	-
Exercised	0	-	0	-
Expired	233'000	€ 2.20	0	-
Stand 31.12.	0	0	233'000	€ 2.20
Thereof exercisable on 31.12.	0	0	233'000	€ 2.20

The exercise price equals to the weighted average. The total proceeds from the exercise of option in fiscal year 2011 amounted to EUR 0 (2010: EUR 0). The allocated share options were not measured or recognised for reasons of materiality. Based on the management estimate no expenses were recognised. Based on the Management's opinion, no expense should be recorded. All options expired on 31.12.2011, without having been exercised.

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.

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:

	2011		***2010***	
Name	**GDRs (number of)**	**%**	**GDRs (number of)**	**%**
Adrian Knapp	2'180'422	9.06	2'180'422	9.06
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 2011:

Name	Position	Category of securities	Quantity
Knapp Adrian	Chairman of the board and CEO	GDR Options on GDR	2‘180’422 70‘000
Bernhard Markus	Member of the board	GDR	221’231
		Options on GDR	25‘000
Naef Peter Urs	Member of the board	GDR	0
		Options GDR	40‘000
Sascha Magsamen	Member of the board	GDR	0
		Options on GDR	0
Jean-Christophe Probst	CFO	GDR	0
		Options on GDR	0

7. Board of Directors and Executive Management

Board of Directors:	Adrian Knapp	Chairman
	Markus Bernhard	Member
	Peter Urs Naef	Member
	Sascha Magsamen	Member
Executive Management:	Adrian Knapp	Chief Executive Officer
	Jean-Christophe Probst	Chief Financial Officer